

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 Institute and Faculty of Actuaries	
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, in MS Word Format, (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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<p><i>negotiation of the IMD2 proposal)?</i></p> <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	<p>The Institute and Faculty of Actuaries (IFoA) is the UK based chartered professional body for actuaries. The IFoA has 25,000 members, 40% of our membership is based outside of the UK. The IFoA regulates its individual members and is responsible for regulating a small number of actuarial firms.</p> <p>The Financial Services & Markets Act 2000 (FSMA), which governs all financial services in the UK, has provisions which allow some professional organisations to act as a "Designated Professional Body" (DPB). The IFoA is one of these DPBs. The FSMA provisions allow the IFoA to authorise approved actuarial firms to carry out certain regulated activities, which then exempts those firms from the requirement to seek authorisation from the Financial Conduct Authority (FCA). The IFoA currently licenses 24 actuarial firms in its role as a DPB. The IFoA's comments have focused on our role in regulating actuaries and the firms that the IFoA licence in accordance with the DPB regime.</p> <p>Overall, the IFoA welcomes the introduction of good practice principles and the aim of ensuring greater consistency of practice among regulators. However, the IFoA considers that it is vital that such proposals remain principles based and that there is sufficient discretion afforded to competent authorities. The IFoA also considers that a number of the proposals may be difficult to assess in practice.</p> <p>The IFoA has the following more general comments in relation to proposal 1.1 Notion of "appropriate knowledge and ability" to complete tasks and perform duties adequately. The IFoA applies an ethical code (The Actuaries' Code) to all of its members. The Actuaries' Code sets out five core principles</p>	

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	<p>that actuaries are expected to observe in their professional lives. The principles most relevant to this consultation document are Principle 2 (Competence and care: members will perform their professional duties competently and with care) and Principle 5 (Open communication: members will communicate effectively and meet all applicable reporting standards).</p> <p>In addition, the IFoA publishes a DPB Handbook that all firms licensed by the IFoA are expected to comply with. This states that firms are expected to conduct their business "(ii) with appropriate knowledge, skill and care...¹"</p> <p>Paragraph 3.28 of the DPB Handbook provides the following:</p> <p style="padding-left: 40px;"><i>"A DPB firm shall not carry on any regulated activity unless it has a clear and complete understanding of the extent to which, and circumstances in which, it may undertake regulated activities. It must also have a sufficient understanding of the relevant legal and legislative framework, demonstrating proper regard to the technical and professional standards expected of it before carrying on any regulated activity."</i></p> <p>As such, the IFoA considers that the proposals in 1.1 are largely covered by the Actuaries' Code and the DPB Handbook.</p>	
Q1.		
Q2.		
Q3.		
Q4.	<p>Qualified members of the IFoA are required to comply with the requirements of the IFoA's continual professional development (CPD) scheme. Employees of licensed firms that are qualified members of the IFoA are required to comply with the CPD scheme. However, the IFoA does not impose similar requirements on non IFoA members employed by such firms. Therefore, the IFoA relies on CPD requirements imposed by the regulatory bodies of non members under the DPB Handbook. The IFoA also relies on the firm, which is responsible for ensuring that work is executed by a suitably qualified, competent and experienced individual.</p> <p>While the IFoA is unable to comment on CPD requirements for non IFoA members. From the IFoA's experience of operating a CPD scheme, the IFoA has the following comments on the proposals</p>	

¹ IFoA DPB Handbook 1 April 2013 paragraph 3.3

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	<p>outlined in paragraph 1.2 of the consultation document. The IFoA agrees that it is good supervisory practice for a competent authority to provide that distributors carry out CPD. In particular, the IFoA agrees that such CPD should address a range of learning needs; including professional knowledge, ability and ethics. However, the proposals are focussed on the technical aspects of the role. The IFoA would ask EIOPA whether they believe the proposals should also include the development of professional and softer skills, such as effective communication and presentation skills?</p> <p>The IFoA also requires qualified members to undertake training or development that involves interaction with individuals who actuaries would not interact with in their normal working environment. The IFoA suggests that it is beneficial for CPD schemes to expose individuals to a wide range of views through involvement in external events.</p> <p>The IFoA considers that the proposals are too focused on the completion of CPD activities. The IFoA suggests that the proposals should have a greater emphasis on encouraging distributors to regularly assess their own development needs and to evaluate whether the CPD activities that they have completed address those needs.</p> <p>The IFoA recognises that there may be situations where it is appropriate to put in place sanctions for non compliance. The IFoA operates a sanctions process for members who have not recorded their CPD appropriately. Members who fail to complete sufficient CPD may also be subject to disciplinary proceedings. Where sanctions are applied, it is important that this is done fairly and proportionately. In particular, the competent authority should ensure that the CPD requirements are not unduly burdensome and that distributors have a good understanding of their obligations.</p>	
<p>Q5.</p>	<p>The IFoA requires its members to carry out 15 – 30 hours of CPD activity each year depending on the role they are carrying out. While this is in excess of the suggested 10 hours per year, the IFoA considers that a more onerous requirement may not always be appropriate. Sufficient discretion should be afforded to the competent authority to set requirements in excess of 10 hours per year if considered appropriate.</p> <p>While the IFoA appreciates that there may be merit in setting a minimum standard for CPD, the IFoA strongly agrees that distributors should be encouraged to carry out CPD beyond the minimum standard, where they feel it is necessary to meet their learning needs.</p> <p>The IFoA considers that a 3 – 5 year cycle is too long and suggest that learning needs should be reviewed more regularly. The IFoA currently operates a yearly cycle, and while this may not be</p>	

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	appropriate for all competent authorities, the IFoA considers that if a 5 year cycle is used, distributors may be less inclined to review their learning needs on a regular basis.	