

Comments Template on EIOPA-CP 13/016 Consultation Paper on a Draft Report on Good Supervisory Practices regarding knowledge and ability requirements for distributors of insurance products		Deadline 23 September 2013 12:00 CET
Company name:	UK Financial Services Consumer Panel	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. <i>Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.</i>	Public
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering in column "Reference", or any other formatting in the file.</u> ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. Please do not delete rows in the table. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment relating to the corresponding paragraph. <p>Please send the completed template to CP-13-016@eiopa.europa.eu, <u>in MS Word Format</u>, (our IT tool does not allow processing of any other formats).</p> <p>For your convenience, the complete list of questions is outlined below:</p> <ol style="list-style-type: none"> 1. <i>Does this Report address the most relevant issues? If not, what other aspects should EIOPA consider?</i> 2. <i>Is this Report helpful in informing the debate over appropriate knowledge and ability requirements for distributors of insurance products (particularly, in the light of the current</i> 		

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<i>negotiation of the IMD2 proposal)?</i>		
<p>3. <i>Do you consider that the high-level principles cover the right aspects of knowledge and ability?</i></p> <p>4. <i>Does the section on continuous professional development (CPD) cover the most relevant issues?</i></p> <p>5. <i>What do you think of EIOPA's suggestion, as an example of a minimum level of CPD, of 30 hours study activities within a period of 3 years (or an equivalent amount on an annual basis)?</i></p>		
Reference	Comment	
General Comment		
Q1.	<p>The Consumer Panel supports the clarification of practices for supervision of the professional knowledge and requirements of distributors of insurance products. Distributors of products must clearly have appropriate knowledge and ability to carry out their roles. However, in addition to this, the Panel would argue that it is not enough in itself to be able to demonstrate consideration of the best interests in the customer, but that the legislative structure must be designed to prevent, as far as is possible, conflicts of interest arising between the interests of the distributor and the interests of the consumer in the first place. Therefore the Panel believes that remuneration should be regulated in such a way that commission payments to distributors should be banned, as is now the case in the UK. Simply disclosing remuneration, regardless of the professionalism of the adviser, is not sufficient to prevent conflicts of interest from arising.</p> <p>The Panel, as a UK-based organisation, is providing input in the context of the UK's recent Retail Distribution Review (RDR) and as such would recommend consideration of aspects of the review which it firmly supported. In particular, we believe that NVQ Level 4 (as required by the RDR) is a minimum qualification for investment advisers and there is no argument for it to be reduced in any circumstances. We have also argued that Level 4 – the equivalent of First Year university – is not too arduous and is well below the expected professional qualification of an accountant or lawyer. Indeed, we have frequently expressed the view that Level 4 should only be a starting point and have welcomed, for example, the work by the Chartered Insurance Institute which promotes Level 6 and Chartered Financial Planner status as a good place for advisers to be in.</p>	

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Q2.	The Panel recently responded to the European Parliament ECON Committee consultation on enhancing the coherence of European financial services legislation. In its response it highlighted a lack of coordination mechanisms to ensure that developments on IMD, MiFID and PRIPs, including rules on sales standards and processes, were adequately coordinated. The setting of high level principles by EIOPA is a helpful initiative in this area.	
Q3.	<p>The high level principles would benefit from a clearer articulation of the requirement for distributors to have specific and up to date knowledge of the products and product classes they are authorised to distribute, as well as an understanding of the general market, including potential risks, of any particular product class which they may distribute.</p> <p>The requirements to provide ethical and professional conduct at all times are welcome, although some guidance on what these terms mean in practice will be required. In addition to the requirement to be able to communicate complaints handling processes, the distributor should also be required to understand and communicate processes for accessing alternative dispute resolution systems.</p>	
Q4.	<p>The Panel strongly supports the use of CPD as a means of developing advisers' knowledge on a regular and routine basis. This must however be appropriately recorded and monitored by firms and professional bodies.</p> <p>We do, however, have concerns over the proposals that an external body providing oversight of CPD body must be 'a professional body not representing distributors'. In some cases, the distributors' professional body may be best placed to oversee professional standards. For example, the Chartered Insurance Institute, which has its activities governed by a Royal Charter, provides training and certification to high standards in the UK. If such a provision were to result in the creation of a new body, it is not clear that this would necessarily materially improve consumer protection, and the cost of setting up such a body would ultimately fall to taxpayers and/or policyholders.</p>	
Q5.	30 hours study over 3 years appears a very low standard of CPD. Within the UK, for example, CII members must undertake a minimum of 35 hours CPD for each 12 month period. The Panel believes this is therefore demonstrably a reasonable target, and would recommend this as a minimum.	