



Institute
and Faculty
of Actuaries

Amending the definition of financial advice: consultation

IFoA response to HM Treasury

15 November 2016

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.



Assets, Savings and Consumers
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

15 November 2016

Dear Assets, Savings and Consumers Team,

IFoA response to Amending the definition of financial advice

The Institute and Faculty of Actuaries (IFoA) welcomes HM Treasury's consultation on the definition of financial advice. Whilst we do not have comments on the specific questions asked, we support the proposal to amend the definition of regulated advice in Article 53 of the existing Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to bring it in line with the EU definition set out in the Markets in Financial Instruments Directive (MiFID).

The use of the MiFID definition for regulated advice is beneficial as it has a clear focus on the consumer purchasing a product. It is also useful in that it will bring consistency within the regulatory framework, thereby reducing the potential for regulatory arbitrage. Whilst we support this policy proposal, there are two further points we would ask HM Treasury and the FCA to consider:

- i. This amendment will not alter the uncertainty surrounding the boundary of a personal recommendation. The uncertainty surrounding the boundary of a personal recommendation is a barrier to providers giving consumers more targeted information. We welcome that the FCA will produce further guidance on this point and produce illustrative case studies as removing this barrier could be crucial to the success of FAMR. We would welcome the opportunity to help the FCA to develop case studies that will facilitate targeted information for consumers.
- ii. Limiting the definition to a product transaction could have the unintentional consequence of making the advice framework inconsistent with the Retail Distribution Review reforms. If HM Treasury implements this policy, we recommend that the FCA closely monitors market activity to ensure that consumers are only directed towards products when it is in their best interest.

Should you wish to discuss our response please contact Rebecca Deegan, Policy Manager (rebecca.deegan@actuaries.org.uk / 02076322125) in the first instance.

Yours sincerely

Colin Wilson
President, Institute and Faculty of Actuaries