



Session 1

General introduction on RIA and first practical application

Venue:

November 13–15, 2007
Financial Supervision Commission

Agenda

Seminar Objective:

Participants will learn and will be able to execute in their working experience the following items:

- Familiarity with and some application of law and economics approach to policy design;
- Organization of the regulatory process along the prevailing EU practice;
- Analytical techniques to better engage in policy design;
- Beginning 'track record' based on international and local case studies.

Setting the financial sector RIA stage

Session Objective:

Participants will learn the rationale underlying and driving the case for “Better Regulation” and RIA approach as well as how the RIA can be shaped along a systematic and standardized manner.

Chair: Riccardo Brogi, Convergence Program and South-East Europe Regional RIA Program Director

13:45 – 14:00 [Registration of participants](#)

14:00 – 14:15 [Welcome address](#)

Ms. Katerina Gigova, Chief legal expert, Legislative Department, FSC

14:15 – 14:45 Course introduction and Context ([Better Regulation and Policy Dialogue through RIA](#))

Mr. Riccardo Brogi, Convergence Program

14:45 – 16:45 [Illustration of Draft Impact Assessment Guidelines prepared by CESR-CEBS-CEIOPS](#)

Dr. Alexandra Berketi, Senior Officer, CESR

16:45 – 17:00 *Coffee break*

17:00 – 17:20 Discussion, feedback and interventions

17:20 – 17:50 [Reference material discussion with participants](#)

Mr. Riccardo Brogi, Convergence Program

Participants will be invited to formulate questions on the following documents distributed in advance in order for them to have a better understanding of the RIA tool kits to be mastered:

- FSA, [A guide to market failure analysis and high level cost benefit analysis, November 2006](#);
- FSA, [Cost benefit analysis in financial regulation, September 1999](#);
- B. S. Bernanke, [Financial regulation and the invisible hand, April 2007](#) (Speech);
- R. W. Ferguson Jr., [Financial regulation: seeking the middle way, March 2006](#) (Speech).

17:50 – 18:00 Wrap up and end of session.

RIA from a methodological perspective

Session Objective:

Participants will get more familiar with IA approach by going through the key economic concepts used in RIA, in particular:

- the main steps involved in the preparation of a market failure analysis;
- the methodologies that may be used for assessing costs and benefits in impact assessments;
- analysis of various case studies of financial sector impact assessments undertaken in the UK.

Participants will also be briefed about an ongoing public-private dialogue initiative in Romania which makes use of RIA as a tool to promote financial sector modernization through the undertaking of micro-regulatory projects.

The day presentations will be given by the following Oxera experts: Dr. Leonie Bell, Managing Consultant, Dr. Paul Gower, Senior Adviser.

Chair: Mr. Luigi Passamonti, Head of Convergence Program, the World Bank

Alternate chair: Dr. Alexandra Berketi, Senior Officer, CESR

- 9:00 – 9:10 Welcome address
Mr. Apostol Apostolov, Chairman, Financial Supervision Commission
- 9:10 – 9:20 Address in respect to the status of regulatory reform in Bulgaria and the importance for the institutionalization of the RIA
Mr. Florian Fichtl, Country Office, The World Bank Bulgaria
- 9:20 – 10:30 [Introduction and market failure analysis](#)
- 10:30 – 11:00 *Coffee break*
- 11:00 – 12:30 [Assessment of costs](#)
- 12:30 – 13:30 *Lunch break*
- 13:30 – 14:00 [How RIA-based consultations benefit policy design – The SPI Romania experience](#)
Ms. Ramona Bratu, Director for Bank Products and Services, SPI Romania
- 14:00 – 15:30 [Assessment of benefits](#)
- 15:30 – 16:00 *Coffee break*
- 16:00 – 17:15 [Further issues and illustrations](#)
- 17:15 – 17:30 Comments and final questions
- 17:30 – 17:45 Wrap up and end of session

International RIA case study and RIA practical application on an existing local regulation

Session Objective:

Participants will learn about an excerpt of how FSA has run RIA on MiFID and will experience a live RIA exercise on an already enacted FSC regulation

Chair: Ms. Ramona Bratu, Director of Bank Products and Services, SPI Romania

Alternate chair: Mr. Riccardo Brogi, Convergence Program

Facilitators:

- Mr. Stephen Dickinson, Senior Regulator, UK Financial Services Authority;
- Mr. Christian Winkler, Senior Regulator, UK Financial Services Authority;
- Ms. Ramona Bratu, Director for Bank Products and Services, SPI Romania;
- Mr. Riccardo Brogi, Convergence Program.

- 9:00 – 10:00 [Impact assessment in practice: MiFID case study](#)
Mr. Stephen Dickinson, Senior Regulator, UK Financial Services Authority
- 10:00 – 10:30 Discussion, feedback and interventions
- 10:30 – 11:00 *Coffee break*

Participants will practice the Impact Assessment process, step by step, using the [IA Guidelines illustrated by CESR representative in the first day](#).

Participants will be divided into [working groups](#) (WGs), each supported by the respective facilitator who will provide assistance and guidance throughout the analytical exercise and will ensure that the plenary discussion takes place in a smooth manner.

The case study will focus on "best execution". This is covered in the following FSC regulations:

- [Markets in Financial Instruments Act \(promulgated in State Gazette, issue 52, effective of Nov 1 2007\), Chapter 3, Division I](#)

- [Ordinance no. 38 of 25 July, 2007 on the requirements to the activities of investment intermediaries, in effect as of November 1, 2007, issued by the Financial Supervision Commission, promulgated in SG, issue 67 from 17 August, 2007, Chapter 2](#)

- 11:00 – 12:30 Analytical RIA work (Part I)
Facilitators outline the case study. Working Groups are formed and the RIA application to FSC regulation starts as illustrated in the table which follows
- 12:30 – 13:30 *Lunch break*
- 13:30 – 15:00 Analytical RIA work (Part II)
- 15:00 – 16:30 [Plenary discussion on IA exercises produced by groups](#)
- 16:30 – 17:30 [Homework assignments](#)
FSA experts will give instructions to enable participants undertake RIA on parts of the following regulation: Ordinance no. 38 of 25 July, 2007 on the requirements to the activities of investment intermediaries, in effect as of November 1, 2007, issued by the Financial Supervision Commission, promulgated in SG, issue 67 from 17 August, 2007.

The case study will focus on Chapter 8 of the regulation, which covers "Internal Organisation, Internal Control, Risk Management and Internal Audit".

The whole desk work by multi-institutional WGs will be undertaken, remotely, under the guidance and support of FSA experts. The final RIA document will be presented in the next December session.

17:30 – 17:45 Wrap up and end of session

Steps of the RIA Process	Purpose of each RIA Step
1. Problem identification	To understand a market/regulatory failure analysis in order to establish whether or not there is an economic case at all for regulatory intervention
2. Development of "do nothing option"	To identify and state the status quo
3. Development of alternative policy options	To identify and state alternative policies and among them the "market solution" which consists in not intervening at all in the market and to rely on market forces alone to solve the problem
4. Definition of policy objectives	To identify the effects of policies. This will be useful to check whether the regulatory policy brings the market closer in line with organizational regulatory objectives
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers under all options considered
6. Benefits to users	To identify and state the benefits yielded by consumers under all options considered
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms under all options considered
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms under all options considered
Public consultation	
9. Arrangements of consultation process	To identify all main relevant stakeholders that should be consulted, outline some questions to be discussed in the consultation and choose the possible way(s) consultation process might be run