



Institute  
and Faculty  
of Actuaries

# **CP15/5: Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms**

IFoA response to the Financial Conduct Authority

27 April 2015

## **About the Institute and Faculty of Actuaries**

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.



CP15/5 Response  
Emily Rayment  
Strategy and Competition Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

27 April 2015

Dear Ms Rayment,

**IFoA response to CP15/5 Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms**

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Financial Conduct Authority's (FCA) consultation paper on these important topics. The IFoA's Life and Regulation Boards have led the drafting of this response.

We have answered the FCA specific questions in the response below where we have a concern or observation we wish to raise. Our views on the Prudential Regulation Authority (PRA) specific questions are set out on in a separate response to the PRA.

**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. FCA Consultation Paper CP15/5 provides generally useful clarification on the appointment and approvals of Non- Executive Directors (NEDs) in banking and Solvency II firms, including the guidance on the roles and responsibilities of NEDs.
3. The IFoA believes that the PRA / FCA proposal to distinguish between 'standard' NEDs and the Chairman, Senior Insurance Director and (specified) Committee Chairs is appropriate and proportionate, and should achieve a balance between effective regulation and sustaining a sufficient pool of 'standard' NED talent. The more onerous requirements of the Senior Insurance Managers Regime (SIMR) could potentially be discouraging to some 'standard' NEDs.
4. The proposed range of Committees for which NED Chair pre-approval would be required does not include the Chair of the With-Profit Committee. We note that some With-Profit Committees currently have the Chair as a NED; however, this is not the case for all firms. We also note the With Profits Actuary Controlled Function will require pre-approval under PRA/ FCA proposals for the revised Approved Persons Regime.

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**Question 2: Do you agree the guidance in Appendix 3 concerning the role and responsibilities of NEDs within the FCA SMR?**

5. We found the guidance on the role and responsibilities of NEDs for relevant authorised persons and Solvency II firms helpful.

**Question 5: Do you agree with the FCA's proposed approach to NEDs under the APR for Solvency II firms?**

6. We welcome the FCA's pragmatic approach to NEDs under the APR for Solvency II firms.

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](mailto:steven.graham@actuaries.org.uk) / 0207 632 2146) in the first instance.

Yours sincerely,

A handwritten signature in black ink that reads "David Hare". The signature is written in a cursive style with a long horizontal stroke at the end.

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