



USAID BearingPoint – Iraq

Insurance Regulation Overview

- Insurance Sector Strategy
- Principles and Standards
- The Regulatory Functions
- Key Areas of Regulation

**19th to 21st February 2005
Amman, Jordan.**

| <i>Responsible Parties</i> | | |
|-----------------------------------|--------------------------|-------------|
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| Accounting | Advice and selling |
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Objectives of the Training Event

Aims

The aims of the event are to

- ❑ Improve appreciation of the scope of insurance regulation
- ❑ Discuss the challenges faced by the Iraqi insurance Regulator
- ❑ Consider draft insurance legislation as needed

Method

The content of the training will include

- The wider role that the Insurance Sector plays in the country
- A review of the main areas that Insurance Regulation needs to cover
- Discussion of illustrative examples from the UK regulatory regime
- Discussion of the advantages and disadvantages of alternative legislative requirements and actions

Insurance Sector Strategy

The structure of an Insurance Sector: The issues, Questions and Implications

Supply factors

- Companies
- Staff
- Technology
- Insurance products
- Customers service
- Capacity
- Financial strength

Demand factors

- Growth rate
- Customer awareness
- Customer literature
- Distribution channels

Market structure

- Legislative environment
- Insurance Regulator
- Financial standards
- Customer protection

Business conduct

- Competition
- Distribution channels
- Marketing activity
- Service standards

Industry performance

- Efficiency
- Management
- Revenue
- Profit
- Technical knowledge
- Products

Objectives for the Insurance Sector

Key factors

- Political / Legislative
- Economic
- Regulatory
- Social / consumer
- Technological
- Competition

Questions

What needs to be achieved?

When will it be achieved by?

How will it be achieved?

What actions are needed, and by whom?

Objectives of the Regulator

Insurance Supervision: Statutory objectives:

❑ **Maintaining confidence in the financial system.**

We achieve this by, among other things, supervising exchanges, settlement houses and other market infrastructure providers; conducting market surveillance; and transaction monitoring.

❑ **Promoting public understanding of the financial system.**

We help people gain the knowledge, aptitude and skills they need to become informed consumers, so that they can manage their financial affairs more effectively.

❑ **Securing the right degree of protection for consumers.**

Vetting at entry aims to allow only those firms and individuals satisfying the necessary criteria (including honesty, competence and financial soundness) to engage in regulated activity. Once authorised, we expect firms and individuals to maintain particular standards set by us. We monitor how far firms and individuals are meeting these standards. Where serious problems arise we investigate and, if appropriate, discipline or prosecute those responsible for conducting financial business outside the rules. We can also use our powers to restore funds to consumers.

❑ **Helping to reduce financial crime.**

Work focuses on three main types of financial crime: money laundering; fraud and dishonesty; and criminal market misconduct such as insider dealing.

While working towards these objectives, we bear in mind:

- The need to use resources in the most economic and efficient way;
- The responsibilities of the management in regulated firms;
- The need to balance the burdens and restrictions on firms with the benefits of regulation for consumers and the industry;
- The need to allow innovation;
- The international character of financial services and markets and the UK's competitive position; and
- The value of competition between financial firms

Principles governing the approach and actions of the Regulator

Principles

In pursuing our objectives, we are required to take account of the extra obligations set out in the Act. These provide guidance on the approach Parliament expects us to take. The principles and our interpretation of them are:

Efficiency and economy

This principle relates to the way in which we will allocate and use our resources. When addressing a specific risk, we will aim to choose the options, which are most efficient and economic. We go beyond the statutory requirement to consult on fees and consult on our budget, explaining how we plan to use the funds levied through regulated firms. The non-executive committee of our Board is required, among other things, to oversee our use of resources and to report to the Treasury every year. The Treasury is able to commission value-for-money reviews of our operations. These are important controls over our efficiency and economy.

Role of management

A firm's senior management is responsible for its activities and for ensuring that its business complies with regulatory requirements. This principle is designed to guard against unnecessary intrusion by the regulator into firms' business and requires us to hold senior management responsible for risk management and controls within firms. We have already set out our proposed approach to senior management responsibilities.

Proportionality

The restrictions imposed on firms and markets should be in proportion to the expected benefits for consumers and the industry. In making judgments in this area, we take into account the costs to firms and consumers. One of the main techniques we use is analysis of the costs and benefits of proposed regulatory requirements. This approach is shown, in particular, in different regulatory requirements applied to wholesale and retail markets.

Innovation

We should allow and encourage innovation, for example by avoiding unreasonable barriers to entry or not restricting existing market participants from launching new financial products and services.

International character of financial services and markets and the desirability of maintaining the competitive position of the UK

We consider the effect on UK markets and consumers of the economic, industry and regulatory situation overseas. We also take into account the international mobility of much financial business and must avoid damaging the competitive position of the UK – which works to the advantage of consumers as well as markets. This involves co-operating with overseas regulators, both to agree international standards and to monitor global firms and markets effectively.

Competition

We must avoid unnecessarily distorting or impeding competition. This includes avoiding unnecessary regulatory barriers to entry or business expansion. Competition and innovation considerations play a key role in our cost-benefit analysis work. Under the Financial Services and Markets Act, both the Office of Fair Trading and the Competition Commission will have a role to play in reviewing the impact of our rules and practices on competition

Accountability of the Regulator

Accountability

The FSA is a private firm limited by guarantee, and funded by fees paid by those it regulates.

The FSA is governed by a Board appointed by the Treasury. The majority of the Board members are non-executive. In addition to the Chairman and Chief Executive, there are currently three Managing Directors and twelve non-executive members of the board, of whom one, the Deputy Governor (Financial Stability) of the Bank of England, is an ex officio director. One of the non-executive members is Deputy Chairman and 'lead' non-executive. The non-executive directors check that we operate efficiently and economically, oversee our mechanisms of financial control and set the pay of the executive members of the Board.

The Treasury appoints the Directors of the Authority following the principles for public appointments issued by the Commissioner for Public Appointments ('Nolan Principles'). This includes the public advertisement of vacancies. We are accountable to Treasury Ministers and, through them, to Parliament. Under the legislation we must report on the achievement of our statutory objectives to the Treasury every year. Treasury Ministers must then lay the report before Parliament. We are also regularly called to give evidence to the Treasury Select Committee.

We take an open and responsive approach to consultation. In particular, we have a consumer panel that monitors how far we fulfill our statutory objectives in relation to consumers. That panel was appointed and is funded by us, but is independent and free to publish its views on our work and to commission research on consumers' views. The consumer panel has a statutory basis in the Financial Services and Markets Act.

Similarly, we have set up a practitioner panel that is independent and free to publish its views on our work. In particular, its role is to consider how far we are meeting our statutory objectives and how far we are giving due regard to the considerations set out in the legislation. The panel also has a statutory basis in the Financial Services and Markets Act (FSMA).

Our Regulatory Decisions Committee, which takes major regulatory decisions on behalf of the Board, comprises current and recently retired practitioners, all of who represent the public interest.

Legislation

The legislation establishes the Financial Services and Markets Tribunal, run by the Lord Chancellor's Department, which will consider afresh regulatory decisions in cases where we cannot reach an agreement with the firm or individual concerned. Our rules and practices are subject to competition scrutiny by the Director General of Fair Trading. He must report to the Competition Commission if he finds that any of them has a significant anti-competitive effect.

We have set up arrangements, as required by the FSMA, for investigating complaints made against us. Complaints may be made by anyone directly affected by our actions or inaction - that is, regulated firms, individual employees of firms, listed companies, consumers etc.

As part of these arrangements, we have appointed a Complaints Commissioner. The Commissioner's role is to investigate complaints and report to the complainant and us. The report may include recommendations to us, for example that we make a compensatory payment to the complainant. Our Board will decide whether to make any such payments. The FSA Complaints Commissioner will publish an Annual Report on the work.

Further details of these arrangements are available from the FSA Firm Secretariat, telephone 020 7066 9870 or by e-mail at complaints@fsa.gov.uk.

How the Regulator is funded

Funding

We are an independent body and do not receive any funding from the government. To finance our work, we charge fees to all authorised firms that carry out activities we regulate, as well as other bodies such as recognised exchanges.

Our general powers to raise these fees are set out in Schedule 1, Part III, paragraph 17 of the Financial Services and Markets Act (FSMA). FSMA also gives us the power to recover any transition costs that we incur and to maintain sufficient reserves.

Charges and fees for firms:

- ❑ Periodic fees (paid yearly) which provide most of the funding needed to carry out our statutory functions;
- ❑ Application fees which recover some of the costs we incur in processing certain applications under our rules or FSMA; and
- ❑ Special project fees where we undertake regulatory activity at the request of fee-payers, and the benefit of that activity primarily accrues to them.

In deciding what periodic fees to charge we consider:

- ❑ The type of regulated activities a firm undertakes
- ❑ Firms are allocated to one or more fee-blocks depending on the activities in their permission. Fee-blocks group together firms undertaking similar activities, reflecting the fact that they pose similar risks to our statutory objectives.
- ❑ The costs we incur in regulating those activities

Regulator Business Plan

Our 2004/05 Business Plan sets out our priorities and the costs involved in funding our work. These include our mainstream regulatory activities, special activities such as the pensions review, external enforcement costs, and funding the independent Consumer and Practitioner Panels and the Complaints Commissioner. The total amount which we seek to recover from fee-payers is known as our 'annual funding requirement' (AFR). This is allocated across our fee-blocks and recovered through our fees.

The amount a firm pays depends on the potential impact it has on our statutory objectives. We use an appropriate size of business measure in each fee-block (the 'tariff base') as a proxy for potential impact. In general this means that the larger the firm the higher the fee it has to pay.

As well as FSA fees, we also invoice on behalf of the Financial Services Compensation Scheme (FSCS) and from 2004/05 the Financial Ombudsman Service (FOS).

Contacts with Other Organisations

We co-operate closely with other UK agencies and government departments, which have related responsibilities, including:

- ❑ HM Treasury, responsible for the relevant legislation (FSMA) and the general framework of regulation:
- ❑ The Bank of England, which, under the Bank of England Act 1998, has as its objectives maintaining price stability and, subject to that, supporting the Government's economic policy. We have agreed a Memorandum of Understanding with HM Treasury and the Bank of England. This explains how the three authorities will work together towards the common objective of financial stability. The Memorandum established, among other things, a Treasury, Bank of England and FSA Standing Committee which meets monthly to discuss individual cases of significance and other developments relevant to financial stability;
- ❑ The Department of Trade and Industry, responsible for firm law and insolvency matters and for most investigations and prosecutions under the Companies Acts;
- ❑ The Department for Work and Pensions, responsible for public policy on pensions and for the Occupational Pensions Regulatory Authority;
- ❑ The Occupational Pensions Regulatory Authority (OPRA), responsible for the regulation of occupational pension schemes;
- ❑ The Office of Fair Trading, responsible for consumer credit, consumer protection and competition issues;
- ❑ The Serious Fraud Office, responsible for investigating and prosecuting serious and complex fraud.
- ❑ The National Criminal Intelligence Service, responsible for providing leadership in criminal intelligence to combat serious and organised crime.

Information exchange

We provide information and other assistance to overseas authorities as envisaged by UK legislation and, where appropriate, the Memoranda of Understanding (MOUs) we have agreed with our foreign counterparts. Since the FSA was formed, representatives have been involved in both global and European regional work to improve cross-border information sharing and mutual assistance between regulatory and other authorities. We have pursued these concerns on a multilateral basis through IOSCO, the BCBS and the IAIS as well as regionally through CESR and its offshoot, FESCOPOL, which is an information-sharing group basing its work on a multilateral MOU signed by all FESCO members.

Communication with the Regulator and Public Information

- By post

The Financial Services Authority,
25 The North Colonnade,
Canary Wharf,
London E14 5HS
[View Map \(PDF document 149k\)](#)

- By phone

Switchboard

From UK: 020 7066 1000 | From Overseas: +44 20 7066 1000

Consumer Helpline (including Central Register authorisation queries)

From UK: 0845 606 1234 (local call rates) | From Overseas: +44 20 7066 1000

Firms Contact Centre (for authorised firms only)

From UK: 0845 606 9966 (locals call rates) | From Overseas: +44 20 7066 1000

Complaints against the FSA

From UK: 020 7066 9870 | From Overseas: +44 20 7066 9870

- By e-mail

[Complaints against the FSA for guidance on how to make a complaint against the FSA.](#)

- Consumer Help

[FSA Events for event information and to subscribe to our mailing list](#)

[Mortgage and general insurance regulation](#)

[Jobs to express an interest in working at the FSA](#)

[Subscriptions for enquiries on FSA publications](#)

[Technical comments about this site](#)

- By fax

From UK: 020 7066 1099 | From Overseas: +44 20 7066 1099

- Regulator Website

- Press releases

- Training courses

- Training materials

- Meetings with government

- Meetings with other Regulators in county

- Meetings with other Regulators of other countries

- Meetings with insurers

- Meetings with Non Governmentl Organisations

- Research studies

- Public education programmes

- International conferences

- Regulator Publications

- News Updates

Register of Authorised Organisations and Individuals

The FSA Register is a public record of financial services firms, individuals and other bodies which fall under its regulatory jurisdiction as defined in the Financial Services & Markets Act 2000 (FSMA). This Act came into force on 1st December 2001 - if you require regulatory information prior to this date please contact us.

Your attention is drawn to the terms and conditions which apply to the use of this site (accessed via the 'Legal Information' link below) and, in particular, to the fact that whilst we try to ensure that the information on this site is correct, we do not give any express or implied warranty as to its accuracy.

The FSA Register is provided online to enable firms and consumers to conduct ad hoc searches for authorised firms and individuals. It is not designed for sustained use by individual parties over an extended period of time. If you do require access to this information on a regular and/or sustained basis, we recommend that you subscribe to a service offered by the FSA that provides extracts of the Register for a fee. For details of this service, please email data.extract@fsa.gov.uk.

FSA website - Industry Help

- Approved persons - refusals
- Basel 2/Capital Requirements Directive
- Complaints about the FSA
- Complaints reporting to the FSA
- Credit unions
- Current consultations
- Depolarisation: Market averages for the 'menu'
- Events
- E-Regulation
- Financial Groups (Conglomerates) Directive Implementation
- Financial Promotions
- Financial Services Action Plan
- Forms
- Industry sectors
- Industry Training
- Investment firms - small IFAs
- Integrated Prudential sourcebook
- Integrated Regulatory Reporting, Money laundering and terrorist financing
- Mortgage & General Insurance Regulation
- Mutual Societies Public Search and Copy
- Periodic fees
- Product Sales Data - XML Schema Specification
- Templates for Disclosure Documents
- UK Listing Authority including the UKLA official list
- Waivers
- Whistleblowing

Money laundering and terrorist financing

The Financial Services and Markets Act 2000 (the Act) gives us the objective of reducing the extent to which regulated firms may be used in connection with financial crime, including money laundering. To fulfill this objective we have made specific rules on money laundering, we monitor regulated firms' compliance with those rules and, in appropriate cases, we take enforcement action against firms that fail to comply with them. The Act also gives us the ability to prosecute firms for breaches of the Money Laundering Regulations 1993 (the Regulations).

Our rules – the Money Laundering Sourcebook (ML)

This came into force on 1 December 2001. For the most part they mirror the Regulations. Both the rules and the Regulations are high level. They are complemented by more detailed industry guidance produced by an industry body, the Joint Money Laundering Steering Group (JMLSG). The purpose of the JMLSG Guidance Notes is to help firms to comply with the rules and the Regulations, in particular with customer identification requirements. For more information as to how we relate to the Guidance Notes see Giving guidance on the JMLSG Guidance Notes: The role of the FSA.

For information about how to prove your identity please see our information sheet - Money laundering – why do I need to prove my identity?

In addition to making rules and monitoring compliance with them, we have undertaken a number of thematic projects to increase understanding of risks in the regulated sector. We published a report on our money-laundering Theme in July 2001. This identified for priority action six risk 'clusters'. We have since published several reports on our further work on these clusters. More information on this work can be accessed via the 'money laundering thematic work' link above.

Terrorist financing

Following the tragic events on 11 September 2001 we have worked with the Government, the financial services industry, the National Criminal Intelligence Service and law enforcement agencies to reduce the extent to which the UK can be used as a conduit for terrorist financing. You can access more information about the UK's sanctions legislation and terrorist financing via the financial sanctions and terrorist financing information pages.

Money laundering – Areas covered by legislation

- ❑ ML 1 Application and Purpose
 - Application
 - Purpose
- ❑ ML 2 General money laundering duties
 - Duty to have arrangements and to appoint a money laundering reporting officer
- ❑ ML 3 Identification of the client
 - The duty
 - The exceptions
- ❑ ML 4 Reporting
 - Internal reporting
 - MLRO access to know your business information
 - External reporting
- ❑ ML 5 Using national and international findings on material deficiencies
 - Government and Financial Action Task Force findings
- ❑ ML 6 Awareness of and training for staff
 - Purpose
 - Awareness
 - Training
- ❑ ML 7 The money laundering reporting officer and other arrangements
 - The money laundering reporting officer
 - Compliance monitoring
 - Record keeping arrangements
- ❑ ML 8 Sole traders and authorised professional firms
 - Application of this sourcebook
- ❑ ML 1 Record keeping requirements
- ❑ ML 2 Notification requirements
- ❑ ML 3 Fees and other required payments
- ❑ ML 4 Powers exercised
- ❑ ML 5 Rights of action for damages
- ❑ ML 6 Rules that can be waived

Duties of the Regulator:-Supervision

- ❑ Banks
- ❑ Investment firms
- ❑ Insurance forms
- ❑ Lloyd's

Supervision of insurance firms

When supervising insurance firms our key responsibilities are to:

- ❑ undertake prudential supervision of all insurers;
- ❑ undertake conduct of business regulation for those life insurers and friendly societies undertaking investment business; and
- ❑ supervise certain aspects of Lloyd's.

We have two main purposes for regulating and supervising the insurance industry in an efficient and effective way. We help policyholders have confidence that they have bought suitable products and that UK insurance companies and friendly societies are able to meet their liabilities and policyholders' reasonable expectations.

Experience has shown us that there needs to be change in the way the insurance sector is supervised. We have already:

- ❑ brought together prudential and conduct of business regulation of life insurance companies;
- ❑ integrated the provision of actuarial advice with the work of prudential supervisors;
- ❑ begun a review of with-profits policies and their regulation; and
- ❑ declared our intention to move towards a banking-style approach in our requirements on capital and reserving for insurance companies.

Further changes may follow because of:
our response to the report into its supervision of Equitable Life

Pensions Review

The pensions review aims to provide compensation to consumers who lost out when buying a personal pension because they were badly advised to leave or stay out of an employer's pension scheme between April 1988 and June 1994. We estimate that when the review is over 1.6 million cases will have been reviewed and nearly £12 billion in compensation will have been paid to policyholders

Our role has been to:

- ❑ set standards for, and monitor the completion of, the pensions review by regulated firms; and
- ❑ assess loss in cases where the firm concerned is no longer authorised.

Duties of the Regulator:- Authorisation of Organizations and Individuals

- Application for Permission
- Approved persons

A firm may not carry on a regulated activity unless it is authorised by us or is exempt.

We are required by law to ensure that firms satisfy the necessary criteria (in relation to status, location, close links, adequacy of resources and suitability) before we can give them permission to carry on a regulated activity. Similarly we must be satisfied that persons applying to carry on controlled functions are fit and proper (that is, they meet honesty, competence and financial soundness criteria).

We carry out this function by:

- ❑ granting permission to carry on regulated activities;
- ❑ approving individuals occupying 'controlled functions' in these firms as being fit and proper to carry out these functions;
- ❑ answering technical enquiries about whether firms require authorisation or individuals require approval;
- ❑ seeking to ensure that only authorised firms carry out regulated financial business;
- ❑ collecting and maintaining intelligence information about authorised firms and individuals.

We have a risk based approach to authorising firms, which allows us to be consistent and proportionate in the way we assess applications for authorisation.

Duties of the Regulator:- Enforcement

The FSA's Enforcement Division investigates when firms breach our rules or the provisions of The Financial Services and Markets Act 2000 (FSMA). FSMA allows us to take action such as:

- ❑ withdraw a firm's authorisation;
- ❑ discipline authorised firms and people approved by the FSA to work in those firms;
- ❑ impose penalties for market abuse;
- ❑ apply to the Court for injunction and restitution orders;
- ❑ prosecute various offences.

FSMA also gives us powers to take action under the insider dealing provisions of the Criminal Justice Act 1993 and the Money Laundering Regulations 1993. FSMA gives us the tools we need to do the job of enforcement – including the power to interview people and require production of documents. It also sets out the circumstances when we are allowed to use those powers.

The general prohibition

We also investigate people who are carrying on regulated activities, for example, accepting deposits, or giving investment advice, without authorisation. This is described by FSMA as a breach of the general prohibition. Those breaking the law risk imprisonment and other sanctions.

Liaison with other bodies

Enforcement works with other regulatory bodies and law enforcement agencies, such as the police, both here and abroad. We work together to ensure that issues are taken forward by the right authority.

Enforcement's standards

We take a risk-based approach in selecting which cases to pursue: this includes considering our Regulatory Objectives and the Principles of Good Regulation. We consider carefully what course of action would be a proportionate response, exercise a common standard of fairness in the use of our powers and act in a manner consistent with the Human Rights Act 1998.

Decision making

Enforcement staff prepare and recommend action in individual cases. These are then considered by a separate Committee of the FSA, called the Regulatory Decisions Committee (RDC). The RDC is the decision-maker for more significant enforcement matters. RDC members come from a wide range of backgrounds reflecting the interests of industry and consumers. The independent Financial Services and Markets Tribunal handles appeals in the decisions process for those who do not agree with our decision.

Duties of the Regulator:- Consumer Education

Two of the statutory objectives in the Financial Services and Markets Act are consumer focused. These are promoting public understanding of the financial system and securing the appropriate degree of protection for consumers.

Consumer education is a key part of consumer protection, and we aim to help consumers make informed choices and manage their finances better. Consumer education should also lead to more competition in financial services markets by increasing consumer pressure. This should in turn encourage innovation, better quality and better value for money.

Work to achieve this falls under two main headings:

Education for financial capability – to give individuals the knowledge, understanding and skills necessary to become questioning and informed financial consumers; and

Consumer information and advice – to give impartial information and general advice to help consumers plan their finances and make informed choices. This work does not involve recommending individual products and services.

Over the longer term, we are working to ensure that financial literacy is part of the education system preparing school students for adult life. We provide information, general advice and education for adults and young people, focusing on the retail mass markets for financial products such as banking services, insurance and pensions, and on the needs of inexperienced and vulnerable consumers of financial services.

Duties of the Regulator: Compensation

The payment of compensation to consumers if firms become insolvent maintains confidence in the financial system and helps to protect consumers.

The Financial Services and Markets Act 2000 (FSMA) required us to set up a compensation scheme. We have set up the scheme and written the rules for its operation. Day-to-day handling of claims is the responsibility of a separate firm: the Financial Services Compensation Scheme Limited (FSCS). FSCS can pay compensation, up to set limits, to eligible consumers for a failure of any FSMA-authorized firm (or any participating EEA firm) concerning investment business, deposits or contracts of insurance.

The money that is used to pay compensation comes from charges levied on authorized firms. There is no charge to private consumers who claim on the FSCS and consumers do not need legal or professional advice to make a claim.

When the FSCS became operational on 1 December 2001 it took on the work of the existing compensation schemes and became a single point of contact, a 'one stop shop', for compensation.

The FSCS replaced the following compensation schemes:

- ❑ Building Societies Investor Protection Scheme;
- ❑ Deposit Protection Scheme;
- ❑ Friendly Societies Protection Scheme; Investors Compensation Scheme;
- ❑ PIA Indemnity Scheme;
- ❑ Policyholders Protection Board;
- ❑ Section 43 Scheme;
- ❑ Association of British Insurers and the Investors Compensation Scheme for paying pension review compensation to widows, widowers and dependants of deceased persons.

Duties of the Regulator: Complaints

The Financial Ombudsman Service

This brings together the eight previous dispute-resolution schemes covering financial services. All the schemes replaced by the FOS will operate under the day-to-day management of the FOS (although still on their own terms of reference) and are based at:

FOS
South Quay Plaza
183 Marsh Wall
London
E14 9SR

The rules on firms' internal complaints procedures and the FOS's jurisdiction and procedures were published in a policy statement in December 2000, after consultation on our consultation paper 49, 'Complaints Handling Arrangements'.

Firstly, it is the responsibility of the firm to deal properly with a complaint by a customer. If the customer is still not satisfied, the firm should inform them of their right to take the matter direct to the relevant existing scheme for resolution.

Dispute Resolution – Complaints against Insurers and Intermediaries

The Financial Ombudsman Service

Key features of the model:

- ❑ Complaints could be examined by the ombudsman only after the firm had given the consumer a final decision on a complaint;
- ❑ The scheme would be paid for by firms, and access to the ombudsman would be free for consumers;
- ❑ The ombudsman would be empowered to make decisions that would bind firms if the consumer accepted them, but would not bind consumers if they did not;
- ❑ The Ombudsman considers the terms of the contract, the applicable law and judicial authority, good industry practice as expressed in trade association codes and statements, and regulatory rules
- ❑ Solutions that are “fair and reasonable” in all the circumstances;
- ❑ A private dispute resolution scheme, confidential between parties.
- ❑ A “fair and reasonable” is used in all the circumstances”.

Duties of the Regulator: Information

Consumer Help is our single point of access for consumers.

The Consumer Helpline number is 0845 606 1234; calls are charged at local rates.

Consumer Help responds to telephone and written enquiries and complaints. Many enquiries involve checking whether firms are authorised to give advice or do investment business; explaining complaints procedures; and providing information on what is and is not regulated or supervised by the FSA or one of its constituent bodies. We also explain consumer rights and responsibilities relating to financial services and products.

Callers often look for information that will help them make financial planning and buying decisions. We have developed a range of booklets and factsheets based on commonly asked questions.

Duties of the Regulator: Industry Education

Factsheets

On this page you can access our factsheets - which provide bites information for firms affected by the changes to mortgage and general insurance regulation.

Introductory Factsheets

- Introducing the FSA
- What are your options?
- Becoming an authorised firm
- Becoming an appointed representative
- Becoming an approved person
- FSA regulation of insurance selling and administration - will I need to be authorised?
- How can I find out if the products I am selling and providing administration for are contracts of insurance?

Being Regulated Factsheets

- Contacting the FSA
- Applications and notifications
- Rule waivers and modifications
- Supervision of smaller mortgage and general insurance intermediaries
- Firms Online: registration

Information - Frequently Asked Questions

If you have a question about the regulation of mortgages and general insurance, the answer may be in our frequently asked questions. These pages are not individual guidance and only summarise information from our consultation papers and our rules.

- ❑ Applying for Authorisation
- ❑ Appointed Representatives
- ❑ Authorisation Manual
- ❑ Compensation and the FSCS
- ❑ Complaints Sourcebook and Complaints Procedures
- ❑ Controlled Functions and Approved Persons
- ❑ Customer's Money
- ❑ Disclosure of authorised and regulated status and the use of FSA logo
- ❑ Enforcement Manual and Enforcement Actions Against Firms
- ❑ Exclusion for Providing Information under the Insurance Mediation Directive
- ❑ Insurance Conduct of Business Rules (ICOB)
- ❑ Money Laundering
- ❑ Mortgage Conduct of Business Rules and Business Loans
- ❑ Mortgage Conduct of Business Rules and Related Matters
- ❑ Passporting for Insurers and Insurance Intermediaries
- ❑ Prudential Requirements for Firms
- ❑ Renewals
- ❑ Senior Management Arrangements, Systems and Controls
- ❑ Supervision Manual and Supervision of Firms
- ❑ Training & Competence - Insurance
- ❑ Training & Competence - Mortgages
- ❑ Travel

Duties of the Regulator:- Industry Training

Industry Training

- ❑ · Workshops currently available
- ❑ · Conferences currently available
- ❑ · Lectures
- ❑ · Breakfast Briefings
- ❑ · FSA Summer School
- ❑ · Future workshops
- ❑ · Distance learning packages
- ❑ · Employee leaflet

We liaise with Policy experts to ensure that our materials are as practical, up-to-date and informative as possible. We have a team of experienced professional trainers who design and deliver events all over the UK.

We recognise that firms may need help to understand and apply all our requirements and we offer a programme of training to help firms understand our requirements set out in the Handbook. In developing our programme we shall continue to focus on areas where training can have the greatest effect on minimising the risk to our objectives.

This section aims to improve firms' ability to achieve compliance through education; providing training and distance learning.

Workshops currently available

- ❑ Client money requirements for general insurance intermediaries
- ❑ Complaints handling requirements for general insurance intermediaries
- ❑ Conduct of Business (ICOB) requirements: For intermediaries selling general insurance and pure protection contracts to retail customers
- ❑ Conduct of Business (MCOB) requirements: Regulating the mortgage sales process for mortgage intermediaries and lenders
- ❑ Depolarisation - understanding the choices and requirements
- ❑ Effective compliance for IFAs - helping firms to meet our requirements
- ❑ Financial Promotions - This workshop will be of most benefit to firms that undertake retail investment activities
- ❑ Financial Promotions for mortgage firms
- ❑ In-house training for your firm - Flyer [PDF]
- ❑ Senior management responsibilities - implementing the FSA's requirements
- ❑ Training and Competence for general insurance intermediaries
- ❑ Training and Competence for mortgage intermediaries

Monitoring the Regulator:- Auditing its Activities and its Performance

Business Review and Audit Division

BRAD mission

Our mission is to use independent reviews to provide objective opinion to the FSA Board and Executive that a sound, robust, fit for purpose risk management framework is maintained and operated by management. We also aim to assure them that this framework complies with Turnbull corporate governance requirements (which, in essence, is about adopting a risk based approach to establishing a sound system of internal control and reviewing its effectiveness).

This mission balances the need to maintain a robust independence with the challenge of supporting the achievement of FSA objectives. The two key drivers in our approach are to work in partnership with management and to add value through advice and guidance.

Operation of the division

The BRAD leaflet sets out the departmental mandate and approach, including the methodology, skills and performance measures.

Structure

The department is a small unit that operates a flat management structure with a 'resource pool' approach. The team is made up of career auditors including two senior and experienced secondees from major banks and business oriented FSA staff who spend 2-3 years in the department. The team's strength is supported from time to time by staff from Ernst and Young (E&Y), with whom we have a strategic partnership agreement. This ensures that both IT and general auditing expertise is available as and when required and provides for the transfer of skills, access to E&Y training and a two way secondee programme.

Methodology

The department operates a risk-based approach and has an established methodology that is subject to regular review and improvement. E&Y has benchmarked the BRAD methodology toolkit and confirmed that it compares very well with global best practice.

Planning

BRAD produces a six-monthly audit plan, which it updates quarterly, as required. This is drawn up by reference to the FSA's risk register, interviews with CEO, Managing Directors and directors and from the findings of earlier BRAD reviews. The plan has to remain dynamic and flexible, to ensure changing risk profiles are recognised in the work undertaken. Additionally, it is important to have the capacity to respond swiftly to specific ad-hoc requests from the CEO.

Reporting

BRAD reports in detail every quarter and three times a year to the Audit Committee. The Director has a monthly meeting with the CEO, when they discuss the departmental monthly management report and all relevant issues. Copies of all individual BRAD reviews are sent to members and to the external auditors. A copy is also sent to each auditee. All FSA reviews are discussed with the Director, BRAD and Auditee Director present. Then, the actions and their related timetables for completion, in response to BRAD recommendations, are tracked by individual MDs and CEO, with BRAD acting as co-ordinator.

Objectives

Detailed objectives are to use reviews to ensure that:

- ❑ Processes and standards agreed by Senior Management are complied with;
- ❑ Appropriate financial and operational controls are in place and consistently and appropriately applied;
- ❑ Approved Corporate Governance structures and processes are in place and being consistently and appropriately applied;
- ❑ Processes of identifying, assessing and managing risks remain dynamic and responsive to the internal / external environment; the FSA is meeting its statutory obligations
- ❑ Development of best working practice is fostered across the FSA.
- ❑ Provide regular and effective reporting on the FSA

Key responsibilities

To support our mission and objectives, we have nine key responsibilities:

- ❑ Develop and agree a flexible, risk focused audit plan with the business, using the risk profile, send it to the Audit Committee for review and approval, then carry out a quarterly formal update review.
- ❑ Implement the approved risk based audit plans and monitor performance against the plan.
- ❑ Conduct specific cross-FSA investigations as required.
- ❑ Ensure staff report objectively and impartially and conduct their work in a balanced and professional manner whilst supporting the FSA statutory objectives and principles of good regulation.
- ❑ Monitor progress on implementing Internal Audit recommendations to ensure they are addressed in a timely and effective manner.
- ❑ Issue periodic reports to management and the Audit Committee, summarising results of audit activity.
- ❑ Keep abreast of emerging trends and best practices in internal auditing and update working practices and systems.
- ❑ Maintain a professional audit staff with sufficient knowledge, skills and experience to meet BRAD obligations.
- ❑ Work closely with, the external auditors and our internal audit partners to ensure the effective and efficient delivery of our service.

**Duties of the Regulator:- Setting, Communicating and Updating Supervision
Rules, Regulations and Forms**

The Rule Book

This part of the website contains a consolidated version of the FSA Handbook of rules and guidance, incorporating all of the amendments that have taken effect.

The definitive version of the Handbook at any particular time is the version contained in the legal instruments (including amending instruments). The corresponding changes to the consolidated version are not made until after the amendments come into force.

This consolidated version is updated monthly (usually on the first of every month) and incorporates those changes in the instruments that came into effect on or before the last update.

The tailored handbooks for insurance and mortgage intermediaries are fully up to date

Available on CD ROM

Organising the Rules into Specific Areas: Breaking the law down into segments

High Level Standards

the standards applying to all firms and approved persons

- Principles for Businesses
- Senior Management Arrangements, Systems and Controls
- Threshold Conditions
- Statements of Principle and Code of Practice for Approved Persons
- The Fit and Proper test for Approved Persons

Business Standards

- Interim Prudential sourcebook for banks
- Interim Prudential sourcebook for building societies
- Interim Prudential sourcebook for friendly societies
- Interim Prudential sourcebook for insurers
- Interim Prudential sourcebook for investment businesses
- Integrated Prudential sourcebook

Conduct of Business

- Insurance: Conduct of Business
- Mortgages: Conduct of Business
- Client Assets
- Market conduct
- Training and Competence
- Money Laundering

Regulatory Processes

- ❑ Authorisation
- ❑ Supervision
- ❑ Enforcement
- ❑ Decision making
- ❑ Dispute resolution: Complaints
- ❑ Compensation
- ❑ Complaints against the FSA

Specialist sourcebooks

- ❑ Collective Investment Schemes
- ❑ Credit Unions
- ❑ Electronic Commerce Directive
- ❑ Electronic money
- ❑ Lloyd's
- ❑ Professional firms
- ❑ Recognised Investment Exchanges and Recognised Clearing Houses
- ❑ Glossary of definitions