Regulatory Policy Committee	**OPINION**	
Impact Assessment (IA)	Special Arrangements for Insolvent Payment Systems and Central Securities Depositories	
Lead Department/Agency	HM Treasury	
Stage	Consultation	
Origin	Domestic	
IA Number	Not Provided	
Date submitted to RPC	18/01/2013	
RPC Opinion date and reference	11/02/2013	RPC13-HMT-1697
Overall Assessment	**AMBER**	

The IA is fit for purpose. The IA would be improved by providing a more detailed assessment of the relative costs and benefits of options 1 (Special Administrative Regime) and 2 (Special Resolution Regime) and of how costs under these options might compare to those under an ordinary insolvency procedure. The IA should also assess the possibility of promoting the creation of alternative payment systems.

Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options

Costs and Benefits

The IA says that option 2 (SRR) is "*likely to be more costly than option 1 (SAR)"* (paragraph 93) but that "*we do not have any reason to think that the benefits of option 2 would be greater than option 1*" (paragraph 99). The IA should provide a more detailed assessment of the relative costs and benefits of options 1 and 2 to justify these statements.

The IA says "*There will be costs involved with the special administration regime upon implementation, which will be incurred by shareholders, creditors and members of the failed system"* (Paragraph 76). The IA would be improved by discussion of how costs might differ compared to an ordinary insolvency procedure.

At the end of the IA (paragraphs 96 and 97) the IA first refers to the "*implicit government guarantee*" for systemic financial institutions. Although the IA argues that this is *"relatively insignificant in the case of payment systems and CSDs*", the IA could be improved by further discussion of this earlier in the IA under the main sections on costs and benefits.

Options

The IA should address the possibility of promoting the creation of alternative payment systems as a longer-term measure to reduce the risk associated with an individual payment system becoming insolvent.

Future EU proposals

Although the IA acknowledges (paragraph 41) that there is "*no definite European timetable in place for enabling powers for payment systems and central securities depositories*", the IA could be improved by further discussion of the likely nature and impact of EU measures in this area in comparison to the proposals here.
Have the necessary burden reductions required by One-in, One-out been identified and are they robust? The IA states that this proposal deals with financial systemic risk and "*the failure of a payment system or Central Securities Depository (CSD) would likely have knock-on effects for other financial institutions and could threaten financial stability and confidence in the markets*" (paragraph 94). This appears a reasonable assessment at this stage, but we would like to see what consultees say on systemic risk before confirming the proposal is out of scope of 'One-in, One-out' in accordance with the current One-in, One-out Methodology (paragraph 16; xiv).
Signed **Michael Gibbons,** Chairman