

Title: Ring-fencing: Removal of Qualifying Declaration Requirement IA No/RPC Reference No: RPC16-3539(1)-HMT Lead department or agency: HM Treasury Other departments or agencies: None	Impact Assessment (IA)			
	Date: 05/01/2017			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Secondary Legislation			
	Contact for enquiries: Tom.Etheridge@HMTreasury.gsi.gov.uk			
Summary: Intervention and Options				RPC Opinion: GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£76.9m	£76.9m	-£8.93m	In scope	Qualifying provision

What is the problem under consideration? Why is government intervention necessary?

The 5 biggest UK banks are starting the process of separating their retail and investment operations as they prepare for the start of the ring-fencing regime in 2019. Deposits from small businesses must be kept within the ring-fenced bank (RFB) whereas the accounts of larger businesses may either be in the RFB or transferred to the non-ring-fenced bank (NRFB). The ring-fencing regulations require that banks wishing to transfer larger businesses to the NRFB must obtain a 'qualifying declaration' before making this transfer. This generates an unnecessary burden for businesses wishing to access the wider range of services available in the NRFB.

What are the policy objectives and the intended effects?

The policy objectives are: i) to reduce burdens on medium and large businesses ii) to ensure that banks can implement the ring-fencing regime iii) to support competition in the corporate banking sector through removing unnecessary barriers to the creation of viable challenger banks and iv) to replicate more closely the recommendations of the Independent Commission on Banking (ICB).

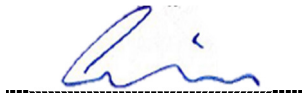
What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

We have considered not acting, although this fails against all four policy objectives. In particular, it leaves medium and large businesses with an unnecessary and burdensome declaration requirement.

Our preferred option is to make an amendment to remove the qualifying declaration requirement and to insert a requirement for banks to inform their customers before a designation is made. This will meet all four of our policy objectives.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 12/2020					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope?		Micro No	Small No	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: 0	Non-traded: 0	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 10/01/2017

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £61.9	High: £91.9	Best Estimate: £76.9

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

None

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£51.68	£1.18	£61.9
High	£51.68	£1.18	£91.9
Best Estimate	£51.68		£76.9

Description and scale of key monetised benefits by 'main affected groups'

Banks - The removal of an unnecessary burden on banks to request and pursue qualifying declarations: £11.70 million in transition and £0.66 million per year in the central case.

Other businesses - The removal of an unnecessary burden on non-bank businesses to complete qualifying declarations: £39.98 million in transition and £2.27 million per year in the central case.

Other key non-monetised benefits by 'main affected groups'

Banks and the wider economy - Ensuring that banks can implement the ring-fencing regime

Other businesses - Supporting competition in the corporate banking sector

Key assumptions/sensitivities/risks

Discount rate

3.5%

The most important assumptions made in this analysis relate to the average length of time a business would need to spend completing a qualifying declaration and the value of that time as well as the number of new businesses every year following 2019 and the proportion who will wish to bank with an NRFB.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: £2.9	Net: £2.9	

Evidence Base (for summary sheets)

Problem under Consideration and Rationale for Intervention

Ring-fencing background

From 2019, UK banks with retail deposits totalling more than £25 billion must ring-fence their retail operations. Ring-fencing of retail from investment banking was a central recommendation of the Independent Commission on Banking (ICB). Ring-fencing supports financial stability by insulating retail and small business deposits and payments services (known as 'core services', whose continuous provision is essential to the economy) from shocks originating elsewhere in the global financial system, and making ring-fenced banks (which provide those essential 'core services') simpler and more resolvable – so core services can be kept running even if a ring-fenced bank or its wider group fails.

The Government accepted the ICB's recommendation and legislated to implement the ring-fence via the Financial Services (Banking Reform) Act 2013, which received royal assent on 18 December 2013. Details of the ring-fence have been set in secondary legislation made under the Banking Reform Act, most significantly The Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 and The Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014.

Qualifying organisations

The Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 sets out what activities can only be carried out by a ring-fenced bank. It provides that deposits from small businesses must be within the ring-fenced bank (RFB) whereas the accounts of larger businesses, known as 'qualifying organisations', may either be in the RFB or may be transferred to the non-ring-fenced bank (NRFB). Qualifying organisations are defined in the ring-fencing legislation as businesses that have turnover above £6.5m, a balance sheet greater than £3.26m, or more than 50 employees.

The policy rationale for this split is that it is important to ensure smaller businesses are insulated from shocks associated with wider banking activities, such as trading and investing, which are prohibited to be undertaken by RFBs. Meanwhile, the government considers that medium and large businesses are more likely to be sufficiently financially sophisticated to bank with an NRFB and are more likely to require the additional services that an NRFB can provide (for example, some derivatives), which are prohibited in an RFB.

Transition to the ring-fencing regime and the qualifying declaration requirement

Over the next 2 years, those banks wishing to place their larger customers in the NRFB must transfer them. The ring-fencing regulations require that banks receive a 'qualifying declaration' from businesses before doing so. This must be completed by the business and provide evidence of their status as a qualifying organisation, attaching supporting documents as required.

The qualifying declaration requirement is a one-time obligation. Having received a declaration and transferred their customer to the NRFB, a bank will not need to request updates or re-examine the status of the business. This is known as the 'single-point-in-time principle'.

Ongoing requirements for qualifying declarations

Further qualifying declarations will be required after 1 January 2019 for new business customers wishing to be placed in an NRFB.

Problems with the qualifying declaration requirement

In the process of separating banks in preparation for 2019, it has become clear that the qualifying declaration requirement is problematic. By requiring non-bank businesses to engage with the ring-fencing regulations and to complete additional paperwork as part of banks' transition to the ring-fencing regime, the qualifying declaration requirement generates an unnecessary burden for businesses wishing to access the wider range of services available in the NRFB and could prevent the viability of some NRFBs if large numbers of their customers fail to complete a qualifying declaration.

The challenges associated with the qualifying declaration requirement are:

- a significant and unnecessary logistical and administrative burden for banks, and, more substantially, for hundreds of thousands of corporate clients – who would be required to prepare and submit a declaration as part of the transfer process. This is addressed in the Monetised Costs & Benefits section.
- an inconsistency within the legislation. The qualifying declaration process could prevent the banks from progressing a ring-fencing transfer scheme. This scheme was specifically constructed in the legislation to ensure that banks can make strategic decisions now about their post-separation structure – vital if they are to deliver separation by 2019 – and manage risks across the group. This process allows for whole categories of clients to be moved, and is required to make wholesale restructuring implementable on time. Widespread failure of corporate customers to respond to a request for the completion of declarations could significantly delay the process. This is addressed in the Non-Monetised Costs & Benefits section.
- a barrier to corporate banking competition, risking market dominance and weaker resilience. We would like retail banks to be able to develop corporate challenger banks if we are to see an increasing competition in the corporate banking sector. However, their ability to do so would be greatly compromised should the declaration requirement remain as the unnecessary burden of obtaining large numbers of qualifying declarations from their customers would act as a barrier to entry into the corporate banking sector. This risks a two tier system locking out those ring-fenced banks that are currently predominantly retail banks. This is addressed in the Non-Monetised Costs & Benefits section.
- a resulting bias in favour of a wide ring-fence model (whereby the ring-fenced bank contains most of the group's business). The Independent Commission on Banking did not favour a wide or narrow model and we have deliberately tried to allow for both options for restructuring. The burden of the qualifying declaration requirement works against that intention.

Options considered

Option 0: Do nothing.

This would maintain the qualifying declaration requirement. Banks wishing to transfer their medium and large business customers to an NRFB would have to elicit, and those customers would have to complete, a qualifying declaration. After 1 January 2019, new business customers wishing to be placed in an NRFB would also have to complete a qualifying declaration.

Option 1: Remove the qualifying declaration requirement and introduce an information requirement.

This would remove the requirement for a qualifying declaration. Banks would no longer have to elicit and businesses would no longer have to complete a qualifying declaration to be placed into the NRFB. A detailed analysis of the cost savings this generates is set out in the Monetised Costs & Benefits section. Further benefits are noted in the Non-Monetised Costs & Benefits section.

Under Option 1, the banks will be responsible for due diligence to ensure they are only transferring qualifying organisations into the NRFB (using data they hold and information in the public domain to assess the eligibility criteria). The affected banks report that they would wish to conduct this due diligence under either Option 0 or Option 1, meaning this adds no new burden. One bank reported that it would use data held through “the normal course of business” and “regular client contact”, and a second bank explained that it would “expect the amount of work which we will undertake to ensure compliance with the ring-fencing legislation, including the development of an appropriate and robust compliance framework to be more or less equivalent to that involved if a QD is required”.

To avoid this option reducing the amount of information available to the customers of banks (since they will no longer receive information by virtue of being asked to complete a qualifying declaration), Option 1 will also require banks to inform businesses before they are designated as a qualifying organisation, including providing information on how that designation is made. This information requirement will mean medium and large businesses have the information they need to challenge the determination, and decide whether to accept being moved into the NRFB, or to take their business elsewhere. Again, the affected banks have made clear to us that they would provide this information in any case, as part of communication about their ring-fencing plans in the run-up to 2019 and as part of regular client contact.

Proportionality & Evidence Gathering

Each of the five affected banks has responded to a proportionate request for data and cost estimates to help prepare this impact assessment. Since the banks have different plans for implementing the ring-fencing regime, some of the details of which are currently commercially confidential, they are not all affected equally by our proposed change. Of the five, two simply noted they were content with the proposals, and one explained that it planned to complete the process of obtaining qualifying declarations before this amendment would be made. Two provided extremely detailed responses and cost estimates, with one of these two banks also consulting an accountancy firm to provide additional estimates. The analysis that follows is heavily informed by the detailed responses of these two banks, in addition to other public data sources where appropriate.

Review

The ring-fencing legislation commits the government to an independent review of the implementation of the regime within 2 years of 1 January 2019. This policy will therefore be reviewed alongside the entire regime by 31 December 2020 at the latest.

Monetised Costs and Benefits

This section compares the quantifiable costs and benefits of Option 1 with the baseline, do nothing Option 0. The next section addresses additional benefits to Option 1 that are more difficult to quantify.

The substantial impacts of Option 1 that require assessment are:

1. Banks – The removal of an unnecessary burden on banks to request and pursue qualifying declarations
2. Other Businesses (bank customers in this case) – The removal of an unnecessary burden on non-bank businesses to complete qualifying declarations

The paragraphs below assess, using evidence provided by the industry, the impacts of each of these changes in Option 1 on a per-qualifying declaration basis both for the transfer in advance of 2019 and for new customers following 1 January 2019.

Number of qualifying declarations - transfer in advance of 1 January 2019

Each of the banks affected by ring-fencing has also provided us with information on how many qualifying declarations they would require to make their transitions to the ring-fencing regime in advance of 2019. The number each bank will require varies according to the size of their customer base, whether they have already elicited any qualifying declarations, and the ring-fencing model they have selected (those planning a wide ring-fenced bank will require few to no qualifying declarations under Option 0 as they are not transferring many customers whereas those banks planning a narrow ring-fenced bank will require qualifying declarations across their entire medium and large business customer base).

The sum of banks' submissions on the number of qualifying declarations they will require between these changes coming into force and 1 January 2019 gives a total of 34,000 qualifying declarations. That is, 34,000 medium to large businesses will be asked to complete a qualifying declaration.

Number of qualifying declarations – new customers after 1 January 2019

Following the initial transfer to the ring-fencing regime, new medium and large business customers wishing to bank with an NRFB will have to complete a qualifying declaration under Option 0 but this obligation will disappear under Option 1.

It is very difficult to estimate the number of new companies who will be affected by this change each year following 1 January 2019. It depends on i) the number of new medium and large businesses each year wishing to open an account with the NRFB, ii) the future market share of banks affected by the ring-fencing regulations, iii) the proportion of their customers those banks place in an NRFB. Each of these is difficult to estimate, in particular the evolution of the banking landscape following 2019. As is discussed in the Non-Monetised Costs & Benefits Section, we hope that these changes will enable greater corporate banking competition, which could affect ii) and iii) to an unknown degree. It is also unknown how future businesses will respond to the choice of banking with providers offering to put them in an RFB or an NRFB. This high degree of uncertainty is reflected in the analysis below. Finally, removing the burden of the qualifying declaration may itself alter the banking decisions of future businesses.

The Office for National Statistics report *Business Demography 2015* reports that, in that year, 351,000 new businesses were created in the UK. We take this as our central case for new business creation. The vast majority of businesses are small businesses. The *BIS Business Population Estimates* report that only 1.1% of businesses are medium or large (with only 0.1% being large). Taking this proportion as our central estimate for the future population of businesses and combining it with the ONS business births estimate gives a central case for medium and large business emergence each year of 3,861.

To reflect the high degree of uncertainty around ii) and iii), we adopt three cases.

In the high case, the banking sector remains highly concentrated and future medium and large businesses are attracted to the additional services provided by NRFBs. In such a case, NRFBs might be

expected to attract the vast bulk of medium and large business custom, but would not capture all medium and large businesses since, as discussed above, some of the affected banks will pursue a wide ring-fence model (whereby the ring-fenced bank contains most of the group's business). Therefore a reasonable high case estimate is that NRFBs obtain 80% of eligible new business. Under Option 0, in the high case, 3,089 (3,861 x 80%) new qualifying declarations are needed each year.

In the low case, new banking providers enter the market and the share of banking services offered by the largest banks declines. Medium and large businesses are attracted by smaller banks that are not subject to the ring-fencing regulations or by banks offering to place them into an RFB. In such a case, the proportion of new medium and large businesses banking with an NRFB might be expected to decline significantly, since smaller banks are much less likely to offer an NRFB. Nonetheless, NRFBs might be expected to attract a significant element of medium and large business custom since, as discussed above, some of the affected banks will pursue a narrow ring-fence model (whereby the non-ring-fenced bank contains most of the group's business). Therefore a reasonable low case estimate is that NRFBs obtain 20% of new business. Under Option 0, in the low case, 772 (3,861 x 20%) new qualifying declarations are needed each year.

The central case takes the mean of these two estimates. Under Option 0, in the central case, 1,931 (3,861 x 50%) new qualifying declarations are needed each year.

Number of qualifying declarations

We therefore assume three cases for the number of qualifying declarations that will be required under Option 0 and not under Option 1:

High case: 34,000 in transition and 3,089 each year from 2019 onwards

Central case: 34,000 in transition and 1,931 each year from 2019 onwards

Low case: 34,000 in transition and 772 each year from 2019 onwards

BENEFITS

1. Banks – The removal of an unnecessary burden on banks to request and pursue qualifying declarations

Requesting and pursuing qualifying declarations carries significant costs for banks. Banks told us this would require meeting clients, providing guidance and detailed correspondence. Banks told us that they would feel compelled to deploy relationship directors to meet clients if they were to elicit qualifying declarations successfully.

The two banks providing detailed cost estimates varied significantly in their estimate of how much relationship director time would be required. The highest estimate suggested 4 hours of relationship director time for 85% of qualifying declarations, with 30% of declarations demanding an additional 4 hours to explain the process to customers and convince them to return their qualifying declarations. This bank suggested a fully costed hourly rate of £100 for their relationship directors, which they noted was consistent with similarly demanding customer exercises they had already completed. This estimate would suggest a cost-saving to banks per qualifying declaration of £460:

85% of customers require relationship director time of which, 30% require 8 hours and 55% require 4 hours, all at £100 per hour = (30% x £800) + (55% x £400) = £460

The lowest estimate provided to us suggested that customers would, on average, require 1 hour of relationship director time per qualifying declaration. This bank did not provide an estimated hourly rate but, using the same hourly rate as above, this estimate would suggest a cost-saving to banks per qualifying declaration of £100.

1 hour of relationship director time per customer at £100 per hour = £100

We consider that taking the average of these two estimates is most likely to reflect accurately the average cost saving across different banks. This gives a central cost-saving estimate to banks per qualifying declaration of £280.

In addition to relationship director time, banks noted two other cost savings to them from removing the qualifying declaration process. First, they considered that removing the requirement to elicit qualifying declarations would save the development of project management and image capture platforms to track firms' completion of declarations. One bank provided an estimate of this cost at £50-£60 per qualifying declaration. The mid-point of this estimate is £55. We consider this a reasonable estimate: the total project management and IT development cost it implies per bank depends on their share of the 34,000 total qualifying declarations (see above) but for a bank requiring 7,000 qualifying declarations it suggests a total cost of £385,000, which is a reasonable figure for a significant IT and management project.

Second, banks noted that they would save on the production of materials such as guidance and FAQs, as well as multiple pieces of correspondence with their clients. Banks provided several estimates of the costs of material preparation and correspondence for explaining to firms how to complete a qualifying declaration and eliciting that declaration with an average estimate of £9.38. We consider this a reasonable estimate for multiple rounds of design, printing and mailing.

Combining these costs suggests another cost-saving of £64.38 per qualifying declaration. Rounded to the nearest £1, this equals £64.

New cost savings per qualifying declaration:

Relationship director cost-savings central estimate = £280 per QD

Project management and material costs-savings central estimate = £64 per QD

TOTAL = £344 per QD

Transition: 34,000 qualifying declarations: £11.70 million (BENEFIT)

High case: 3,089 each year from 2019 onwards: £1.06 million (BENEFIT)

Central case: 1,931 each year from 2019 onwards: £0.66 million (BENEFIT)

Low case: 772 each year from 2019 onwards: £0.27 million (BENEFIT)

Importantly, banks noted that the most significant cost-saving to them from the removal of the qualifying declaration requirement was the reduction of uncertainty over whether they could complete their restructuring in time for the commencement of the ring-fencing regime. This is described further in non-monetised costs and benefits, below.

2. Other Businesses – The removal of an unnecessary burden on non-bank businesses to complete qualifying declarations

Completing qualifying declarations presents banks' clients with a significant and unnecessary burden. They have to understand and complete the declaration and include relevant additional information before they can access the financial services provided by the NRSB. As well as involving significant senior staff time, this may require engagement of legal advice, accountants and external auditors.

As previously noted, the cost to non-bank businesses of fulfilling the qualifying declaration requirements will be considerably higher than banks completing due diligence. Other businesses will not have a detailed understanding of the ring-fencing regime, the qualifying declaration procedure and the legal requirements to be designated for banking with the NRSB. They will need to comprehend this in every case despite their business expertise being in other products, whereas each affected bank will only need to train their compliance team, who are financial professionals, once.

Two banks provided detailed estimates of the time their customers would need to spend on their qualifying declaration processes. Both told us that their customers would also have to engage the services of external advisers. One bank analysed a small sample of their client-base to establish how frequently this would be necessary and concluded that 71% would need to engage the services of an accountant on the basis of the complexity of their accounts.

The first bank estimated that the average qualifying declaration would demand 1.5 hours of CFO or CEO time, which the bank rated at £500 per hour, and 1.5 hours of external adviser time at £400 per hour. The bank justified the hourly rate estimates they had used as an average figure for the use of

professional service firms appropriate to the size profile of their clients and the complexity for non-bank businesses of understanding the qualifying declaration procedure. Taking this estimate of cost-savings and combining it with the analysis suggesting that 71% of businesses will need to engage external accountants suggests a cost-saving per qualifying declaration of £500 x 1.5 (cost of CEO time) + £400 x 1.5 x 71% (cost of external advice needed 71% of the time). This gives an estimate of the cost to a customer, per qualifying declaration, of £1,176.

The second bank suggested a potential cost to businesses of producing a qualifying declaration at £9,500. This estimate was derived from the 2011 BIS consultation on Audit Exemptions and Change of Accounting Framework, which cited an average audit fee for small companies of £9,500. Although a qualifying declaration is onerous, it requires less scrutiny than a full audit, so we consider this figure for cost-savings an exaggeration. However, we do note, as did the bank providing this estimate, that medium and large businesses might expect to have considerably higher costs than small firms, for whom the £9,500 figure was developed. The second bank also consulted an accountancy firm, who suggested that the cost to a company of providing a qualifying declaration could be “as much as £50,000 in more complex cases”.

We consider the estimates provided by the first bank, which are based on a considered break-down of the time that may be required and the costs, when combined with the analysis that 71% of customers will require external advice, considerably more robust and reasonable than relying on the 2011 BIS consultation (which is not wholly relevant) or the extreme figure promoted by the accountancy firm.

New cost savings per qualifying declaration:

£1,176 per QD

Transition: 34,000 qualifying declarations: £39.98 million (BENEFIT)

High case: 3,089 each year from 2019 onwards: £3.63 million (BENEFIT)

Central case: 1,931 each year from 2019 onwards: £2.27 million (BENEFIT)

Low case: 772 each year from 2019 onwards: £0.91 million (BENEFIT)

Summary of Quantifiable Impacts

Affected Group	Benefits in Transition (2 years)	Benefits per year (2019 -)		
		High	Central	Low
Banks	£11.70m	£1.06m	£0.66m	£0.27m
Other Businesses	£39.98m	£3.63m	£2.27m	£0.91m
TOTAL	£51.68m	£4.69m	£2.93m	£1.18m

Non-monetised costs and benefits

There are two substantial benefits to Option 1 that have not been included in the monetisation above.

Banks and the wider economy - Ensuring that banks can implement the ring-fencing regime

First, Option 1 will reduce risks to the implementation of the ring-fencing regime. The legislation envisaged banks moving whole categories of clients across to the NRFB under the ring-fencing transfer scheme. This scheme was specifically constructed in the legislation to ensure that banks can make strategic decisions now about their post-separation structure – vital if they are to deliver separation by 2019 – and manage risks across the group.

The qualifying declaration process could prevent the banks from transferring accounts to the non-ring-fenced-bank if large numbers of their clients decline to respond. Given the unnecessary burden inherent in requiring qualifying declarations, a low response rate is a serious risk. Widespread failure of corporate customers to respond to a request for the completion of declarations could significantly delay the process of implementation and potentially render NRFBs unviable on 1 January 2019, when the regime comes into force. This would impose a serious cost on banks.

Other businesses - Supporting competition in the corporate banking sector

Second, Option 1 will reduce the barriers to corporate banking competition. Predominantly retail banks should be able to develop corporate challenger banks. Their ability to do so would be greatly compromised should the declaration requirement remain, risking a two tier system locking out those ring-fenced banks that are currently predominantly retail banks. It is difficult to quantify this benefit from increased competition, which will accrue to non-bank businesses.

Summary

We have four policy objectives in proposing this change:

i) to reduce burdens on medium and large businesses ii) to ensure that banks can implement the ring-fencing regime iii) to support competition in the corporate banking sector through promoting viable challenger NRFBs and iv) to replicate more closely the recommendations of the Independent Commission on Banking (ICB).

Policy objective (i) has been the main focus of this impact assessment since its costs and benefits, with the support of industry evidence, can be monetised. We conclude that Option 1 reduces burdens to the tune of £51.68m in transition and £2.93m (central case) annually thereafter.

The costs and benefits of policy objectives (ii) and (iii) cannot be monetised. Fortunately, policy objectives (ii) and (iii) work in the same direction as the monetised costs and provide further support for adopting Option 1.

There are no direct costs or benefits to replicating more closely the recommendations of the ICB (objective iv), but it represents an important political commitment to the ring-fencing regime. The ICB did not recommend qualifying declarations for medium and large businesses.

Against all four of our objectives, therefore, Option 1 is the superior choice. Through this impact assessment, we have established that it is a deregulatory measure. Option 1 is the preferred option.