



Policy Options – Consultation Document

Working Group 2

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**Requirements to the activities of investment intermediaries,
Chapter 8**

Section III (Risk Management), Section IV (Internal Audit)

Section 1: What is the problem?

Question: which risk management mechanism was already in place before the new regulation was introduced? Can you please specify?

Question: which functions of internal control/internal audit overlap? How do you suggest to deal with that?

Question: on which basis/parameters do you think that the informational asymmetry was at an acceptable level before the new regulation was enacted? Which level would be unacceptable?

Section 2: What are the possible policy solutions?

Question: Do you think that consumer protection is adequately addressed with the new set of provisions?

There are not policy alternatives since it is a directive transposition but some issues could arise about alternative follow-up implementation steps that could be taken (e.g. self-regulation initiative).

Question: Did you find the guidance prepared by the Bulgarian Association of Asset Management Companies helpful? Do you generally think guidance provided by the industry is good way to regulate a market?

Section 3: Cost-Benefit Analysis?

I - Analysis of impacts (Users)

Costs

Question: what percentage(s) of the additional (incremental) cost of the new regulation can you pass on to the customers?

Question: Does your firm plan to inform the customers of the **new** risk management mechanism?

Question: Does your firm plan to inform the customers about the incremental benefits arising from complying with the regulation?

II - Analysis of impacts (Regulated firms)

Compliance cost:

Question: Could you please define more precisely which additional costs (and their magnitude) are due to the **new** regulation on risk management and internal audit (e.g. hiring new staff, training costs, IT costs, etc.)?

Question (to firms): do you use the implementation guidance prepared by the Bulgarian Association of Asset Management Companies (BAAMC)?

Question (to firms): Has the Guide helped to reduce implementation costs?

Question (to BAAMC): have you a sense of savings the code has produced to the whole industry?

Question (to BAAMC): How much did it cost to the association to produce the guide?

Benefits:

Question: could you please specify more in detail through which mechanism your firm will benefit from this regulation?

Question: Through which figure could you measure the benefit? (e.g. more product sales, higher profit margins, less complaints)

Question:

Do you think that complying with risk management provisions could bring a competitive advantage to the firm?

(please provide evidence on increase in clients, higher demand for asset management services..)

Which percentage of this advantage is due to higher trust/better reputation?

Quality of the products offered:

Question: For those that affirmed the positive impact, could you please explain more precisely why the quality of products will be higher? Through which mechanism does this occur?

Efficiency of competition:

Question: how many (small) firms do you think will close down because of this regulation? How many other firms will need to get restructured to face the new regulation?

Question: How much do you think that international competition will increase because of MiFID overall?