Opinion: EANDCB validation
Origin: Domestic
RPC reference number: RPC17-FCA-3985(1)
Date of implementation: March 2016

Regulatory Policy Committee

Changes to Approved Persons Regime for insurers not subject to Solvency II directive

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

In March 2016 the FCA, in line with changes made by the PRA, revised its Approved Persons Regime to ensure that insurance firms under the Solvency II directive complied with governance, fitness and propriety requirements. However, a number of non-Directive firms (NDFs) have permission to effect or carry out insurance contracts, but are outside the scope of the Solvency II Directive. These firms are covered by the FCA's approved person's regime. The FCA has sought to provide balance within the accountability regime and to minimise its impact on these NDFs. In particular, it has sought to ensure that regulatory changes to the Approved Persons Regime imposed by the FCA to meet the requirements of the Solvency II Directive do not have disproportionate impacts on NDFs. The measure imposes rules that are quite close to the SII rules on large NDFs provides a simplified and streamlined regime for small NDFs and clarifies the process of transition between small and large status.

Impacts of the measure

The FCA explains that around 100 UK insurance firms would classify as small NDFs (i.e. NDFs where the value of assets relating to all regulated activities carried out by the firm is £25,000,000 or less). NDFs exceeding this threshold qualify as 'large' NDFs, of which there were fewer than 10 as at 10 August 2015.

Through consultation with business the FCA has determined that the policy changes undertaken would have very little impact on businesses, either because they replace existing regulations transferred from other regulators or because they clarify existing FCA regulations. In most cases the impacts will be effectively cost neutral. It provides evidence from consultations undertaken at the time in support of these assertions.

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.

Date of issue: 6 June 2017
www.gov.uk/rpc

Quality of submission

The FCA has provided proportionate evidence in support of its estimate of the impact of the measure. The assessment makes appropriate use of footnotes and links to more detailed supporting evidence. The FCA has also provided a helpful table listing the changes and explanations of impacts of the associated costings, which has greatly improved the clarity of the assessment.

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[1]	£0.0 million
Business Impact Target (BIT) Score[1]	£0.0 million

Michael Gibbons CBE, Chairman

[1] For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.