



Regulatory Panel FSA

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Contents



-
- **Principle based v rules based**
 - **International co-ordination between regulators**

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-
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Moving from rules based to principles based



- **The FSA have been moving from rules based to principles based over some period of time**
 - Solvency I
 - ECR
 - ICA
 - Solvency II
- **PBR gives more flexibility to regulation, but requires more interpretation**

Challenges of PBR



Challenges of PBR



Challenge

- **Interpretation required by firms**
 - Only setting of principles, so up to firm to interpret

Solution

- **Further guidance by regulator**
- **Robust understanding of where judgements are made and what impact this has**
- **Regular contact between firm and regulator**
- **Outcome focussed**

Challenges of PBR



Challenge

- **Interpretation required by regulators**
 - Regulation is not just a tick-box exercise

Solution

- **Deeper understanding required by regulators**
- **Focus not only on the numbers produced by firms but also on governance and risk management**
- **Risk based review of firms**
- **Outcome focussed**

Contents



-
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College of supervisors to approve an Internal Model under Solvency II



- **Pre-application requires working together in a college**
- **Co-ordination is not only for pre-application, but continues through:**
 - Application
 - Decision
 - Supervisory Review Process
- **Actions taken by CEIOPS to get consistency**
 - Level 3 guidance
 - Pre-application task force

IAIS – Common Framework



- **Important to extend co-ordination beyond Europe as well**
- **IAIS have approved development of a Common Framework for the Supervision of Internationally Active Insurance Groups**
- **Details of the framework are still to be decided**

Contact



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