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Dear Sirs

**PIMFA's response to CP17/33: Insurance Distribution Directive Implementation part 3**

PIMFA welcomes this opportunity to respond to the FCA's third consultation paper on the implementation of the Insurance Distribution Directive (IDD).

We welcome the FCA's objective of ensuring adequate consumer protection and a level playing field across all participants selling insurance products.

As previously stated, we would emphasise that in implementing the IDD provisions, consideration is given to the overarching principle of making EU law simpler and reducing regulatory costs and that the principle of proportionality be applied, taking into account the nature and size of financial advice firms, so that the cost implications are kept to a minimum. We are opposed to any extension of general principles unless this goes towards the creation of a more simplified and unified regime.

Overall, we welcome the FCA's proposed approach to implementation of the IDD; in particular we are reassured by the confirmation that the IDD will not represent a major overhaul of the existing distribution regime and that the FCA proposes to adopt a minimum harmonisation approach. We are therefore in broad agreement with the FCA's proposed approach, whilst reiterating that the principle of proportionality must be borne in mind.

Our responses to questions in the Consultation Paper are set out in the attached appendix.

Please do not hesitate to contact us if you wish to clarify any point arising from of our response.

Yours faithfully

Alexandra Roberts

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The Personal Investment Management and Financial Advice Association (PIMFA) is the trade association for firms that provide investment management and financial advice to help individuals and families plan for their financial life journeys.

Our mission is to create an optimal operating environment so that our member firms can focus on delivering the best service to clients, providing responsible stewardship for their long-term savings and investments.

**Q1: Do you agree with our proposal to reproduce the POG and the IDD regulations in the Handbook, and to apply the provisions of the draft regulations as rules to a wider range of firms?**

The POG and IDD regulations are directly applicable and firms within their scope are bound by their requirements without the need for further implementation. The profusion of rules and requirements originating from different sources can cause confusion and difficulties for firms. We therefore welcome the FCA's approach of having a single reference point in the Handbook setting out all the IDD requirements. We support measures aimed at improving ease of reference for firms that distribute products covered by the IDD and have no objection to the FCA copying out the relevant IDD provisions into the Handbook.

We believe there should be consistency in the conduct rules across investment business and that firms should be able to advise under a single consistent regulatory regime. We therefore do not object to the regulations applying as rules for firms conducting insurance distribution business that is not within the scope of the directly applicable regulations but to whom FCA rules apply.

**Q2: Do you agree with our further proposals in relation to the inducement requirements for IBIPs? Where possible, please distinguish between the minimum IDD requirements and areas where we have exercised discretion.**

We believe that standards should be consistent across the board, so we welcome the FCA's aim to apply consistent inducement standards across the market and have no issue with aligning the requirements for IBIPS to MiFID standards.

However, we would ask for some further clarification around the categories of acceptable non-monetary benefits set out in COBS 2.3A. The list of acceptable non-monetary benefits detailed in COBS 2.3A 19 has various differences from the list set out in the Table at COBS 2.3.15 yet the guidance on non-monetary benefits set out in FG14/1 is still relevant and applicable (the draft rules attached to this CP specifically refer to it). We would therefore welcome some clarity on the interplay between the new rules in COBS 2.3A and the guidance in FG14/1 as we believe there should be a uniform treatment of minor non-monetary benefits.

**Q3: Do you agree with our proposals in relation to the suitability and appropriateness requirements of the IDD Regulation?**

The supplementary requirements regarding suitability and appropriateness set out in the IDD Regulation are directly applicable. We agree with the FCA's approach to reproduce them in the Handbook alongside the relevant suitability provisions in COBs 9A and appropriateness provisions in COBs 10A and apply them as rules across the board as we believe there should be consistency in the conduct rules across investment business and that firms should be able to advise under a single consistent regulatory regime covering insurance, pension and MiFID II investments.

**Q4: Do you agree with our proposals for introducing new rules to retain existing disclosure requirements for life policies?**

We agree with this approach.

**Q5: Do you agree with our proposal to include guidance to clarify the meaning of 'in good time'?**

We agree with this approach.

**Q6: Do you agree with our approach to implementing the IDD disclosure requirements in relation to mandatory occupational pension arrangements?**

We have no particular comment on this point.

**Q7: Do you have any information regarding the availability or potential future availability of mandatory occupational pension schemes in the UK which would be within scope of the IDD?**

We have no particular comment on this point.

**Q8: Do you agree with our proposals in relation to conflicts of interest including our approach for the requirements of the IDD Regulation? Where possible, please distinguish between our proposals in respect of the minimum directive requirements and areas where we have exercised discretion.**

We agree with the proposal to reproduce the relevant provisions of the IDD Regulation in SYSC 3 and SYSC 10 and to apply the requirements across the board to firms to whom the IDD Regulation does not directly apply as we believe there should be a level playing field of consumer protection. With regard to disclosures relating to conflicts of interests, we agree that all firms should put in place reasonable and proportional systems to prevent conflicts from adversely affecting the interests of its customers though this should take into account the proportionality principle and the individual situation of each firm.

**Q9: Do you agree with our proposed approach to product oversight and governance rules including:**

- a. The approach in relation to the POG Regulation;**
- b. Retaining current guidance under the RPPD;**
- c. Introducing new provisions based on MiFID PROD requirements?**

We agree with the FCA's approach of reproducing the POG Regulation requirements in the Handbook as we believe it will be helpful for firms to have a single reference point, setting out all the IDD requirements. We also believe there should be consistency in the conduct rules across investment business and that firms should be able to advise under a single consistent regulatory regime. We therefore do not object to the regulations applying as rules for firms conducting insurance distribution business that is not within the scope of the directly applicable regulations but to whom FCA rules apply.

We welcome additional guidance to help understand the FCA's expectations of the IDD requirements. Guidance on the identification of the target market and the granularity required

would be particularly helpful. We would welcome further clarification and guidance on this point and confirmation that, in line with the proportionality principle, the target market for more mainstream, plain vanilla investments would likely be identified with less detailed information. Practical examples of what the regulator would expect of firms defining a target market for a mass retail market product would be very helpful.

We would also welcome further clarification and guidance relating to the type and extent of information that is required to be exchanged along the distribution chain and confirmation that the gathering and passing on of information is driven by what is actually required rather than information collection for its own sake. In particular, in line with the proportionality principle, we would like confirmation that distributors would be required to obtain more detailed, granular information for more complex products while more vanilla products could be distributed with more generic, less detailed information.

We are in favour of aligning the IDD requirements with the implementation of MiFID II where possible as we believe there should be a consistent regulatory regime.

**Q10: Do you have any comments on the draft Perimeter Guidance?**

We have no particular comment on this question.

**Q11: Do you have any comments on our proposed approach to implementation of the IDD requirements in relation to registration?**

We have no particular comment on this question.

**Q12: Do you agree with our proposed Handbook changes on passporting?**

We have no particular comment on this question.

**Q13: Do you have any comments on our proposed approach to amend PROF and the application of the handbook for authorised professional firms?**

We have no particular comment on this question.

**Q14: Do you agree with our proposed changes to the Handbook modules in paragraph 11.3?**

We have no issue with the proposed changes.

**Q15: Do you agree with our proposal to incorporate the requirement of Article 10(8) of the IDD into SYSC?**

We have no issue with this proposal.