



Institute  
and Faculty  
of Actuaries

# **CP15/16: Changes to the Approved Persons Regime for SII Firms; Governance Proposals and Feedback to CP14/25**

IFoA response to the Financial Conduct Authority

13 May 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.



CP15/16 Response  
Anne Macadam  
Strategy and Competition Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London  
EH14 5HS

13 May 2015

Dear Ms Macadam

**IFoA response to FCA CP15/16: Changes to the Approved Persons Regime for SII Firms;  
Governance Proposals and Feedback to CP14/25**

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the PRA and FCA's joint consultation paper on changes to the Approved Persons Regime (APR). The IFoA's Life and Regulation Boards have led the drafting of this response; members of these Boards are actively engaged with the implementation of Solvency II (SII) by insurers.

We have answered the questions relevant to the FCA in the response below. We have made the same points (to the questions relevant to the PRA) in our separate response to them.

**General Comments**

1. The IFoA supports the FCA and PRA's proposed changes to the APR for SII firms described in this consultation. We note that these proposals provide the detail for implementing the earlier proposals set out in related earlier consultations, which the IFoA broadly supported.
2. We also welcome the FCA's close working with the PRA on this matter to ensure regulatory consistency, including aiming for consistency of the FCA Rulebook with the requirements of the SII Directive.

**Question 1: Do you agree with the PRA and FCA's proposed approach to grandfathering existing approved persons into the new regime?**

3. The IFoA agrees with the proposed approach to grandfathering existing approved persons. Many individuals who are currently performing an existing Controlled Function and are approved under the current APR are likely to perform a substantially unchanged role post SII implementation, but with a corresponding Controlled Function under the revised APR. In such circumstances, avoiding the need to make a fresh application would seem to be a sensible and pragmatic approach.
4. We note that the Form K (in Appendix 3 of the consultation paper) sets out the proposed grandfathering notification. This form appears to be straightforward to populate.

**Question 2: Do you agree with the regulators' proposed Scope of Responsibilities template?**

5. We note that the proposed Scope of Responsibilities template is succinct and should also be straightforward to populate.

**Question 3: Do you agree with the regulators' proposed approach to forms as set out in this chapter?**

6. The IFoA notes that the draft Forms within the Appendices give clarity on the breadth/depth of information required for the range of relevant forms. The additional information requirements within the proposed forms (both for new forms and revisions to existing forms) appear to be relevant and we would not expect them to be onerous to provide.

**Question 4: Do you agree with the FCA's proposals with regards to governance maps and information on the scope of SIF holders' responsibilities?**

7. We agree that a Governance Map would be a useful document for insurers and supervisors alike, and that it is important it is kept as up-to-date as possible. Where appropriate Governance Maps should be consistent between the FCA and PRA.
8. We also support the development of Scope of Responsibilities forms, as an extension of the information record in Governance Maps – this should ensure clarity on the scope of individuals' responsibilities. Again, this information will be most useful where it is maintained regularly, and we suggest the FCA gives guidance to encourage this behaviour in firms.

**Question 5: Do you agree with the FCA's proposals for amending SYSC to take into account the PRA's rules transposing provisions in Solvency II in relation to firm governance?**

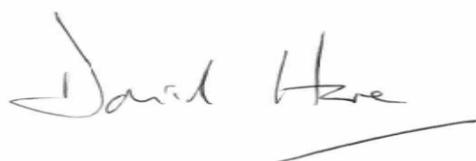
9. We note the proposal to exclude certain parts of the existing SYSC rules on outsourcing by the new paragraph 13.9.9 (Appendix 1). We appreciate the desire on the FCA's part to avoid repetition or overlap with the PRA, or direct EU level rules. However, we suggest it would be more useful to the reader to be given the cross reference to the rules made by the other regulator(s) – to enable the reader to see immediately the requirement - rather than just see the deletion of the FCA rule.

**Question 6: Do you agree with the FCA's proposals for allocating the responsibilities that currently make up the CF8 function?**

10. We have no objection to the proposal to disband the existing CF8 function; the proposal to allocate the relevant responsibilities seems sensible.

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,



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