

## **Changes to Approved Persons Regime for Solvency II firms: final rules**

### **Financial Conduct Authority (FCA)**

**RPC rating: validated**

#### **Description of the measure**

In March 2016 the FCA, in line with changes made by the Prudential Regulation Authority (PRA), revised its Approved Persons Regime to ensure that UK insurance firms were compliant with governance, fitness and propriety requirements imposed by the EU's Solvency II Directive. Specifically, the FCA, after consultation with business, made the following changes:

- Maintained executive and certain other Controlled Functions<sup>1</sup> that the PRA had proposed to stop approving;
- Required Solvency II (SII) firms to have governance maps that describe their management structure and allocation of responsibilities.
- Required firms to develop “scope of responsibilities” documents for all holders of Significant Influence functions;
- Required SII firms to retain these governance maps and scope of responsibilities documents for ten years;
- Applied conduct rules to those employees in Controlled Functions (in particular to Significant Influence Functions - SIFs ); and
- Removed standard Non-Executive Directors<sup>2</sup> (NEDs) from the scope of preapproval.

#### **Impacts of the measure**

The FCA explains that most of the changes (affecting around 600 insurance firms) are required to comply with the minimum requirements of the Directive and are therefore out of scope the Business Impact Target. It argues that the remaining changes do not impose material additional costs – either because the FCA believes they represent existing common sense good practice or because they can be accommodated with existing systems. The regulator's discussions with business (in November 2014, just before implementation) support this position. A series of

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<sup>1</sup> Certain functions relating to the carrying out of regulated activities by firms.

<sup>2</sup> Standard NEDs do not hold specific responsibilities as distinct from ‘approved’ NEDs such as Chairmen, Senior Independent Directors and Chairs of Committees who hold do specific responsibilities and are subject to regulatory pre-approval.

footnotes and links covering the business support are provided within the assessment.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

### **Quality of submission**

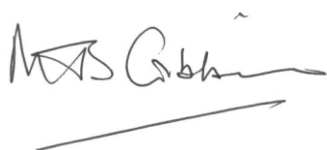
The FCA has provided sufficient evidence to support its estimate of the impact of the measure. The assessment makes appropriate use of footnotes and links to more detailed documentation. In addition, the FCA has provided a table listing the changes and setting out details of the associated costings. This makes the assessment much easier for the reader to follow, and is welcomed by the RPC.

### **Regulator assessment**

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

### **RPC assessment**

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>3</sup>	£0.0 million
Business Impact Target (BIT) Score <sup>1</sup>	£0.0 million



**Michael Gibbons CBE**, Chairman

<sup>3</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.