

## A round up of policy events and news

### 1. Top five stories

#### A. FCA's push for personal responsibility: Reforming regulation – SIMR, SMR, NEDs & approved persons

The PRA and FCA are instituting major regulatory changes to implement two major developments: the Parliamentary Commission on Banking Standards and Solvency II. Both have a significant impact on high level responsibility within organisations.

##### **PRA Senior managers regime & senior insurance managers regime**

Following earlier consultations, the PRA has published a policy statement (PS3/15) including the first set of rules designed to implement the new senior managers regime (SMR) for UK banks, building societies, credit unions and PRA-designated investment firms, as well as the senior insurance managers regime (SIMR) for Solvency II. The rules set out the scope of both regimes, cover how firms should allocate responsibilities to individuals, and how firms should assess fitness and propriety for senior managers.

The two sets of rules will come into force on 7 March 2016, although some aspects of the SIMR will become applicable from 1 January 2016 so as to transpose the Solvency II Directive. The rules will include elements for both regimes which require an input from the FCA to be finalised, as well as aspects which are under consultation, including how the accountability regime will apply to branches of non-EEA banks and how the SIMR will apply to non-executive directors. [Click here](#)

The PRA followed this up with a consultation paper (CP12/15) on a streamlined approach to the senior insurance managers regime (SIMR) for insurers outside of the scope of Solvency II. The proposals apply to all firms that are not Solvency II firms. It will also apply on a transitional basis to run-off firms, so long as these firms are not subject to the Solvency II rules in accordance with Transitional Measures 2 in the PRA rulebook. These firms are referred to collectively as non-Directive firms (NDFs) in the consultation paper. The consultation paper sets out proposals for:

- how the current list of possible controlled functions would be simplified to a single small insurer senior management function;
- how the fitness and propriety of those individuals running NDFs will be assessed; and
- and how conduct standards would be applied to the senior managers of NDFs.

The consultation closes on 15 May. The PRA has also said that a further consultation will take place to cover forms, consequential changes and the detailed rules on the transitional arrangements. [Click here](#)

##### **FCA: changes to the approved persons regime for non-Solvency II firms**

The FCA has published a consultation paper on changes to the approved persons regime for insurers outside of the scope of the Solvency II Directive (CP15/15). The proposals in the consultation apply to all firms with permission to effect or carry out insurance contracts that fall out of the scope of the Solvency II Directive, which hold assets of £25 million or less, including UK branches of foreign firms. The firms are referred to as non-Directive firms (NDFs) in the consultation paper. The proposals in the consultation paper are intended to be a proportionate version of the

proposals in the FCA's November 2014 consultation (CP14/25) on the approved persons regime for Solvency II firms. The FCA's proposals include:

- making FCA significant influence function (SIF) holders those individuals in executive governing roles that will no longer be pre-approved by the PRA as well as chairmen, senior independent directors and chairs of remuneration, risk, audit or nomination committees;
- applying new FCA conduct rules with content mirroring the conduct requirements for individuals in banks and Solvency II firms; and
- disapplying the specific CF8 apportionment and oversight function.

The consultation closes on 15 May. As with the PRA on SIMRA (see above), the FCA said that that a further consultation will take place to cover forms, consequential changes and the detailed rules on the transitional arrangements. [Click here](#)

#### **FCA and PRA: on Non-Executive Directors and the application of presumption of responsibility to senior managers**

The FCA and PRA have published a joint consultation paper (FCA CP15/5 and PRA CP7/15) on the revised position of Non-Executive Directors (NEDs) of UK banks in respect of SMR and Solvency II firms, as well as the application of the presumption of responsibility provisions introduced by the Financial Services (Banking Reform Act) 2013 to senior managers in banking firms. The joint consultation paper sets out the regulators' revised approach to NEDs, under which the following NEDs will be in scope of the SMR:

- chairman;
- senior independent director; and
- chairs of the risk, audit, remuneration and nominations committees.

The individuals performing these roles will be subject to all aspects of the SMR, including regulatory pre-approval, conduct rules and the presumption of responsibility. As part of the consultation the PRA has issued a draft supervisory statement setting out how the PRA intends to apply the presumption of responsibility and the reasonable steps defence. The joint consultation closes on 27 April. [Click here](#)

#### **Martin Wheatley: Nothing to fear from high standards**

In a speech given at Bloomberg following the publication of the Senior Management Regime, FCA Chief Executive Martin Wheatley discussed the move to individual responsibility, its role in good governance and new conduct rules. [Click here](#)

## **B. FCA Business Plan 2015**

### **Business plan and risk outlook**

For the first time the FCA has merged its Business Plan and its Risk Outlook into a single document. Its Risk Outlook retains the same priority risks with the addition of a seventh, financial crime. The plan incorporates a new strategy based on the "changing scope of the FCA" and the restructuring of the FCA following last year's Davis report, which was critical of the FCA's processes.

*FCA Business Plan – key areas for coming year:*

- examine whether the sales practices of pension providers have improved since 2014 review into annuities sales
- look at how firms were helping consumers make the right choice in relation to their pension given the options offered by Government's pensions reforms

- look at how the mortgage market is working, in particular any barriers to competition and ability of consumers to switch provider or access credit
- implement and review the consumer credit regime and the firms and practices within the sector
- take forward the wholesale market study into competition in investment and corporate banking
- monitor developments in technology and how that affects firms and consumers, including a market study on the use of Big Data in insurance
- contribute to international benchmark reform
- work with firms preparing for the implementation of MiFID II and the Market Abuse Regulation updates
- launch a market study on asset management that will examine charges paid by investors and what drives those charges
- from April, powers to enforce against unlawful anti-competitive behaviour in the financial services industry concurrent with the Competition and Markets Authority come into effect

*FCA's Risk Outlook – the top seven high-level risks are:*

- technology developments and its impact on firms' investment, consumers and regulators
- how poor culture and control continues to threaten market integrity
- impact of large back-books on how firms deal with existing customers
- consumer outcomes for pensions and retirement income products
- poor culture and practice in consumer credit affordability assessments that could result in unaffordable debt
- impact of the Consumer Rights Act coming into force in the autumn [Click here](#)

*The CII has produced a briefing on the Business Plan for members. Visit [www.cii.co.uk/34951](http://www.cii.co.uk/34951)*

## **C. PRA on insurance challenges**

### **PRA speech on challenges for the insurance industry**

Paul Fisher, Deputy Head and Executive Director of Insurance Supervision at the Prudential Regulation Authority, has given a speech considering the current and future state of the insurance industry and comments on the role of regulation in "confronting the challenges of tomorrow". In his final speech on insurance before passing responsibility to Sam Woods, Mr Fisher covered:

- *Governance.* Governance issues are consistently at, or near, the top of the PRA's agenda. This focus is not set to lessen. Within this context, the desired outcome of the Senior Insurance Managers Regime is effective governance, not enforcement;
- *Solvency II.* Enhanced communication between firms and the PRA is critical for the transition to the Solvency II regime. The PRA recognises the importance of timely communication which allows firms to prepare thoroughly;
- *Environmental changes.* The issue of climate change is moving up the agenda for insurers, who may be impacted by increased claims experience due to more frequent catastrophic risk events and also by unexpected risks on the investment side. While the full impacts of climate change may not be visible in the short term, insurers should be alert to the emerging risks, including those emanating from policy makers;
- *Societal changes.* Change to an insurer's business model can be driven by many sources, including changing customer expectations. Technological enhancements bring new opportunities to businesses but the pace of

innovation must be met by the pace of corresponding safeguards to deal with the risks. The risk of cyber-attacks is a concern to the PRA and insurers are being increasingly relied upon for protection against cyber-attacks, however, they could themselves be significant victims. As it is difficult to obtain data for losses that arise out of cyber-events, it is difficult to quantify reserves, models and prices and to develop operational safeguards internally; and

- *Insurance innovation and regulation.* Insurers are refreshing their product offerings, altering operational structures and enhancing distribution channels. The PRA will need to work with its regulated entities closely in this process to ensure that a firm's approach to risk management is sound and that its policy holders are adequately protected. Mr Fisher is of the opinion that Solvency II should help with this process as insurers will need to think carefully about the risks to which they are exposed and how this is captured and managed.

[Click here](#)

## D. GI add-ons

### FCA proposals on GI add-ons

Following a market study into the general insurance add-ons industry last year, the FCA found that opt-out selling often results in consumers purchasing an insurance product they don't need. The regulator has published a consultation on proposals to address issues identified by the market study. They are:

- banning opt-out selling, and
- improving product information provision in relation to general insurance add-ons.

The closing date for comments is 25 June. [Click here](#)

## E. Whistleblowing

### FCA and PRA on whistleblowing

The FCA and the PRA have published a joint consultation paper (FCA CP15/4 and PRA CP6/15) on whistleblowing in deposit-takers, PRA-designated investment firms and insurers. The joint consultation paper sets out proposed changes to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC), which would require that firms:

- put in place internal whistleblowing arrangements;
- inform UK-based employees about their whistleblowing arrangements;
- offer protection to whistleblowers;
- include provisions in new employment contracts to confirm that nothing in these agreements prevents an employee from making protected disclosures; and
- allocate the prescribed responsibility for whistleblowing under the senior managers regime and senior insurance managers regime to a so-called "whistleblowers' champion".

The consultation closes on 22 May. [Click here](#)

### Further FCA information on whistleblowing

In addition to the joint consultation, the FCA has published information on whistleblowing on its website including how to be a whistleblower, the law on whistleblowing and how the FCA uses information provided in this way. [Click here](#)

The FCA has also published a note on how it deals with information from whistleblowers, including what it does with the information and how whistleblowers impact the work of the regulator. The report shows that in 2014, 1,367 people blew the whistle to the FCA, from which it produced over 1,100 intelligence reports. [Click here](#)

## 2. General insurance

### Insurance Act 2015

The Insurance Bill has completed its passage through Parliament and has received royal assent. It will be known as the Insurance Act 2015 and the main insurance contract law provisions will come into force in August 2016. The main areas covered by the Act are:

- *Disclosure and misrepresentation in business and other non-consumer insurance contracts.* The Act amends the duty on business policyholders to disclose risk information to insurers before entering into an insurance contract by introducing a duty of 'fair presentation' of the risk.
- *Warranties and similar terms.* The Act ends 'basis of the contract' clauses, which have the effect of converting pre-contractual information supplied to insurers into warranties. It also ensures that breach of a warranty or a similar term should not allow an insurer to refuse to pay a claim if the insured shows that the breach was irrelevant to the loss suffered.
- *Insurers' remedies for fraudulent claims.* The Act looks to provide insurers with clear, robust remedies when a policyholder submits a fraudulent claim. [Click here](#)

### Insurance fraud taskforce publish terms of reference

The terms of reference for the insurance fraud taskforce have been published. The taskforce was set up in January 2015 to investigate the causes of fraudulent behaviour and to recommend solutions to reduce the level of insurance fraud in order to ultimately lower costs and protect the interests of honest consumers. Its main focus will be on three key issues:

- the perception among some consumers that insurance fraud is a legitimate way of making some money;
- the extent to which fraud is encouraged (or not deterred) by existing practices of those involved in the claims process (including insurers, lawyers, claims management and other intermediaries); and
- aspects of the current legal or regulatory framework which could be strengthened to prevent insurance fraud.

The taskforce is expected to publish its final report by the end of the year. [Click here](#)

### Cyber security insurance: new steps to make UK world centre

The government and insurance industry have published on a report on making the UK a world centre for cyber security insurance. The report, *UK cyber security: the role of insurance in managing and mitigating the risk*, announces new joint initiatives between government and the insurance sector to help firms get to grips with cyber risk; to establish cyber insurance as part of firms' cyber toolkits and cement London as the global centre for cyber risk management. [Click here](#)

### Competition and Markets Authority's final order on motor insurance

The Competition and Markets Authority (CMA) has published a final order, which sets out how changes resulting from its investigation into private motor insurance will be introduced and monitored. It specifies that the ban on "price parity" agreements between price comparison websites and insurers will come into force on 19 April 2015 while the remedy giving consumers better information on no-claims bonus protection must be implemented by August 2016. [Click here](#)

### **Mark Hoban appointed as Flood Re Chairman**

Flood Re has announced the appointment of Mark Hoban, former Financial Secretary to the Treasury, as its first Chairman. Mr Hoban is to stand down as an MP at the forthcoming General Election.

## **3. Pensions**

### **Pensions update**

*With the pension freedoms set to come into force on April 6, there have been a number of significant developments. The most significant are detailed below. For the full story on pension reform, see our regularly updated member briefing. [Click here](#)*

### **Creating a secondary annuity market - consultation**

The Treasury and Department for Work and Pensions have launched a joint consultation on the creation of a secondary annuities market. This follows the Chancellor's Budget announcement that existing annuity holders would be able to benefit from the forthcoming pension reforms. The government is proposing the removal of tax barriers which currently deter existing annuity holders from using the value of their annuity flexibly. The changes aim, by April 2016, to give those with existing annuities greater flexibility, in line with those who will be taking their pension flexibly after April 2015. The government's main reforms will be to:

- Change the tax treatment in relation to annuity holders wishing to realise the value of their annuities. This will include the removal of the "unauthorised payment" tax charge of up to 55% (or even 70%) that deters annuity holders from assigning their annuity. Individuals will, upon agreement with their annuity provider, have the opportunity to assign their annuity to a third party in return for a lump sum. Individuals can take this lump sum directly, or transfer the lump sum to an alternative retirement income product, drawing income down over a number of years and being taxed at their marginal rate.
- Work with the Financial Conduct Authority (FCA) to ensure appropriate consumer protection is in place for annuity holders as they consider their options. This may include the provision of guidance to annuity holders or the requirement to seek advice so they are in a position to consider fully the impact of their decision and ensure they are receiving a competitive price.

The government intends to create the conditions for a secondary market in annuities to develop, in which third parties – which could include asset managers, pension funds, insurers and intermediaries – are assigned the rights to annuity holders' income streams in return for a lump sum. The consultation closes on 18 June. [Click here](#)

### **FCA consults on pension transfer rules**

The FCA has published a consultation paper on proposed changes to its pension transfer rules. The changes are designed to reflect the Government's new flexible pensions regime. The FCA is consulting on changes to its rules that will make advising on the conversion or transfer of safeguarded pension benefits, which are benefits other than money purchase or cash balance benefits, into flexible benefits, a regulated activity. [Click here](#)

### **Pension Wise consultation**

The FCA is consulting (CP 15/12) on its policy for making recommendations to the designated guidance providers and to the Treasury. The CP also includes further information on its approach to monitoring guidance service providers. The consultation closes on 8 May. [Click here](#)

### **PS15/4: Retirement reforms and the guidance guarantee**

The FCA has published a set of additional rules for pension providers requiring them to ask consumers looking to access their pensions a series of questions about "key aspects of their circumstances that relate to the choice they are making", and provide additional retirement risk warnings based on the answers to those questions. This elaborates on a Dear CEO letter to pension providers on 26 January. The new rules come into force on 6 April when the Government's pension freedoms take effect, and were introduced using special FCA powers to bring in new rules

without the normal consultation process. Policy Statement 15/4 provides: the purpose and desired outcomes of these rule changes; the reason for using this special non-consultative process; an overview of the process by which firms should issue these warnings to customers; the FCA's core expectations governing the risk factors that firms should question customers on; and guidance on whether to issue the risk warnings depending on the answers to specific questions. [Click here](#)

#### **Martin Wheatley: The defining challenge of our time**

In a speech to the NAPF Investment Conference, Martin Wheatley described the upcoming pension reforms as “*arguably the most profound political reform of UK pension provision since Beveridge in the 1940s, and universal coverage.*” He also covered industry and consumer responsibilities and the potential for fraud risk. [Click here](#)

#### **FCA policy statement on retirement risk warnings**

The FCA has issued a policy statement (PS15/4) on retirement risk warnings. The policy statement sets out new rules requiring firms to give risk warnings to consumers who contact a firm to access their pension savings. The new rules are intended to ensure that certain risks are flagged to consumers in order that they understand the consequences of different courses of action. These come into force when the new pension rules come into force: 6 April 2015. [Click here](#)

#### **FCA publishes final rules for charges in workplace pension schemes**

The FCA has published rules (PS15/5) to implement a charge cap on default funds for automatic enrolment and bans on certain charging practices in workplace personal pension schemes we regulate. Similar measures will be implemented by the Department for Work and Pensions (DWP) in regulations for occupational schemes for which The Pensions Regulator (TPR) will be responsible. [Click here](#)

#### **FCA rules for independent governance firms providing certain pension schemes**

The FCA has published a policy statement (PS15/3) which confirms the FCA's final rules requiring firms which provide personal or stakeholder pension schemes to employers to set up and maintain independent governance committees (IGCs). From 6<sup>th</sup> April, the role of IGCs will be to represent the interests of scheme members in assessing the value for money of pension schemes and to challenge providers to make changes where necessary. [Click here](#)

#### **Retirement income market study: final report – confirmed findings and remedies**

The FCA has published the final report of its market study of the retirement income market. The final report confirms a number of the FCA's provisional findings, including the main one that this market is not working well for consumers:

- Many consumers are missing out by not shopping around for an annuity and switching providers, and some do not purchase the best annuity for their circumstances.
- Consumers are deterred from engaging with their options by the length and complexity of wake-up packs, or because they do not believe the sums involved make shopping around worthwhile
- Consumers' tendency to buy products from their existing provider weakens competitive discipline on incumbent firms and makes it harder for challenger firms to attract a critical mass of customers
- Consumers are highly sensitive to how options are presented to them. Savers reaching retirement will face a landscape that is more complex and will need support in making the right choices.

The FCA report also sets out proposed remedies (in line with the upcoming pension changes):

- Requiring firms to provide an annuity quotation ranking so that consumers can easily identify if they could be getting a better deal by shopping around.
- Redesigning and behaviourally trialling the information that consumers receive from their providers, such as wake-up packs, in the run up to their retirement.

- In the longer term, the creation of a pensions dashboard which will allow consumers to see all their pension pots in one place.

The FCA will continue to monitor the market and tracking consumer outcomes, as well as the take-up of the Pension Wise service. [Click here](#)

## 4. Financial products & consumers

### Farnish review of Money Advice Service

The independent report (by Chrstine Farnish) into the Money Advice Service (MAS) has been published, along with responses from MAS, the Government and FCA. The report recommends measures intended to improve the effectiveness and reach of debt advice, to be overseen by a debt advice steering group of funders and debt advice charities, chaired by MAS and notes that MAS and FCA will work together to address certain questions raised in the review, with a view to publishing evidence in the autumn. The Government intends to consider whether any further changes to MAS are needed, including possible legislative changes, and will publish its conclusions before the end of the year. [Click here](#)

### FCA paper on structured products

The FCA has published an occasional paper on behaviour economics to explore how consumers have significantly overestimated the expected returns on structured deposits.

The findings highlight the importance of firms designing structured products that are suitable for their clients' levels of financial sophistication and note a number of areas for improvement including:

- putting customers at the forefront of firms' approaches to product governance;
- providing customers with clear and balanced information on each product and the risks associated with it; and
- manufacturers should strengthen how products are monitored throughout the lifecycle. [Click here](#)

[FCA publishes occasional paper on firms' approach to consumer vulnerability](#) The FCA has published a report into consumer vulnerability. The regulator believes that some vulnerable consumers are not receiving fair treatment from financial services firms at the present. The aim of the paper is broadening understanding and stimulating interest and debate around consumer vulnerability. It also provides practical help for firms in developing and implementing appropriate strategies for consumer protection. [Click here](#)

## 5. Mortgages

### FCA thematic review on governance over mortgage lending strategies

The FCA has released the report on its findings from the thematic review on governance over mortgage lending strategies. The key findings were that:

- there is inconsistency in the way that firms are considering the impact of their actions on customer outcomes and that conduct is not on all firms' agendas;
- while appropriate structure and process facilitate governance, a focus on customer outcomes is required to make governance effective;
- some firms are overly reliant on a small number of key individuals to act as conduct champions and there is a lack of succession planning for retaining conduct knowledge;
- a number of firms are making use of customer research and engagement; and



- firms adopted different approaches when setting or amending lending strategies.

The FCA considers that firms should take into account the customer throughout all stages of the mortgage lending strategy process and that firms should satisfy themselves that they have appropriate controls in place to prevent customer harm and damage to the market. [Click here](#)

#### **Linda Woodall: The evolution of the mortgage market**

In a speech to the Mortgage Finance Gazette Conference Linda Woodall, director of mortgage and consumer lending, covered the impact of an ageing population on the mortgage market, niche lending and the need for good governance, second charges and buy-to-let. [Click here](#)

#### **Mortgage Credit Directive - new FCA webpage**

The FCA has published a new webpage setting out the main changes that will be made by the Mortgage Credit Directive (MCD) to the regulation of first and second charge mortgages and consumer buy-to-let lending. Implementation of the MCD is expected to be 21 March 2016. [Click here](#)

## **6. From the regulators (general)**

**FCA/BoE/PRA: Memorandum of understanding** This Memorandum of Understanding sets out how the Financial Conduct Authority (FCA), the Bank of England (BoE) and the Prudential Regulation Authority (PRA) will cooperate with one another in relation to the supervision of markets and market infrastructure. [Click here](#)

#### **FCA Performance management practices**

The FCA has published a guidance consultation focusing on the risks that are posed to consumers by inappropriate practices. The aim of the guidance is to help firms manage the risks in this area, including identifying where poor performance management practice may be leading to undue pressure. The regulator makes it clear that its role is *“not role to prescribe how firms manage the performance of their staff, but [that the FCA] expects firms to manage the risk of mis-selling effectively.”* [Click here](#)

#### **FCA consultation on consumer credit**

The FCA has published a consultation (CP15-06) on changes to the consumer credit regime which include: appropriate remuneration structures for credit brokers; removing the exemption from the requirement for firms to include a risk warning in financial promotions; and mortgages. The consultation closes on 4 May 2015 and the FCA intends to publish final rules in the summer. [Click here](#)

#### **FCA speech on suitable credit market**

Christopher Woolard, FCA Director of Strategy & Competition, has given a speech looking back at the FCA's first year of regulating consumer credit. His key observation was: *“Firms have been working to address regulatory failures over the last twelve months, but the steps that they have had to take to raise the bar have had to be significant. They're not superficial tweaks – they are systemic and cultural changes. Firms have had to change senior management, re-train staff to deal with struggling customers and put better systems in place to improve monitoring, compliance and risk.”* [Click here](#)

#### **FCA guidance on social media and customer communications**

The FCA has issued final guidance on its supervisory approach to financial promotions in social media. The guidance contains:

- examples of acceptable and unacceptable financial promotions;
- examples of when a firm would and would not be responsible for how its financial promotions are used by recipients; and

- description of how firms are expected to comply with existing rules on risk warnings, unsolicited promotions and approval and record-keeping, in a social media context. [Click here](#)

### **NAO report on financial services regulation, redress and advice**

The National Audit Office (NAO) has issued a report summarising the activities and performance of the main UK financial services regulation, redress and advice bodies: FCA, PRA, FSCS, FOS and MAS. The report focuses on each body's activities over the past year, how the organisations interact and cooperate and challenges facing the individual bodies. [Click here](#)

## **7. Europe & international**

### **Solvency II – PRA policy statement on implementation**

The PRA has published a policy statement (PS 2/15) containing the final rules and supervisory statements which set out how the PRA will implement the Solvency II Directive in the UK. The policy statement sets out the final versions of the rules and supervisory statements that were proposed in five PRA consultation papers, published in 2014 and 2015. The PRA's rules implementing Solvency II will come into force on 1 January 2016. [Click here](#)

### **Solvency II – PRA Solvency II waivers**

The PRA has also published a new webpage on approvals and waivers under the Solvency II Directive. It provides information for firms that wish to apply for a Solvency II approval or Solvency II waiver and on the use of insurance special purpose vehicles under Article 211 of the Solvency II Directive. [Click here](#)

### **Insurance distribution in the single market – speech by Lord Hill**

Lord Hill, European Commissioner responsible for Financial Stability, Financial Services and Capital Markets Union has commented on the forthcoming Insurance Distribution Directive which is designed to increase competition and transparency in insurance provision across the single market. In addition, Lord Hill considered a number of open questions in relation to insurance provision across the single market including transparency and comparability of insurance products; geographic scope and technological advancement. [Click here](#)

### **How to restart growth – speech by Lord Hill**

In another speech, Lord Hill explored how, after years of introducing regulation reducing the risk to financial stability, the new European Commission's top priority is to foster growth. The Commission's actions in the financial services area include:

- stepping up efforts to create a single market for personal pensions which would help mobilise more personal pension savings for long-term financing;
- introducing European Long Term Investment Funds (ELTIFs) to provide a vehicle for incentives for investment in infrastructure; and
- planning to amend the detailed rules on Solvency II to make provision for ELTIFs, and to give insurers more ways of getting involved in infrastructure projects.

### **EIOPA on conflicts of interest in direct and intermediated sales of insurance-based investment products**

The European Insurance and Occupational Pensions Authority (EIOPA) has published technical advice on conflicts of interest in direct and intermediated sales of insurance-based products to the European Commission. The technical advice sets out a summary of the comments received following a consultation last year and the main conclusions EIOPA has drawn in light of the feedback. The technical advice covers:

- *identification of conflicts of interest*: EIOPA recommends requiring insurance intermediaries and insurers to assess all cases where they have an interest related to distribution which is distinct from the customer's interest and which has the potential to influence the outcome of the services to the detriment of the customer;
- *conflicts of interest policy*: EIOPA recommends requiring insurance intermediaries and insurers to establish and set out in writing an effective conflicts of interest policy. At the same time, EIOPA acknowledges the importance of proportionality, especially with regard to the impact new organisational requirements may have for small and midsize intermediaries; and
- *inducements and remuneration*: EIOPA notes that conflicts of interests can arise from third party payments (inducements) and internal payments (remuneration). EIOPA is of the opinion that this issue should be addressed. [Click here](#)

#### **EIOPA opinion on sales via the internet of insurance and pension products**

EIOPA has published an opinion on sales of insurance and pension products via the internet. EIOPA states that a substantial percentage of consumers already use digital and remote channels, and the percentage is set to increase. EIOPA seeks to ensure that consumers' interests are adequately protected when purchasing insurance and pension products online. [Click here](#)

#### **MiFID II – Latest developments & FCA timeline**

The FCA has published a Discussion Paper (DP15/3) on the areas of MiFID II where it has discretion on how it is implemented within the UK. The closing date for comments is 26 May 2015. [Click here](#)

The FCA is has also published a timeline outlining milestones ahead of the 2017 implementation. [Click here](#)

<b>March 2015</b>	Publication of a Discussion Paper on certain conduct and organisational issues where we have discretion or where there is potential read across to non-MiFID business.
<b>Summer 2015</b>	European Commission estimate for adoption of draft delegated acts. Adoption is subject to formal scrutiny by the European Parliament and the Council (for a three-month period, which can be extended by a further three months).
<b>Autumn 2015</b>	Second MiFID II annual conference, following the first conference in September 2014.  The aim of this second conference is to outline the main implementation issues and focus on helping firms to understand their new obligations and our expectations of them. We will confirm more details closer to the time.
<b>December 2015</b>	Publication of the main consultation paper on our proposed Handbook changes to implement MiFID II / MiFIR
<b>June 2016</b>	FCA feedback and policy statement confirming final changes to our Handbook, in order to transpose MiFID II / MiFIR by 3 July 2016.
<b>3 January 2017</b>	MiFID II / MiFIR applies across the European Union (subject to the limited exceptions that have longer transitional periods)

### MiFID II – Switching on the light without turning-off the tap – speech by Verena Ross (ESMA)

Verena Ross, Executive Director of the European Securities and Markets Authority (ESMA), has given a speech setting out the implications of the Markets in Financial Instruments Directive and Regulation (together, MiFID 2) for transparency and liquidity. Ms Ross covered ESMA's work on MiFID 2 implementing measures and highlighted their increased operational role in the upcoming years. [Click here](#)

### EIOPA speech on conduct regulation

The European Insurance and Occupational Pensions Authority (EIOPA) has published a speech by Katja Würtz, EIOPA's Head of Cross-Sectoral and Consumer Protection Unit, on the future of European market conduct regulation. In her speech, Ms Würtz highlighted three key themes:

- *Smart conduct regulation.* New regulatory perspectives have emerged following the financial crisis. These new perspectives are referred to as "smart regulation" which means tailoring regulation to problems identified, in a risk-based and pragmatic fashion;
- *Product oversight and governance.* Ensuring effective product oversight and governance (POG) is a new focus for EIOPA. EIOPA is in the process of analysing responses to the draft guidelines on POG arrangements and intends to publish its final guidelines on POG arrangements in June 2015; and
- *The "digitalisation" of financial services.* Rapid IT development is reshaping the financial services industry, and new regulatory approaches may be required. [Click here](#)

## 8. Political

### Budget 2015

Chancellor George Osborne's final Budget before this year's General Election was made against the background of economic growth, low inflation and low oil prices. Though there will have been the temptation to make pre-election giveaways, the Chancellor resisted and instead promised to use savings made as a result of reduced debt interest, lower welfare payments and sale of bank assets to pay down debt. And despite the plethora of pre-Budget announcements George Osborne was still able to announce the odd surprise or two. The headline announcement was a four point plan to support a savings culture: allowing current annuity holders to access their savings; creation of flexible ISAs; a new Help-to-buy ISA; and making first £1000 of savings income tax free.

Other headline announcements included:

- End of the annual tax return. A new online account system will be implemented
- Changes to income tax thresholds – personal allowance to rise to £11,000 by 2018. The 40p band will rise, above inflation, to £43,300 by 2017/18
- Reduction in the pension lifetime allowance, from £1.25m to £1m.

To access the main budget documents [click here](#)

The CII has produced a briefing on the Budget for members. Visit [www.cii.co.uk/34789](http://www.cii.co.uk/34789)

**General Election update** The General Election takes place on Thursday 7 May. Parliament will sit for the first time on Monday 18 May and the Queen's Speech is set for Wednesday 27 May.

In the run up to the General Election we will be publishing a briefing on where the parties stand on relevant issues. We will also be publishing *Election 2015 Wisdom of Crowds: Hopes and fears for financial services ahead of the General Election*, a collection of views from across our sector. Post-election we will outline

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This series of papers considers the role of insurance in society, focusing in particular on the benefits it brings and risks it mitigates.

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### Pension reform – latest developments

Our latest briefing for members on the Government's pensions reforms covers the announcement of and details on PensionWise delivery, as well as Treasury and FCA actions from the last few months. [Click here](#)

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Nick Hurman looks at what the retirement freedoms will mean the way retirees deal with their housing finances. How are retirees considering their housing equity as part of their retirement pot? And will housing equity and debt form an integral part of the stock of capital they seek to decumulate? [Click here](#)

*A brave new retirement: funding life after work and helping to make difficult choices*

Huw Evans, the new ABI Director General, reflects the profession's concerns about preparedness for the pension reforms and Pension Wise. [Click here](#)

*Will I have to sell the family silver? Funding care in retirement*

Partnership Assurance considers some of the financial realities of funding social care in retirement, despite the assurances set out in the Care Act 2014, and underscores the importance of receiving financial advice. [Click here](#)

### Fit for growth: Investing in a stronger UK skills base to 2025

Report on education, skills and the UK economy in association with the thinktank, CentreForum. The report will include essays from academics, commentators and businesses. [Click here](#)

### FCA consultation: Buy-to-Let mortgages: the Mortgage Credit Directive Order 2015

Following the passage of the EU Mortgage Credit Directive (MCD) FCA is consulting on how it will oversee Buy-to-Let Mortgages. [Click here](#)

*This update has been produced by the CII Group's Policy and Public Affairs team.*

The CII is the world's leading professional organisation for insurance and financial services, with over 115,000 members in 150 countries. We are committed to maintaining the highest standards of technical expertise and ethical conduct in the profession through research, education and accreditation. Our Charter remit is to *protect the public by guiding the profession*. For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services and insurance that we cover, please see: [www.cii.co.uk/insight](http://www.cii.co.uk/insight). Please do not hesitate to contact us: Daniel Pedley, Public Affairs Manager, tel 020 7417 4450; [daniel.pedley@cii.co.uk](mailto:daniel.pedley@cii.co.uk)

