Institute
and Faculty
of Actuaries

# CP14/25 Changes to Approved Persons Regime for Solvency II firms

Consultation response to the Financial Conduct Authority

2 February 2015

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The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

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Changes to the Approved Persons Regime
for Solvency II firms
Anne Macadam
Policy, Risk and Research Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

2 February 2015

Dear Ms Macadam

**IFoA response to CP14/25 Changes to the Approved Persons Regime for Solvency II firms**

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Financial Conduct Authority's (FCA) consultation paper on the transposition of Solvency II into UK law. The IFoA's Solvency II Steering Group has led the drafting of this response. Members of this group are actively engaged with the implementation of Solvency II by insurers.

**General Comments**

1. We welcome the FCA's overall approach to this matter and, in particular, its close working with the PRA to ensure regulatory consistency.

2. We found the summary table in Annex 1, showing how the controlled functions will change under the reformed Approved Persons Regime, very useful in understanding how the regime and the respective regulatory responsibilities will change.

**Question 1: Do you agree with the proposals for aligning our approval process with the Solvency II framework?**

3. We agree that the FCA's proposals are a reasonable approach for aligning its approval process with the Solvency II framework and welcome its co-ordination of this consultation paper with the PRA's related paper[1].

**Question 2: Do you agree that the FCA should require pre-approval of all individuals taking up executive and certain other functions whom the PRA has not otherwise approved?**

4. Yes, we agree that it is appropriate that FCA continue to require approval for those roles, which are currently approved but which will not be approved under the PRA regime. However, the PRA has narrowed the scope of its proposed controlled functions and, as a consequence, some flexibility may need to be exercised. It would not seem appropriate for the FCA to require approval of individuals performing roles that are primarily concerned with solvency and other such matters, simply because they no longer fit into the narrower range of CFs that PRA will be pre-approving.

[1] PRA Senior insurance managers regime: a new regulatory framework for individuals – CP26/14

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5. For the Actuarial Function Holder (CF12) of a third country branch, where PRA is no longer requiring a controlled function, it seems reasonable that the FCA will still require an actuary to be a FCA SIF (CF51) for conduct related matters.

**Question 3: Do you agree that these are the right Conduct Rules for the FCA to apply to approved persons in Solvency II firms?**

6. Yes, the set of FCA conduct rules appear appropriate and make clear the additional requirements that are placed on SIFs.

**Question 4: Does the proposed guidance attached at Appendix 1 give helpful clarity on the behaviours the FCA expects under each of the Conduct Rules?**

7. Yes, we think that sections 3 and 4 of the C-CON were particularly helpful.

**Question 5: Do you agree with the proposals set out above for applying our planned reforms to ISPVs and UK branches of foreign Solvency II firms?**

8. Yes, we think it is reasonable for there to be a level playing field as far as is practicable under the EU rules.

Should you wish to discuss any of the points raised in further detail please contact Steven Graham, Technical Policy Manager (steven.graham@actuaries.org.uk / 0207 632 2146) in the first instance.

Yours sincerely,

David Hare

David Hare,
**Immediate Past President, Institute and Faculty of Actuaries**