



Institute  
and Faculty  
of Actuaries

# CP17/3: Proposed Handbook changes to reflect the new regulatory framework for Insurance Linked Securities

IFoA response to Financial Conduct Authority

14 March 2017

## **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.



Robert Robinson  
Insurance Policy Department  
Strategy & Competition  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

14 March 2017

Dear Mr Robinson

**IFoA response to FCA 17-3 Consultation: Proposed Handbook changes to reflect the new regulatory framework for Insurance Linked Securities**

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to this consultation. Members of the IFoA who work in general insurance have prepared this response.
2. We believe most of the proposed changes are consistent with the approach set out in the HM Treasury draft regulations and in the joint PRA/FCA consultation on the authorisation of Insurance Linked Securities (ILS). Consequently, we have limited our response to those questions where we consider the proposed Handbook changes could be improved.

**Q1: Do you agree with our proposal to apply the high level aspects of our regulatory regime rather than create more detailed conduct rules at this stage? If not, please explain your particular concerns.**

3. As we have stated in our earlier responses to ILS consultations, it is important the regulatory framework does not hinder the growth of the ILS market. We support the application of high-level principles, rather than develop detailed rules while the market develops. In order to ensure the regulatory framework remains appropriate, we would encourage the FCA, as well as the PRA, to review the development of the market with stakeholders before embarking on creating detailed rules. We would recommend the FCA and PRA review the market in 12 months time and identify if there would be a need for more detailed rules at that time.

**Q5: Do you agree with our proposal to make ISPVs subject to the requirements of SYSC 3, rather than SYSC 4-10? If not, please give reasons why.**

4. Unfortunately, the proposal to make ISPVs subject to SYSC 3 appears to reduce oversight slightly. In particular, we would question whether there was sufficient evidence to remove the oversight of money laundering. We do not consider the application of the money laundering rules to be excessive for ISPVs. This is one area that could be reviewed in 12 months time if the FCA did not wish to alter its current changes to the Handbook.

**Q7: Do you agree with our proposed amendments to DEPP? If not, please explain why.**

5. We would question whether the removal of the appeals process is appropriate for ISPVs. It is unclear that the sole reason for non-approval would be the provision of insufficient information. As the market develops, rejection of applications could occur for other reasons, in which case, an appeals procedure would be beneficial. We would ask the FCA to reconsider this, or at least commit to a review of this approach.

Should you wish to discuss any of the points raised in further detail please contact Philip Daggart, Technical Policy Manager ([Philip.daggart@actuaries.org.uk](mailto:Philip.daggart@actuaries.org.uk) / 0131 240 1319) in the first instance.

Yours faithfully



Colin Wilson  
**President, Institute and Faculty of Actuaries**