

Impact Assessment Template for a RIA Application to Case Studies

October 01, 2008

Case Study Working Group 1:

How to Regulate Bank Lending Risks to un-hedged borrowers

Please tick the box that best captures the project's public-private modernization impact:

PUBLIC-PRIVATE FINANCIAL SECTOR MODERNIZATION MATRIX					
	European Central Bank CRITERIA				
Italian Banking Association 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					

Description of the modernization impact:

(Please make a summary of the modernization impact of the project under review)

Case Study Objectives

The purpose of this session is to make participants undertake a RIA exercise by applying RIA methodology to case studies illustrated the day before.

Each Working Group needs to assign one member who would be the leader of each step of the RIA process and one additional member who would be the note taker of the discussed and proposed solutions. Participants will take note of the brainstorming and the solutions proposed in their own *RIA Simulation Template* included within the Seminar Package.

The Facilitators assigned to your Working Group as well as the composition of your group along with the maximum time to allocate on each exercise is listed in the tables below.

Chair & Facilitators

Chair: Mrs. Ramona Bratu, SPI Regional Operations Director;

General Coordinator: Mr. Stephen Dickinson, Senior Regulator, UK Financial Services Authority;

Facilitators:

- Mr. Ivo Stankov, Senior Expert, Bulgarian Stock Exchange;
- Mr. Gerond Ziu, Chief of Inspection Office, Bank of Albania.

Working Groups Composition

	Title	Name	Last name	Country	Institution
Working Group 1	Ms.	Aneta	Veliu	Albania	Ministry of Finance
	Mr.	Milen	Savov	Bulgaria	Ministry of Finance
	Mr.	Rade	Jovanovic	Bosnia & Herzegovina	Central Bank of Bosnia and Herzegovina
	Ms.	Iva	Kopecki	Croatia	Croatia National Bank
	Mr.	Burim	Gashi	Kosovo	UNMIK Custom Services
	Mr.	Agron	Medjiti	Macedonia	Ministry of Finance
	Ms.	Natalia	Agapii	Moldova	Ministry of Finance
	Ms.	Veronica	Cuhal	Moldova	National Commission of Financial Market
	Ms.	Felicia	Maciac	Moldova	National Commission for Financial Market
	Mr.	Victor	Burunsus	Moldova	The World Bank Group
	Mr.	Paul	Maris	Romania	Ministry of Economy and Finance
	Mr.	Tomaž	Rotovnik	Slovenia	Bank of Slovenia

Case Study Division of Groups and Tasks

Steps of the RIA process Questions for analysis	Purpose of each RIA step	Working Group # 1	Time allocated (minutes)
1. Problem Identification	To understand a market/regulatory failure analysis and to identify whether there is a need of regulatory intervention.	All WG members work together	60
2. Definition of Policy Objectives	To identify the effects of policies and check whether regulatory policies bring the markets closer to organizational regulatory objectives	All WG members work together	20
3. Development of "do nothing" option	To identify and state the status quo	All WG members work together	20
4. Alternative Policy Options	To identify and state alternative policies and among them the "market solution" consisting of no market intervention but solely relying on market forces to solve the problem.	Ms. Aneta Veliu– Albania Mr. Milen Savov– Bulgaria	20
	Break 20 min		
5. Analysis of Impacts: Costs to Consumers	To identify and state the costs borne to consumers under all options	Mr. Rade Jovanovic– Bosnia& Herzegovina Ms. Iva Kopecki - Croatia	20
6. Analysis of Impacts: Benefits to Consumers	To identify and state the benefits yielded by consumers under all options considered	Mr. Burim Gashi – Kosovo Mr. Agron Medjiti– Macedonia	20
7. Analysis of Impacts: Cost to Regulator and Regulated Firms	To identify and state the costs borne by regulator and regulated firms under all options considered	Ms. Natalia Agapii– Moldova Ms. Veronica Chuhal– Moldova	20
8. Analysis of Impacts: Benefits to Regulator and Regulated Firms	To identify and state the benefits yielded by regulator and regulated firms under all options considered	Mr. Victor Burunsus– Moldova Ms. Felicia Maciac– Moldova	20
9. Public Consultations: Arrangements of Consultation Process	To identify all main relevant stakeholders that should be consulted, choose the possible way(s) the consultation might run and outline questions to be discussed in the consultation	Mr. Paul Maris – Romania Mr. Tomaz Rotovnik– Slovenia	20
Total Time:			240 (4hrs00min)

INTRODUCTION

The present Impact Assessment Template is designed to take you through the main steps of the analysis and data requirements, regardless of the stage of the regulatory design process you are in.

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. Development of “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 4 sections:

The first section sets the stage of a preliminary IA by describing the main information of the draft regulation on which RIA is being practiced..

Section 2 aims to scope the underlying problem in order to see whether or not it is necessary a regulatory intervention to address that problem.

Section 3 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.

Finally, Section 4 brings the main findings explored in the previous 3 sections together in a conclusion.

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: **Setting the stage:**

Background¹

¹ Please describe concisely the draft regulation which RIA is being applied to.

Section 2: Scoping the problem

1. Problem Identification

a) What is the problem under consideration?

All WG members discuss this step jointly

1. Problem Identification

b) Why is regulatory intervention necessary?

All WG members discuss this step jointly

2. Definition of Policy objectives

All WG members discuss this step jointly

3. Development of “do nothing” option ²

All WG members discuss this step jointly

4. Alternative Policy options³

WG members discuss separately. The following members present the results of the group discussion:

Ms. Aneta Veliu (Albania); Mr. Milen Savov (Bulgaria)

5. Analysis of Impacts: Costs to Consumers

WG members discuss separately. The following members present the results of the group discussion:

Mr. Rade Jovanovic (Bosnia & Herzegovina); Ms. Iva Kopecki (Croatia)

² Once the problem has been identified [see item a)], in this section you need to concisely explain how the problem would evolve if the current regulatory framework (also ‘baseline’) were to continue without regulatory change.

³ You may wish to draw from ToR’s project objective as a first input. When policy analysis is more advanced, this box should contain the feasible policy options produced by the expert staff of the regulator (or equivalently by the Project Working Group) responsible for the regulatory analysis task.

6. Analysis of Impacts: Benefits to Consumers

WG members discuss separately. The following members present the results of the group discussion:

Mr. Burim Gashi (Kosovo); Mr. Agron Medjiti (Macedonia)

7. Analysis of Impacts: Costs to Regulator and Regulated Firms

WG members discuss separately. The following members present the results of the group discussion:

Ms. Natalia Agapii (Moldova); Ms. Veronica Cuhai (Moldova)

8. Analysis of Impacts: Benefits to Regulator and Regulated Firms

WG members discuss separately. The following members present the results of the group discussion:

Ms. Felicia Maciac (Moldova); Mr. Victor Burunsus (Moldova)

9. Arrangements of Consultation Process

*WGs discuss separately. The following members act as a leader of each respective WG:
Mr. Paul Maris (Romania); Mr. Tomaz Rotovnik (Slovenia)*

--

Please tick the appropriate box as a result of the previous answers:

Summary Problem Scoping			
Market failure			
Asymmetric information	Market power	Positive externalities	Negative externalities
(Existing) Regulatory failure			
Regulation wrongly prescribed for the market	Regulation 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 3: Summary: impact analysis evidence

Table 1

Regulated firms		
Benefits & Costs (in terms of Key economics)	Quantitative summary results (Mln, Euro)	Qualitative summary results (High, medium, Low)
i) Costs		
ii) Benefits (quantity of products/services offered; price increase; cost reduction)		
iii) Quantity of the products offered		
iv) Quality of the products offered		
v) Variety of the products offered		
vi) Efficiency of competition		

Please enter in the boxes the main quantitative findings from Table 1

Regulated firms			
Main quantitative aspects to be assessed (scenario vs baseline)			
Time span	Key economics		
	<i>Additional Loans</i>	<i>Cost Savings /Additional Revenues</i>	<i>Equity relief</i>
<i>First full year</i>			
<i>5-year time horizon</i>			

Please tick the appropriate box and enter the degree of qualitative impact:

Consumers			
Main quantitative/qualitative aspects to be assessed (scenario vs baseline) (Qualitative impact: high, medium, Low)			
Time span	Key economics		
	<i>Choice aspect</i> (sub-optimal or reduced)	<i>Cost impact aspect</i> (operational-financial-systemic-risks, market power, transaction inefficiencies)	<i>Financial exclusion</i>
<i>First full year</i>			
<i>5-year time horizon</i>			

=====

Table 2

Regulator and Government			
	Benefits & Costs	Quantitative summary results (Mln, Euro)	Qualitative summary results (High, medium, Low)
Regulator perspective	i) Direct costs		
	ii) Benefits*		
Government perspective	iii) Government taxation		

*= Benefits have to be meant either:
i) as the Regulator's statutory objectives (if so, please enter which);
ii) as one of the ECB criteria aforesaid, namely *Asymmetric information reduction, Completeness of the market, Increased opportunities to engage in financial transaction, reduced transaction costs, Increased competition*

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)];

The Policy recommendations document should bring the table here below in which all options considered are compared and quantified so as to come up with a preference in terms of overall net benefit.

POLICY OPTIONS	SHORT TERM			LONG TERM			OVERALL NET EFFECT
	Costs	Benefits	NET	Costs	Benefits	NET	
Option-1							
Option-2							
Option-3							

- 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...)

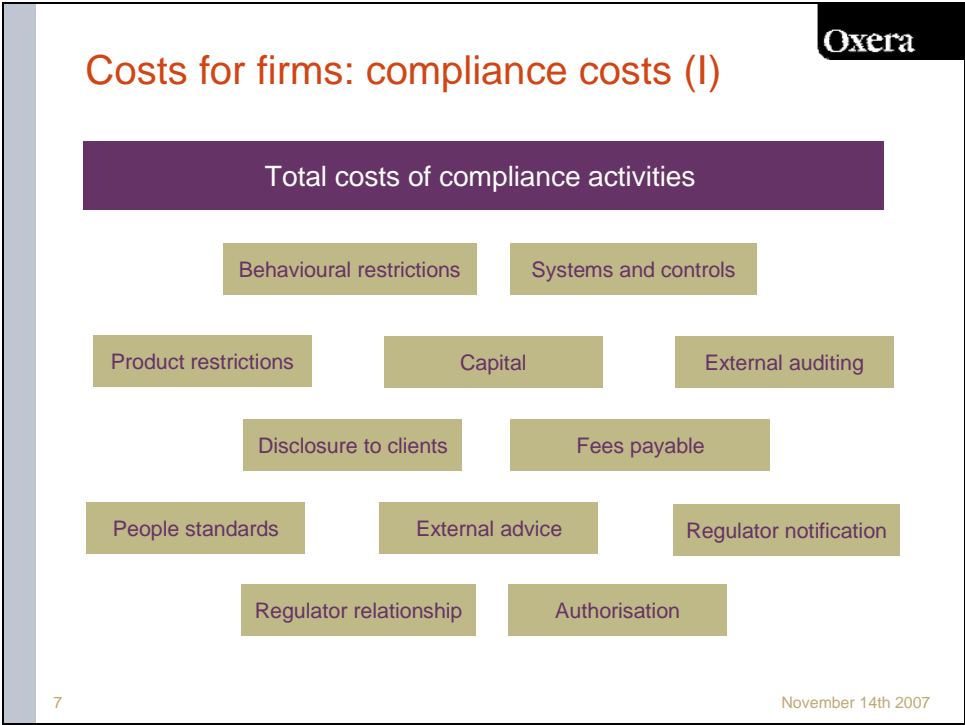
Our response *(this document will need to be able to respond to every argument made by the stakeholders in their feedback. Where the WG agrees with their points the WG should say so, where the WG disagrees the WG should also say so, and support our view with evidence and argument. The aim is to develop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

Annex 1– Methodological Section

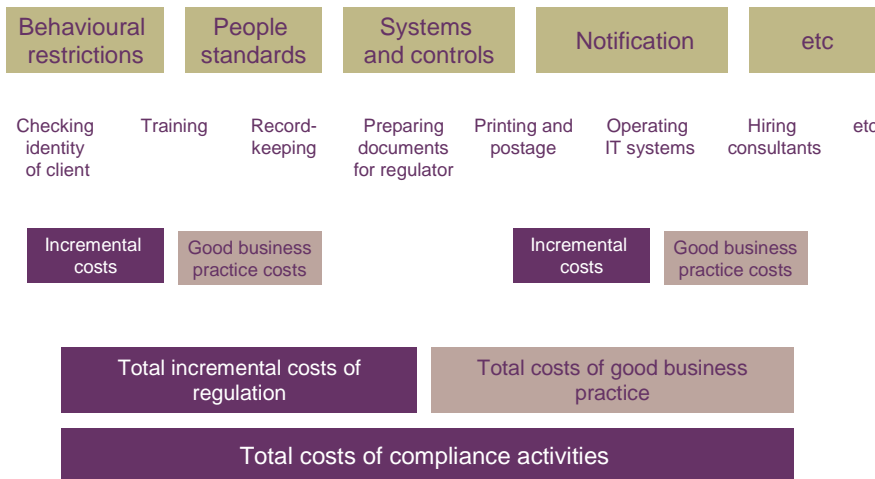
- **Problem identification:**
Concepts are explained further in 3L3 Draft *Impact Assessment Guidelines*, at pp. 20-25, Appendix 2 p. 48. (<http://www.spi-romania.eu/ria-capacity-building/key-documents/>)

- **Cost and Benefit Analysis:**

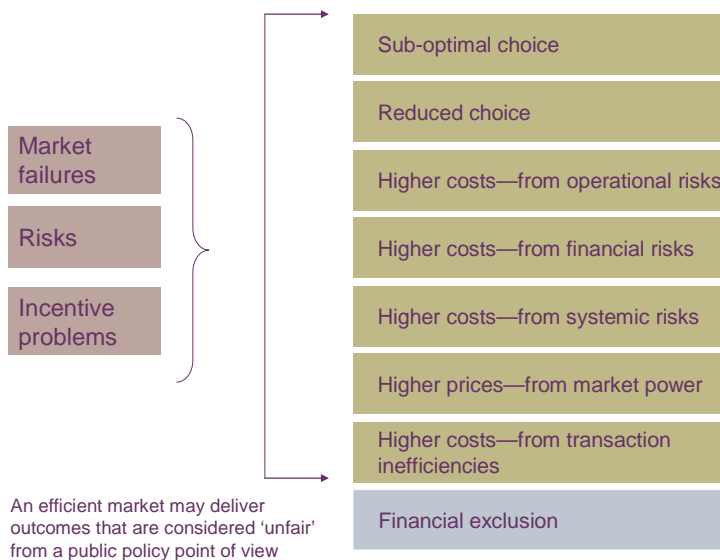
The following methodological excerpts by Oxera are also strongly suggested for an effective and systematic approach towards costs and benefits assessment.



Costs for firms: compliance costs (II)



Types of detrimental market outcomes for consumers



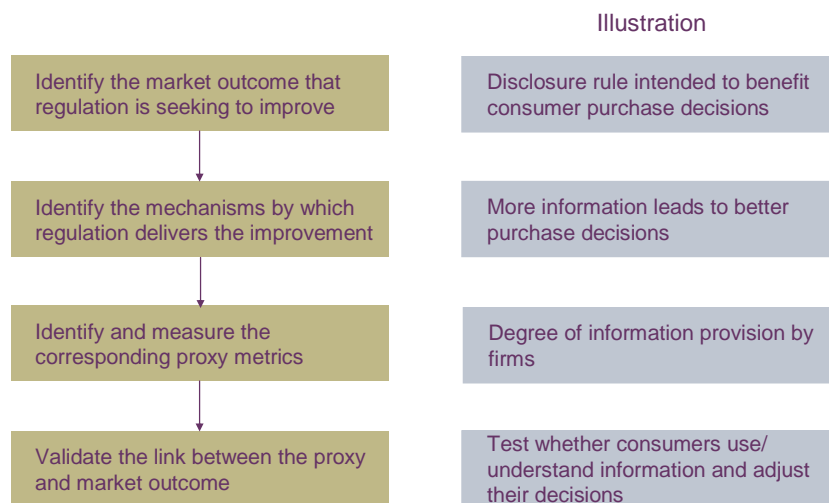
Direct measurement of consumer benefits

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

3

November 14th 2007

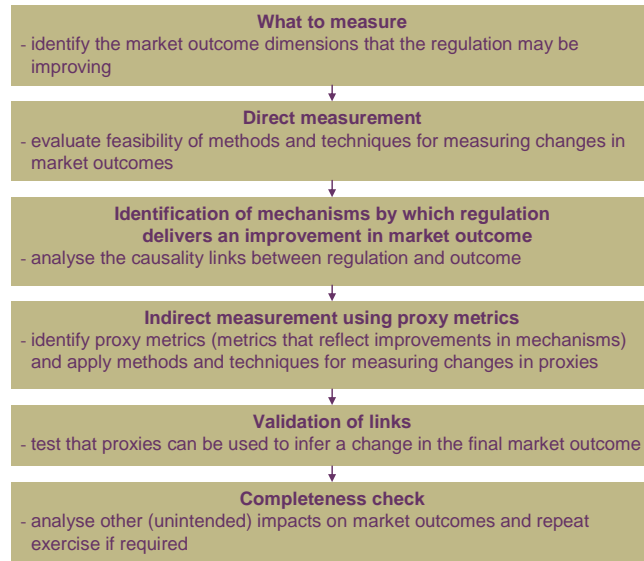
Indirect measurement of benefits (II)



4

November 14th 2007

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.

Impact Assessment Template for a RIA Application to Case Studies

October 01, 2008

Case Study Working Group 2:

Restrictions on Credit Granted to Individuals

Please tick the box that best captures the project's public-private modernization impact:

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					

Description of the modernization impact:
(Please make a summary of the modernization impact of the project under review)

Case Study Objectives

The purpose of this session is to make participants undertake a RIA exercise by applying RIA methodology to case studies illustrated the day before.

Each Working Group needs to assign one member who would be the leader of each step of the RIA process and one additional member who would be the note taker of the discussed and proposed solutions. Participants will take note of the brainstorming and the solutions proposed in their own *RIA Simulation Template* included within the Seminar Package.

The Facilitators assigned to your Working Group as well as the composition of your group along with the maximum time to allocate on each exercise is listed in the tables below.

Chair & Facilitators

Chair: Mrs. Ramona Bratu, SPI Regional Operations Director;

General Coordinator: Mr. Stephen Dickinson, Senior Regulator, UK Financial Services Authority;

Facilitators:

- Ms. Ermira Curri , Chief of Regulation, Supervision Department, Bank of Albania;
- Mr. Emanuel Constantin, Public Manager, Public Policies Unit, Ministry of Economy and Finance, Romania.

Working Groups Composition

Working Group 2	Ms.	Elona	Bollano	Albania	Convergence Programme
	Mr.	Ivan	Lažeta	Croatia	Ministry of Finance
	Ms.	Mimoza	Berisha	Kosovo	Ministry of Energy and Mining
	Mr.	Dugagjin	Krashniqi	Kosovo	Ministry of Economy and Finance
	Mr.	Ibrahim	Xhaka	Kosovo	UNMIK Custom Services
	Mr.	Daniel	Stojanovski	Macedonia	Ministry of Finance
	Ms.	Svetlana	Popova	Moldova	National Bank of Moldova
	Mr.	Eugeniu	Cozmulici	Moldova	Ministry of Finance
	Ms.	Sorin	Hadarca	Moldova	Government of Moldova
	Ms.	Mirjana	Ivezić	Montenegro	Central Bank of Montenegro
	Ms.	Laura Eliza	Roman	Romania	Ministry of Economy and Finance

Case Study Division of Tasks

Steps of the RIA process Questions for analysis	Purpose of each RIA step	Working Group # 2	Time allocated (minutes)
1. Problem Identification	To understand a market /regulatory failure analysis and to identify whether there is a need of regulatory intervention.	All WG members work together	60
2. Definition of Policy Objectives	To identify the effects of policies and check whether regulatory policies bring the markets closer to organizational regulatory objectives	All WG members work together	20
3. Development of "do nothing" option	To identify and state the status quo	All WG members work together	20
4. Alternative Policy Options	To identify and state alternative policies and among them the "market solution" consisting of no market intervention but solely relying on market forces to solve the problem.	Ms. Elona Bollano – Albania	20
Break 20 min			
5. Analysis of Impacts: Costs to Consumers	To identify and state the costs borne to consumers under all options	Mr. Ivan Lazeta– Croatia Ms. Mimoza Berisha – Kosovo	20
6. Analysis of Impacts: Benefits to Consumers	To identify and state the benefits yielded by consumers under all options considered	Mr. Dugagjin Krashniqi–Kosovo Mr. Ibrahim Xhaka– Kosovo	20
7. Analysis of Impacts: Cost to Regulator and Regulated Firms	To identify and state the costs borne by regulator and regulated firms under all options considered	Mr. Daniel Stojanovski– Macedonia Ms. Svetlana Popova– Moldova	20
8. Analysis of Impacts: Benefits to Regulator and Regulated Firms	To identify and state the benefits yielded by regulator and regulated firms under all options considered	Mr. Eugeniu Cozmulici– Moldova Mr. Sorin Hadarca– Moldova	20
9. Public Consultations: Arrangements of Consultation Process	To identify all main relevant stakeholders that should be consulted, choose the possible way(s) the consultation might run and outline questions to be discussed in the consultation	Ms. Mirjana Ivezic– Montenegro Ms. Laura Eliza Roman– Romania	20
Total Time:			240 (4hrs00min)

INTRODUCTION

The present Impact Assessment Template is designed to take you through the main steps of the analysis and data requirements, regardless of the stage of the regulatory design process you are in.

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. Development of “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 4 sections:

The first section sets the stage of a preliminary IA by describing the main information of the draft regulation on which RIA is being practiced..

Section 2 aims to scope the underlying problem in order to see whether or not it is necessary a regulatory intervention to address that problem.

Section 3 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.

Finally, Section 4 brings the main findings explored in the previous 3 sections together in a conclusion.

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: **Setting the stage:**

Background¹

¹ Please describe concisely the draft regulation which RIA is being applied to.

Section 2: Scoping the problem

1. Problem Identification

a) What is the problem under consideration?

All WG members discuss this step jointly

1. Problem Identification

b) Why is regulatory intervention necessary?

All WG members discuss this step jointly

2. Definition of Policy objectives

All WG members discuss this step jointly

3. Development of “do nothing” option²

All WG members discuss this step jointly

4. Alternative Policy options³

WG members discuss separately. The following members present the results of the group discussion:

Ms. Elona Bollano (Albania)

5. Analysis of Impacts: Costs to Consumers

WG members discuss separately. The following members present the results of the group discussion:

Mr. Ivan Lazeta (Croatia); Ms. Mimoza Berisha (Kosovo)

² Once the problem has been identified [see item a)], in this section you need to concisely explain how the problem would evolve if the current regulatory framework (also ‘baseline’) were to continue without regulatory change.

³ You may wish to draw from ToR’s project objective as a first input. When policy analysis is more advanced, this box should contain the feasible policy options produced by the expert staff of the regulator (or equivalently by the Project Working Group) responsible for the regulatory analysis task.

6. Analysis of Impacts: Benefits to Consumers

WG members discuss separately. The following members present the results of the group discussion:

Mr. Dugagjin Krashniqi (Kosovo); Mr. Ibrahim Xhaka (Kosovo)

7. Analysis of Impacts: Costs to Regulator and Regulated Firms

WG members discuss separately. The following members present the results of the group discussion:

Mr. Daniel Stojanovski (Macedonia); Ms. Svetlana Popova (Moldova)

8. Analysis of Impacts: Benefits to Regulator and Regulated Firms

WG members discuss separately. The following members present the results of the group discussion:

Mr. Eugeniu Cozmulici (Moldova); Mr. Sorin Hadarca (Moldova)

9. Arrangements of Consultation Process

WG members discuss separately. The following members present the results of the group discussion:

Ms. Mirjana Ivezić (Montenegro); Ms. Laura Eliza Roman (Romania)

--

Please tick the appropriate box as a result of the previous answers:

Summary Problem Scoping			
Market failure			
Asymmetric information	Market power	Positive externalities	Negative externalities
(Existing) Regulatory failure			
Regulation wrongly prescribed for the market	Regulation 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 3: Summary: impact analysis evidence

Table 1

Regulated firms		
Benefits & Costs (in terms of Key economics)	Quantitative summary results (Mln, Euro)	Qualitative summary results (High, medium, Low)
i) Costs		
ii) Benefits (quantity of products/services offered; price increase; cost reduction)		
iii) Quantity of the products offered		
iv) Quality of the products offered		
v) Variety of the products offered		
vi) Efficiency of competition		

Please enter in the boxes the main quantitative findings from Table 1

Regulated firms			
Main quantitative aspects to be assessed (scenario vs baseline)			
Time span	Key economics		
	<i>Additional Loans</i>	<i>Cost Savings /Additional Revenues</i>	<i>Equity relief</i>
<i>First full year</i>			
<i>5-year time horizon</i>			

=====

Please tick the appropriate box and enter the degree of qualitative impact:

Consumers			
Main quantitative/qualitative aspects to be assessed (scenario vs baseline) (Qualitative impact: high, medium, Low)			
Time span	Key economics		
	<i>Choice aspect</i> (sub-optimal or reduced)	<i>Cost impact aspect</i> (operational-financial-systemic-risks, market power, transaction inefficiencies)	<i>Financial exclusion</i>
<i>First full year</i>			
<i>5-year time horizon</i>			

=====

Table 2

Regulator and Government			
	Benefits & Costs	Quantitative summary results (Mln, Euro)	Qualitative summary results (High, medium, Low)
Regulator perspective	i) Direct costs		
	ii) Benefits*		
Government perspective	iii) Government taxation		

*= Benefits have to be meant either:

- i) as the Regulator's statutory objectives (if so, please enter which);
- ii) as one of the ECB criteria aforesaid, namely *Asymmetric information reduction, Completeness of the market, Increased opportunities to engage in financial transaction, reduced transaction costs, Increased competition*

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)];

The Policy recommendations document should bring the table here below in which all options considered are compared and quantified so as to come up with a preference in terms of overall net benefit.

POLICY OPTIONS	SHORT TERM			LONG TERM			OVERALL NET EFFECT
	Costs	Benefits	NET	Costs	Benefits	NET	
Option-1							
Option-2							
Option-3							

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...)

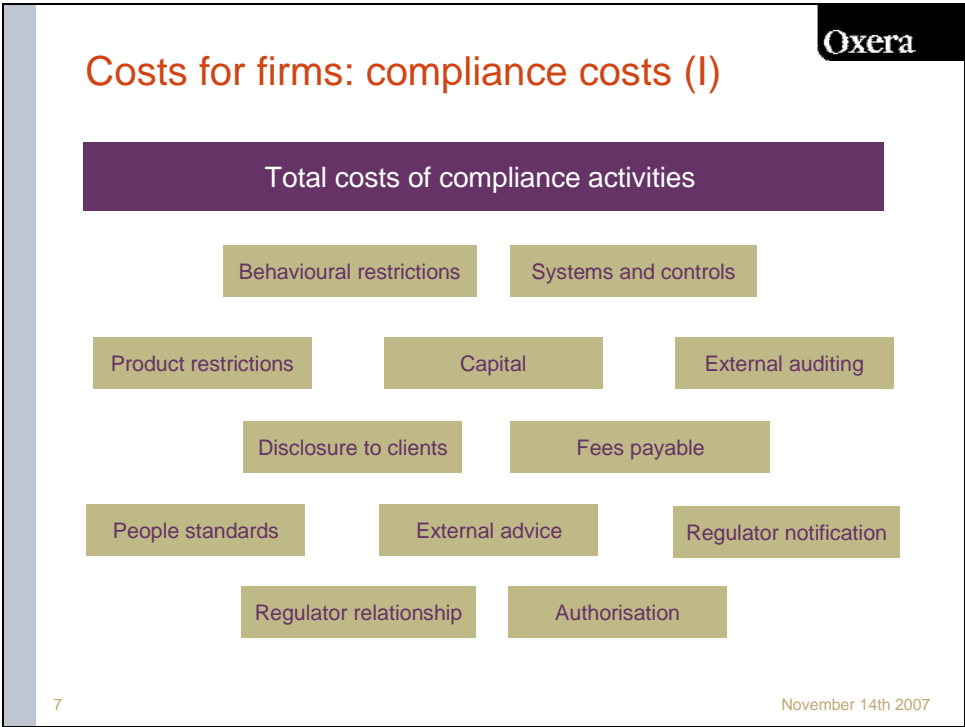
Our response *(this document will need to be able to respond to every argument made by the stakeholders in their feedback. Where the WG agrees with their points the WG should say so, where the WG disagrees the WG should also say so, and support our view with evidence and argument. The aim is to develop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

Annex 1– Methodological Section

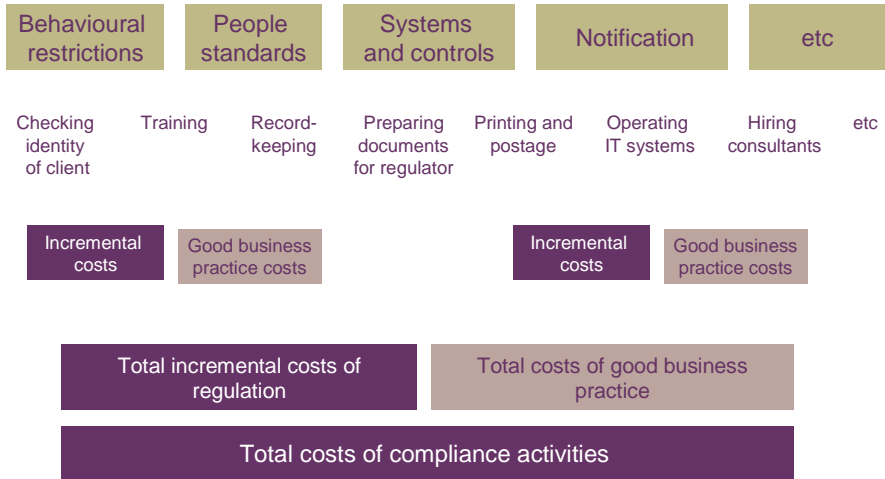
- **Problem identification:**
Concepts are explained further in 3L3 Draft *Impact Assessment Guidelines*, at pp. 20-25, Appendix 2 p. 48. (<http://www.spi-romania.eu/ria-capacity-building/key-documents/>)

- **Cost and Benefit Analysis:**

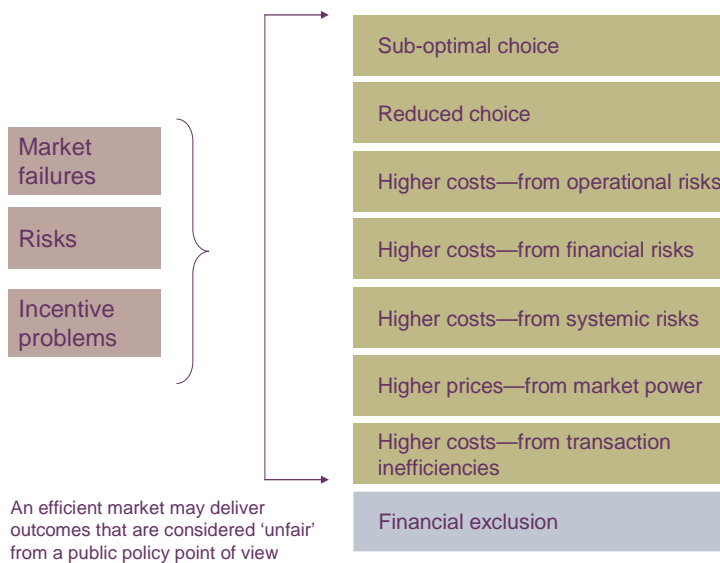
The following methodological excerpts by Oxera are also strongly suggested for an effective and systematic approach towards costs and benefits assessment.



Costs for firms: compliance costs (II)



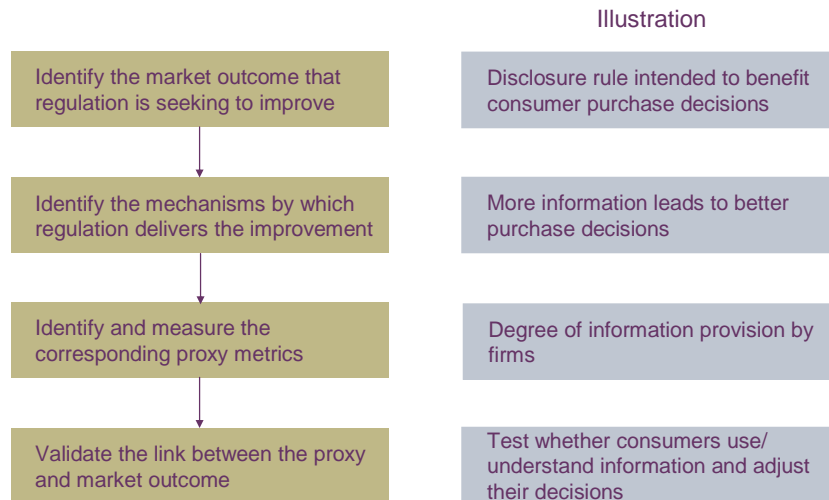
Types of detrimental market outcomes for consumers



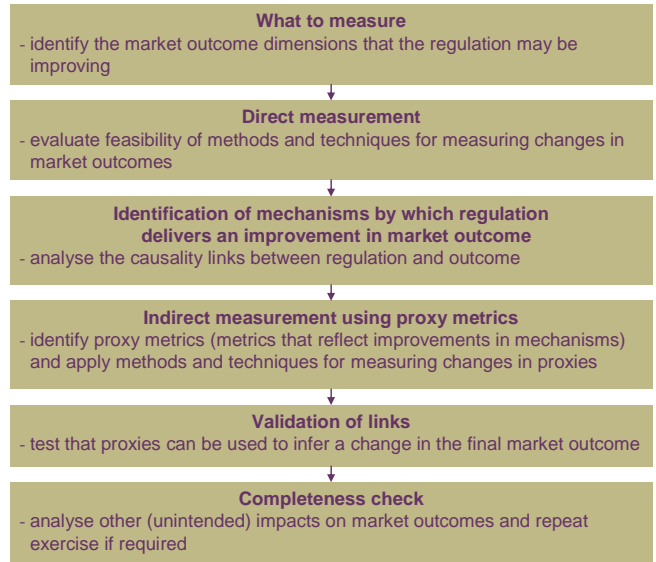
Direct measurement of consumer benefits

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

Indirect measurement of benefits (II)



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.