



The Actuarial Profession
making financial sense of the future

CILA II
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FSA Update

4 October

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The Prudential Regulatory Authority

- The PRA will become responsible for the prudential supervision of banks, insurers and certain investment firms.
- The PRA will be a part of the Bank of England.
- The overall objective of the PRA will be to support financial stability by promoting the safety and soundness of firms.
- In addition the PRA will have a specific insurance objective of ensuring an appropriate degree of protection for policyholders.

Introducing the new regulatory regime

- The FSA has already re-organised as far as possible to shadow the proposed new regime – Internal Twin Peaks.
- Internal Twin Peaks means separate prudential and conduct business units within the FSA – so firms will already have separate supervisors for each area.
- Full legal cut over to the new regime is expected in Spring 2013.
- The exact timing is dependent on the progress of the Financial Services Bill currently before Parliament.

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How the PRA will operate

- Firms will be expected to conduct their business in a safe and sound manner, be resilient against the possibility of failure and meet the threshold conditions at all times.
- Supervision will be designed to ensure that firms meet these requirements.
- The PRA will adopt a forward looking, judgement based approach – focusing on the key risks that firms pose.
- However, PRA will not operate a zero-failure regime and, where necessary, firms will be allowed to fail in an orderly manner.

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Relations between PRA and other authorities

- PRA will work closely with other parts of the Bank of England – including the new Financial Policy Committee.
- PRA and FCA will have separate objectives and each will pursue their separate, independent mandates.
- However, effective delivery of the PRA's and FCA's objectives will require close co-operation with each other (for example, in relation to with-profits).
- PRA will play a full and active role in EU and international regulatory developments and will co-operate with other UK authorities to ensure that there is a joined-up UK approach.

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Questions or comments?

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The views expressed in this presentation are those of the presenter.

