



The Actuarial Profession

making financial sense of the future

Developments in the DPB & Licensing Issues

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Terms of Reference of DPB Committee

- ❑ Ensure firms comply with the FSA principles
- ❑ Ensure DPB Handbook is appropriate to provide investor protection
- ❑ Keep abreast of current developments in Financial Services
- ❑ Part XX, FSMA 2000



What new Developments?

- MiFID
- Principles Based Regulation
- Risk Based Monitoring



MiFID

- ❑ Markets in Financial Instruments Directive
 - ❑ 1 November 2007
 - ❑ Level playing field across Europe
 - ❑ Best Execution Requirements
 - ❑ Enhanced Record Keeping & Prudential requirements.
 - ❑ Good news - doesn't apply to business which is 'incidental'
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Principles Based Regulation

- ❑ 11 High Level FSA Principles
- ❑ New Conduct of Business Handbook
- ❑ Rules are less prescriptive
- ❑ Meant to stimulate innovation
- ❑ FSA expects DPBs to follow a similar approach



Risk Based Monitoring

- ☐ Arrow visits
- ☐ Nature of firm
- ☐ Type of business conducted
- ☐ Annual Returns
- ☐ No maximum term between visits



What's changing in the DPB?

- ❑ New Handbook
- ❑ New website
- ❑ Risk based approach for monitoring visits
- ❑ Revised supporting documentation



Why a new handbook?

- ❑ It's been in place since 2001 without a thorough review
- ❑ Difficult to read
- ❑ Badly set out
- ❑ On the plus side, it only deals with DPB & APF regulation.



What will it look like?

- ❑ Clearer layout
- ❑ Plain English where possible
- ❑ Removal of unnecessary information
- ❑ Stand alone document
- ❑ Legal aspects kept to the end
- ❑ Implement this year after FSA approval



New Website

- ❑ Launch this summer
- ❑ Easier Navigation
- ❑ Links to important document
 - PII
 - Money Laundering
- ❑ Links to external sites such as FSA



Risk based approach

- ❑ Move away from the idea of ‘every 5 years’ approach
- ❑ Risk indicators will be based on past reviews and desk based review of Annual returns
- ❑ QAD will still do the reviews
- ❑ Maximum of 6 years between visits
- ❑ No minimum time



What are the risk indicators?

- ❑ Time since last visit and grade of that report
 - ❑ Amount of regulated activity compared to turnover
 - Over 10% scores highly
 - Is it really incidental?
 - ❑ Changes to management
 - ❑ Complaints received by firm or Committee
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New supporting documents

- Revised GN35
 - Principals of APFs
 - Will be issued as an Actuarial Practice Standard
- Revised Memorandum of Understanding with FSA
 - Covers responsibilities of each Regulator
 - Information sharing including Discipline
 - Currently with FSA
- IAN on routes to regulation
 - Removes this from the DPR Handbook



Anything else?

- Associates
 - Will be classed as an Actuary for ‘Managed or Controlled’
- Constitution of the Committee
 - Introduction of non actuarial compliance professionals to the Committee
- Anything you need?



Licensing issues

- ❑ Requirements under 2.07 of the handbook
 - ❑ Any changes should be communicated at least 10 days before the event
 - Change of name, address etc
 - Change of status
 - ❑ All submissions will be treated in confidence
 - ❑ Can help with the regulatory aspects
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