



Prudential Regulation Authority
Governance, Remuneration, and
Controls Team
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
Governance and Cross Cutting Standards
Cross Cutting Policy, Supervision, Policy &
Competition
12 Endeavour Square
London
E20 1JN

30 May 2023

AFM Response to DP1/23, Review of the SMCR

1. I am writing in response to this discussion paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
 - Comment on the proposals, and
 - Explore the consequences for members of AFM and their customers.

About AFM and its members

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not-for-profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 32 million people in the UK and Ireland, collect annual premium income of over £22 billion, and employ nearly 30,000 staff¹.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses² and to take account of corporate diversity³.

¹ ICMIF and AFM, 2022: <https://financialmutuals.org/wp-content/uploads/2022/10/UK-Market-Insights-2022.pdf>

² Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

³ <http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

AFM comments on the proposals

4. We welcome the opportunity to respond to this discussion paper.
5. AFM and its members recognise the importance of the SMCR in preserving clear standards in financial services. We support the broad aims of the regime, and would not welcome wholesale change. We do consider though that there is scope to improve the delivery of some aspects of the SMCR, and have commented on these: in particular, as the paper acknowledges, there have been continued problems in the authorisation process.
6. We have attached the survey as requested, and would welcome the opportunity to discuss further the issues raised by our response. We are happy to be included in the published list of respondents, and no parts of our response should be considered confidential.

Yours sincerely,

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

Martin Shaw
Head of Policy
Association of Financial Mutuals