

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'

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 indictors 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

New supporting documents

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

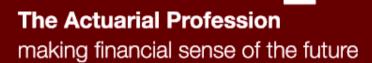


Anything else?

- □ Associates
 - Will be claseed 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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