



CHANGES TO THE APPROVED PERSONS REGIME FOR SOLVENCY II FIRMS

ICAEW welcomes the opportunity to comment on the consultation paper *Changes to the Approved Persons Regime for Solvency II firms* published by Financial Conduct Authority on 26 November 2014, a copy of which is available from this [link](#).

This response of 2 February 2015 has been prepared on behalf of ICAEW by the Financial Services Faculty. As a leading centre for thought leadership on financial services, the Faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk management, auditing and reporting issues facing the financial services sector. The Faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

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MAJOR POINTS

Support for the initiative

1. We support the work of the Financial Conduct Authority (FCA) in proposing Changes to the Approved Persons Regime for Solvency II, and we agree with the notion that the proposed changes will be broadly aligned with the regime for banks. While insurers are under different legislative frameworks, the similarities between financial services firms warrant similar expectation of senior managers; behaving with integrity, honesty and skill. Solvency II measures relating to fitness and propriety will also focus of the Prudential Regulation Authority (PRA) consultation on Senior Insurance Managers Regime: a new regulatory framework for individuals.
2. We strongly support the additions to the Conduct Rules. Explicit requirement to pay due regard to the interest of the customers will go a long way in improving the trust in financial services.

RESPONSES TO SPECIFIC QUESTIONS

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

3. Yes. Article 42 of Solvency II introduces new requirements to ensure the fitness and propriety of persons performing important functions in insurance companies. It is primarily for the PRA to transpose Solvency II as it is concerned with the prudential strength of firms. However certain senior manager functions fall under the supervision of the FCA, therefore we support the amendment of the Fit and Proper Test to align it with Solvency II requirements.

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?

4. Yes. Certain Controlled Functions (CFs) are outside the scope of PRA approval process. By designating these to FCA Significant Influence Functions the FCA ensures that they remain in scope in the pre-approval process. However we are concerned that the allocation of roles between the PRA and the FCA is not optimal. We recognise the need to have a lead regulator for each role for operational reasons but there is a significant overlap between the interests of both regulators in most senior manager positions. There is a danger that in splitting the roles between the FCA and PRA approved positions, some individuals may focus more on one regulator or the other, when both should be equally important.

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

5. Yes.

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

6. Appendix 1 gives a general guidance of the expected behaviour and a helpful and practical list of examples of what would be regarded as a breach of the conduct rules. While these lists are not meant to be exhaustive they do give a precise idea of unacceptable conduct. Although this is looking at conduct from a negative point of view, it is more granular than the general principle of desirable and expected behaviour. In 4.2 more specific guidance is given which gives further clarification to the rules.

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?

7. Yes.