



Anne Macadam
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Financial Conduct Authority
25 The North Colonnade
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London E14 5HS

29 January 2015

Dear Anne,

AFM Response to FCA consultation CP14/25, Changes to the Approved Persons Regime for Solvency 2 firms

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
 - Respond to the consultation proposals and highlight any specific implications for our members.
2. The Association of Financial Mutuals (AFM) represents 52 member companies, and in most of our member companies, customers present and future are the owners of the business. Between them, AFM members manage the savings, pensions, protection and healthcare needs of over 20 million people in the UK and Ireland, and have total funds under management of over £100 billion. The nature of their ownership and the consequently lower prices, higher returns or better service that typically result, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion.
3. The main consequence of the FCA proposals appears to be to retain within regulatory scope those roles in the current Approved Persons Regime that are outside the scope of PRA's proposed Senior Insurance Managers Regime, and to broaden the conduct rules beyond those required by the PRA. This implies that the new APR will be more costly for firms to maintain, and more complex.

4. We consider that the FCA consultation provides a helpful overview of the changes to the Approved Persons Regime required as a result of Solvency 2. The table in Annex 1 is particularly useful in highlighting the approach taken by both the FCA and the PRA.

5. We have responded below to the specific questions raised in the consultation. We are responding separately to the PRA on their consultation. We would be pleased to discuss further any of the issues raised by our response.

Yours sincerely,

A handwritten signature in black ink, appearing to be the initials 'AB' followed by a stylized flourish.

Chief Executive
Association of Financial Mutuals

Answers to specific questions in the consultation

Q1: Do you agree with our proposals for aligning our approvals process with the Solvency II framework?

We agree that this is both necessary and helpful to insurers and supervisors.

Q2: 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?

We recognise that the two UK supervisors have different functions and priorities, and that therefore by necessity each will have its own perspective on the nature of pre-approval it requires. The general impression given from the approach taken is that FCA is picking up in its regime all those items that the PRA has discarded from the current APR. This gives the inevitable consequence that the overall new Approved Persons Regime is more burdensome than previously. We would urge the FCA and PRA to work together wherever possible to align their requirements, and to avoid duplication and unnecessary costs.

Q3: Do you agree that these are the right Conduct Rules for the FCA to apply to approved persons in Solvency II firms?

We agree: the Individual Conduct Rules provide a clear explanation of the proper behaviours expected on approved persons.

The risks of systemic failure in banking do not translate in a comparable way into insurance. PRA's consultation has accepted this, though the FCA paper appears to draw across requirements and sanctions implied by the Financial Services (Banking Reform) Act 2013.

Q4: Does the proposed guidance attached at Appendix 1 give helpful clarity on the behaviours the FCA expects under each of the Conduct Rules?

Yes. AFM has a number of members who are below the threshold for Solvency 2 compliance. It is important that FCA maintains effective arrangements for non-Directive insurers.

Q5: Do you agree with the proposals set out above for applying our planned reforms to ISPVs and UK branches of foreign Solvency II Firms?

We have no comments on this question.