

Consumer credit regulation: detailed proposals on the new FCA regime and implications for members

Summary

Consumer credit regulation will move on 1 April 2014 from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA). The FCA will take over both the standards and enforcement of the Consumer Credit Act and related instruments. Following an earlier consultation on their overall approach to the regime, the FCA has recently published a detailed consultation explaining specific aspects of their approach to regulation.

- **Interim permission:** members who currently hold a consumer credit licence will need to apply for this well in advance of April 2014, or risk carrying on activities unlicensed. The FCA have opened up an on-line application system, and are offering a 30% fee discounts to successful applications made prior to 30 Nov 2013.
- **Details on conduct of business and other regulation:** in October the FCA published consultation CP13/10 setting out more details on how the regulation will look. This includes more details on how the conduct of business, supplanted into the FCA handbook as the Consumer Credit (CONC) sourcebook.
- **Stricter authorisation scheme:** this will be the gateway through which firms must pass to allow them to access the market. Those firms wanting to offer consumer credit products and services will need to be well run, fit and proper and, where applicable, have suitable business models.
- **Fees:** the FCA recently published consultation paper CP13/14 on the details of the permission fee structure. Practitioners already regulated by the FCA will need to apply for a Variation of Permission whose cost varies depending on the activities carried out and the type of firm applying.
- **Group licensing:** the OFT offered a group licensing regime, but the FCA will be scrapping this as professional organisations get an exemption under the existing FSMA Part 20 rules. Professionals that are normally regulated by the FCA, eg financial advisers, cannot get this exemption.

Timings: FCA CP13/10 on detailed rules closes on 3 December. Its consultation CP13/14 on fees closes on 3 January. Then the FCA will publish a policy statement on final rules in February/March, in time for the launch of the new regime in on 1 April.

1. Overview and background

Further to the Government's regulatory reforms to bring all retail financial services conduct regulation under a single body, regulating consumer credit will move on 1 April 2014 from the OFT to the Financial Conduct Authority (FCA). The provisions of the Consumer Credit Act 1974 and its related statutory instruments are being adopted into the FCA Handbook, and the Act itself and its related instruments will be repealed. The FCA has recently published detail consultations on various aspects of the regulation and supervision, as well as the fee structure.

2. Existing consumer credit regulation and members

Some CII or PFS members are currently caught by the Consumer Credit Act 1974 under the OFT and have to hold a Consumer Credit Licence (CCL):¹

- **The Act covers more than just retail consumers:** the title *Consumer Credit Act* is a bit of a misnomer, because in addition to retail consumers, the CCA also covers sole traders and small partnerships. Only limited companies and PLCs are out of the scope.
- **Licence holding is not just for selling credit:** there are currently nine CCL categories or permissions covering licensable credit activities, only one of which covers lending money. The others cover brokerage, debt adjusting, debt counselling, debt administration, and credit information services.

Overall situation

If a firm gives advice to the public, sole traders or small partnerships (or acts on their behalf), on anything to do with unsecured credit (applying for it, consolidating it, reducing it, or checking credit status); then the firm *may* need a consumer credit licence. Firms not having one could be liable for criminal prosecution.²

Financial advisers

This group is likely to need several categories of CCL if they provide any advice or services related to unsecured debt, and most should already be aware of this.³ The following applies:

- **Advice on managing debt:** if the advice covers steps to manage debt under £25,000, then the adviser must hold the licence category E: Debt Counselling.
- **Introductions to firms that offer credit:** if they direct clients to other firms that offer credit products valued under £25,000, then the adviser must hold category C: Credit Brokerage.
- **Negotiations on consolidating debt:** if the adviser negotiates on behalf of clients, including challenging existing credit agreements or introducing clients to firms that take debt discharge obligations, then the adviser must hold licence category D: Debt Adjusting.
- **Checking credit ratings or obtaining credit status:** if the adviser checks a consumers' credit rating, or obtains a credit history report from a consumer credit reference agency on their clients' behalf, then category H Credit Information Services would be needed.

Financial advisers: new issue of adviser charging

It is possible that financial advisers allowing the deferral of the Adviser Charge could also be caught by the regulations as lending money, unless the transaction meets certain exemptions.⁴ There may be exemptions, and the OFT have published guidance.⁵ For this licence category to *not* be required, the remuneration must be:

- without interest or other charges; *and*

¹ The information in this section has been gathered from a variety of sources including: various sections of the OFT website on consumer credit licensing, www.oft.gov.uk/OFTwork/credit-licensing/#.UgizDVITOMo (accessed 7 Aug 2013); the Consumer Credit Act 1974 and its amendments (2004, 2006); the National Business Register website, "Do you need a Consumer Credit Licence?" www.start.biz/nationwide/credit.php (accessed 7 Aug 2013).

² Please note that this is for general information purposes only and should not be used by members to assess their own compliance with any regulatory requirements. Members not completely sure of their own specific situation should refer directly to the OFT, FCA or obtain legal assistance.

³ See for example, CII unit *CF1: Financial services, regulation and ethics*, Study Text (updated July 2012), pp.12.13-12.14.

⁴ See for example, "APFA: Do you need a Consumer Credit Licence?" by Linda Smith, *MoneyMarketing*, 8 Nov 2012.

⁵ OFT guidance document: "Consumer Credit: Regulated and Exempt Agreements," Nov 2010, pp.9-10.

- payable in 4 instalments or less; *and*
- payable within a 12 month period.

Although many advisory firms will already hold a CCL, they are unlikely to have this category. If in doubt, advisers may wish to apply to have their licence varied to add the new category.

Mortgage advisers or brokers

Transacting and/or advising on loans secured on residential property are not caught by the Consumer Credit Act. However, as with other financial advisers, a CCL may be needed if any advice or transaction includes anything to do with unsecured debt under £25,000 (eg credit cards, personal loans, or current account overdraft facilities).⁶

General insurance brokers

General insurance brokers that deal with companies or PLCs are not caught by the Consumer Credit Act, regardless of what sort of advice they give or services they carry out. However; if their clients are consumers, sole traders or small partnerships, they will need a CCL if they perform certain activities with them. For example:

- **Debt counselling:** if the broking involves advising clients on steps to manage debt of under £25,000 as part of their general finance arrangements, then they will need category E: Debt Counselling.
- **Introductions to firms that offer credit:** if they direct clients to other firms that offer credit products valued under £25,000, then the adviser must hold category C: Credit Brokerage.
- **Debt adjusting:** if the adviser negotiates on behalf of clients, including challenging existing credit agreements or introducing clients to firms that take debt discharge obligations.

3. Moving regulation from OFT to FCA

Overview

With effect from 1 April 2014, firms involved in consumer credit business will be regulated by the FCA. However this will be more than simply an administrative move from one regulator to another. The FCA has been consulting on how this regime will work, with a recent consultation CP13/10 on detailed rules published in October.⁷ It has also updated the information on its website.⁸

Overall, the FCA will apply five elements of its regulatory model to consumer credit, resulting in regulation that is stricter in some respects:

- **Conduct requirements and rules:** general matters of governance and integrity will fall under FCA high-level rules such as *Principles for Businesses* – which form the basis for many FCA enforcement actions.
- **Authorisation:** the process for obtaining authorisation will be more rigorous, evolving into something more similar to the way the FCA authorises firms for other types of activities. There will be an interim authorisation process for the first two years of the regulation, and then two tiers based on level of risk and amount of activity.

⁶ Source: various sections of the OFT website on consumer credit licensing www.oft.gov.uk/OFTwork/credit-licensing/#.UgizDVITOMo (accessed 7 Aug 2013); the Consumer Credit Act 1974 and its amendments (2004, 2006).

⁷ Financial Conduct Authority consultation paper 13/10, *Detailed proposals for the FCA regime for consumer credit*, Oct 2013. <http://www.fca.org.uk/static/documents/consultation-papers/cp13-10.pdf> See also HM Treasury consultation, *A new approach to financial regulation: transferring consumer credit regulation to the Financial Conduct Authority*, Mar 2013. www.gov.uk/government/uploads/system/uploads/attachment_data/file/221913/consult_transferring_consumer_credit_regulation_to_fca.pdf

⁸ FCA website, “Consumer credit: the differences between the scope of the Office of Fair Trading (OFT) and the FCA regimes,” www.fca.org.uk/firms/firm-types/consumer-credit/scope (accessed 1 Nov 2013).

- **Scope of regulation:** this is one area where the Government plans to “keep the scope of consumer regulation broadly the same under the FSMA regime, including replicating existing provisions under the Consumer Credit Act.”
- **Supervision:** generally, the FCA will have greater powers to investigate and sanction, and an approach that is more preventative and proactive than the OFT. There will be an Approved Persons regime with Controlled Functions, as with other areas the FCA regulates.
- **Enforcement & redress:** this will be significantly greater than under the OFT, including powers to ban individuals, publicly censure firms’ activities, seek injunctions and freezing orders, carry out investigations involving search warrants, impose consumer redress, and ultimately to bring disciplinary, civil and even criminal proceedings.

Conduct of Business: replacing the Consumer Credit Act with FCA rules

The CCA and its secondary legislation are being repealed so that it can be replaced by FCA rules that go into force in April. These new rules are being drafted into the FCA Handbook in the various sourcebooks, particularly a new Consumer Credit (CONC) sourcebook. The full draft rules appeared in Appendix 2 of CP13/10. The CONC includes chapters on conduct of business, financial promotions, pre-contractual disclosure, and post-contractual requirements.

The new rules largely reflect the existing Consumer Credit Act, secondary legislation, as well as the OFT’s supporting guidance, with the following exceptions:

- **Payment Protection Insurance FSA/OFT joint guidance:** the FCA feel that this material is just an elaboration of the OFT guidance on irresponsible lending, which is covered elsewhere in the FCA rules and other sourcebooks.
- **Financial promotions:** following the March consultation, the FCA have decided to create rules in this area consistent with other areas it regulates, so that they comply with the high-level clear, fair and not misleading principle and the Department of Business, Innovation and Skills guidance on Consumer Credit Advertising Regulations. It is also introducing tighter requirements for high-cost/short-term credit, cold-calling and debt management companies, including a ban on financial promotions made during personal visits, telephone conversations and other interactive dialogue.
- **Industry codes:** following the March consultation in which the regulator indicated its apprehension about industry codes that are not independently monitored and allowing third parties to monitor FCA rules, the FCA have decided that it will adopt certain industry codes as regulatory rules and supervision/enforcement processes on a case-by-case basis.

Authorisations

The authorisation process is the gateway through which firms must pass to allow them to access the market. The FCA will aim to ensure that all firms wanting to offer consumer credit products and services are well run, fit and proper and, where applicable, have suitable business models.

Supervision

The regulator will have dedicated supervision and enforcement teams to crack down on poor practice, money laundering and unauthorised activity, to seek out the firms that are not complying with our rules or are illegally carrying out consumer credit business. The regime will apply a risk-based approach, with “higher-risk” activity defined as follows:

- **Consumer credit lending:** personal loans, credit card lending, overdrafts, pawnbroking, hire-purchase and conditional sales. Excludes lending by sellers of goods and non-financial services products.
- **Credit brokerage:** includes introducing consumers to lenders. But excluding brokerage by sellers of goods and non-financial services as a secondary activity (unless the brokerage is carried on in a consumer’s home on more than an occasional basis).

- **Debt adjusting:** helping people with their debt problems by taking over their debts or negotiating on their behalf. But excluding not for-profit debt adjusting.
- **Debt counselling:** including advising people on discharging specific debts. But excluding not-for-profit debt counselling.
- **Debt collection:** collecting debts due to others under credit or hire agreements.
- **Debt administration:** carrying out activities relating to consumer credit agreements on behalf of a lender.
- **Credit information services:** obtaining information about someone's credit record or helping them change their credit record. But excluding not-for-profit credit information services.
- **Credit reference agency:** collecting information about consumers' financial standing to inform the decisions of consumer credit firms.

FCA table indicating how higher and lower risk regimes are to be treated:

Differentiated features						
	Authorisation process	Appointed reps	Pre-approval of individuals (approved persons)	Supervision	Reporting	Capital requirements
Higher-risk	Full authorisation process	Most lenders and all credit reference agencies may not become appointed representatives	Pre-approval of individuals with governance functions (and other significant influence functions for certain firms)	Targeted, proactive supervision, according to risk profile of firm	Limited to key information	Capital requirements for all commercial debt management firms and large not-for-profit debt advice bodies
Lower-risk	Limited permission process	May become an appointed representative	Pre-approval generally limited to apportionment & oversight function No approved person requirements for most not-for-profit providers of debt advice	Limited reactive response to problems that have already materialised. Possible limited thematic work.	Limited to basic information	Not applicable
Common features of both regimes						
	Rule-making powers	High-level and conduct rules, complaints recording and publication	Wide enforcement powers	Powers over individuals	Client money regime applicable to all firms, though with slightly fewer requirements for smaller firms	

Where find that firms are not complying, we will consider using our enforcement tools, and we can require them to offer redress to their customers where necessary. In appropriate cases, disciplinary action could lead to fines. Criminal sanctions are also available, with custodial sentences for the worst offenders.

4. FCA consumer credit authorisation: two tiers

The FCA consumer credit authorisation will have a full regime involving a core and a limited permission tiers; and a two-year interim permission system for firms who already have an OFT consumer credit licence.

Full regime

The full regime will be established on 1 April 2014, and will be divided into two tiers depending on risk and extent of permission. This comprises the core regime covering:⁹

- **Consumer credit lending:** including personal loans, credit card lending, overdrafts, pawnbroking, hire purchase, conditional sales etc. But excluding lending by sellers of goods and non-financial services where there is no interest or charges.
- **Credit broking:** Including introducing consumers to lenders. But excluding broking by sellers of goods and non-financial services as a secondary activity (unless the broking is carried on in a consumer's home on more than an occasional basis e.g. double-glazing sellers selling credit to the consumer in their home).
- **Debt adjusting:** helping people with their debt problems by taking over their debts or negotiating on their behalf. But excluding not-for-profit debt adjusting.
- **Debt counselling:** including advising people on discharging specific debts. But excluding where carried out by a not-for-profit body.
- **Debt administration and collection:** carrying out activities relating to consumer credit on behalf of a lender.
- **Credit information services:** obtaining information about someone's credit record or helping them change their credit record. But excluding not-for-profit credit information services.
- **Credit reference agency:** collecting information about consumers' financial standing to inform the decisions of consumer credit firms.
- **Operating an electronic system in relation to lending:** the new regulated activity proposed by the Government concerning peer-to-peer platforms.

The second "limited permission" tier will cover activities deemed to be lower risk, and is clearly aimed at non-financial services firms that are caught by the consumer credit requirements:

- debt counselling with debt adjusting and/or credit information services, when carried out by a not-for-profit-body;
- secondary credit brokerage by sellers of goods and non-financial services (except firms that routinely carry out the sale in the customers' home);
- sellers of goods and services who only provide credit or other financial accommodation directly to purchasers (excluding hire purchase or conditional sale) with no interest or charges; and
- debt counselling, debt-adjusting or credit information services, when carried on as ancillary activities by a person already in the lower risk category.

It is unclear whether financial advisers, mortgage advisers or general insurance brokers would fall into the second lower-risk tier. However a reading of the parameters here suggests that because these practitioners' main business is within financial services, they would be subject to the full authorisation tier.¹⁰

Further information on how the FCA will approach regulating consumer credit, including the appointed representatives and approved persons regimes, is available on its website.¹¹

⁹ FCA CP13/10, Oct 2013, see Note 7 above.

¹⁰ "Do you need a consumer credit licence? Don't ask the FCA or OFT," by Donia O'Loughlin, Financial Adviser, 24 July 2013.

¹¹ www.fca.org.uk/firms/firm-types/consumer-credit/scope

Interim permission for existing CCL-holders

The FCA has established an interim permission regime for firms that already possess a CCL on 31 March 2014.¹² The regulator has written to CCL-holder firms, warning them that interim permissions will *not* be automatic:¹³

- **Firms that have a valid OFT licence:** will have to apply for interim authorisation from the FCA. Failing to do this will result in the firm operating without a licence when the OFT one expires on 31 March 2014. This is a criminal offence for which the firm will be liable for prosecution.
- **Discounted fee for firms applying before November:** applications are open now, and those completed before 30 November will be charged a discounted fee of £105 for sole traders (£245 for other firms). After 30 November, the regular fees will apply: £150 for sole traders (£350 for other firms).¹⁴
- **Firms can use the FCA's on-line interim permission system:** to encourage firms to exploit the discounted interim fees, the FCA have set up an on-line application process.¹⁵ The page also offers a step-by-step guide, frequently-asked questions and other material on consumer credit authorisation.
- **Firms that that do *not* already have a CCL:** will have to obtain a CCL by 31 March 2014, or apply for full FCA authorisation when that opens.

More information on the interim permission system can be found in the FSA consultation Chapter 3. It includes information on the limitations to interim permissions:

- such firms can only approve financial promotions related to the activity for which the permission applies;
- firms with interim permission will not be able to appoint Appointed Representatives ('ARs').
- the interim regime will not last beyond 1 April 2016 at the latest, and the FCA has said that it intends to begin directing firms to apply for full authorisation from 1 October 2014, with different deadlines for different categories of firm.

5. Licence fees

In October, the FCA started consulting on how the consumer credit permissions fees would look.¹⁶ The fees would comprise a one-off application fee plus an ongoing periodic fee.

The application fees will be determined by several factors including whether the firm is applying for full or limited authorisation, if the latter then what type of permissions are sought, and finally whether they are already authorised by the FCA for some other activity.

Full versus limited authorisation:

For firms with limited permission, the following bands are indicated:

- Annual consumer credit income up to £50,000: £100
- All other limited permission firms: £500

¹² See FSA CP13/10, Oct 2013, see Note 7 above, Chapter 2, pp.17-25.

¹³ Joint letter from FCA and OFT to consumer credit licensees, "Consumer credit regulation is changing: you need to act now," 15 July 2013. Forwarded to CII Customer Service from a member. See also www.fca.org.uk/firms/firm-types/consumer-credit (accessed 3 Sep 2013).

¹⁴ FCA Policy Statement 13/7 *FCA regime for consumer credit: Interim Permission Fees*, Aug 2013, p.7. www.fca.org.uk/static/documents/policy-statements/ps13-07.pdf

¹⁵ www.fca.org.uk/firms/firm-types/consumer-credit/consumer-credit-interim (accessed 1 Nov 2013).

¹⁶ FCA Consultation Paper 13/14 *Regulatory Fees and Levies: Policy Proposals for 2014/15*, Oct 2013, Chapter 2 Consumer Credit Fees: www.fca.org.uk/static/documents/consultation-papers/cp13-14.pdf

Full authorisation: types of permission sought:

Firms applying for full authorisation would be grouped in terms of risk based on permissions sought:

- Straightforward: credit broking and credit information services: £1,000-£1,500
- Moderately complex: entering credit agreements as a lender for all credit (except high cost/short term credit, bill of sale loan agreements and home loans); debt collecting; debt administration; exercising or having the right to exercise the rights/duties under a credit/consumer hire agreement: £5,000
- Complex: entering credit agreements as a lender for high cost/short term credit, bill of sale loan agreements and home loans; exercising or having the right to exercise rights/duties under these sorts of credit or hire agreements; debt adjusting and debt counselling: £10,000.
- Very complex: providing credit references: £15,000-£25,000

Existing authorised firms

Firms that are already authorised by the FCA and want to extend their range of permissions to cover consumer credit need only apply for a Variation of Permission (VoP). The fees for this are:

- Additional “straightforward” consumer credit permission: £250;
- Any other consumer credit permission: half the relevant application fee.

Periodic fees:

As is the case with all other FCA-authorised firms, are designed to recover ongoing regulatory costs. They would be determined by fee-block based on size of the firm and amount of consumer credit income. While exact fee-rates are not yet available until the regulator has data on firm income, indicative tables suggest that fees for firms with full permission will start at £500.

Rebate for previous OFT licence-holders

The FCA announced in a Policy Statement published on 30 August that the Government will be introducing a programme of rebates “to ensure that the cost of the transfer of regulation is appropriate”.¹⁷ The Treasury will publish further details on how this rebate would work later in November.

6. Group licences and professional bodies

There exists a group licence regime under the OFT for charitable organisations and professional bodies. The Treasury and the FCA have taken a view on how this would operate under the FCA regulation.

Existing OFT group licensing

The OFT Group Licence system allows certain professional bodies that are able to assess members’ consumer credit compliance are able to hold a group licence on their members’ behalf.¹⁸ The CII has never applied for such a Group Licence on behalf of its membership, for the following reasons:¹⁹

¹⁷ FCA Policy Statement 13/7, Aug 2013, see Note 14 above.

¹⁸ Consumer Credit Act 1974 (amended 2006), section 22(5).

¹⁹ See OFT guidance, “Group licensing regime: Guidance for consumer credit licence holders and applicants,” April 2008 (updated August 2011).

OFT criteria	CII situation
1. The not-for-profit status and main business activities of the members in question are assessed and taken into account by the OFT using a risk-based approach.	Notwithstanding the CII's own not-for-profit and public interest professional body status: <ul style="list-style-type: none"> its members are for-profit; and their main business activities are in financial services. Therefore, the OFT would apply the strictest possible assessment.
2. The body must have appropriate systems and controls in place for ensuring that group members meet the OFT's overall "Fitness Test" on an initial and ongoing basis. ²⁰ <ul style="list-style-type: none"> This is to carry out activities for <i>each licence category</i> being applied for. For a financial adviser group membership, the CII would have to apply for a group licence covering the 4-5 categories described in section 2 above. 	The CII does not possess sufficient resources or legal powers to assess the fitness of its members to conduct CCA activities. Instead the FCA carries out this function. <ul style="list-style-type: none"> This activity would involve initial assessment and ongoing monitoring of over 21,500 financial adviser members in meeting the requirements for 4-5 consumer credit licence categories.
3. Suitable procedures must be in place within the body to allow the exclusion from cover of unfit members.	For members demonstrating unfitness to conduct consumer credit activities, the CII does not possess legal powers to stop them from practising. Only the FCA has this function. <ul style="list-style-type: none"> While the CII possesses a disciplinary regime to enforce its Code of Ethics, CPD and other aspects of membership, the sanction does not prevent individual members from continuing to practise. It lacks the legal powers and/or resources to prevent an individual from practising, or to bring legal proceedings for noncompliance.

Group licensing under the FCA

The Treasury and FCA assessed the group licensing scheme in their consultations on the regulatory transition and have concluded that:²¹

- **The group licensing scheme will be abolished:** not-for-profit and non-financial services firms will have to seek authorisation under the low-risk limited permission tier described above.
- **Professional bodies seeking group authorisation:** will have to use the FCA's Part 20 exemption for professions that are not otherwise regulated by the FCA. This allows members of certain professional bodies who are already overseen by their own professional body (eg the Institute of Chartered Accountants of England & Wales).

The Government has also made clear that, to qualify for the latter Part 20 exemption, there will be two additional provisions for professional firms carrying out consumer credit activities:

- **Incidental to business:** the consumer credit activity must be *incidental* to the firm's professional business. If credit activities are in any way linked to the firm's normal business (for example, arguably, giving holistic financial advice), then the firm will need to be fully authorised by the FCA.
- **Cannot be FCA authorised for some other activity:** the Part 20 regime is only available to firms who are not already authorised by the FCA. As the FCA explains, "The carrying on of a regulated activity by a firm cannot be exempt

²⁰ See Consumer Credit Act 1974, section 25A; and OFT, "Consumer credit licensing: general guidance for licensees and applicants on fitness and requirements," Jan 2008 www.oft.gov.uk/shared_of/business_leaflets/credit_licences/oft969.pdf

²¹ HM Treasury consultation (see note 7 above), p.26, para.3.19.

under FSMA Part 20 if the firm is required to be authorised for other regulated activities.”²² So if a firm is authorised under FSMA to conduct financial advice, it cannot be exempt from FSMA to give debt advice.

It is therefore unlikely that the CII would be successful in applying for a FSMA Part 20 exemption for financial advisers, mortgage advisers or general insurance brokers; because those members are already authorised under FSMA to conduct those activities.

7. Next Steps

October 2013 onwards	The FCA runs free workshops around the country to explain the new changes
3 December 2013	FCA Consultation Paper 13/10 on consumer credit detailed regulations closes.
Autumn 2013/winter 2014	Consultation on plain language guidance to help firms and other stakeholders understand and navigate the new regime.
3 January 2014	FCA Consultation 13/14 on consumer credit licence fees closes.
March 2014	Feedback on responses to the second consumer credit Consultation Paper, including made rules.
March 2014	Final version of plain language guidance for firms and other stakeholders.
March 2014	Fees proposals for 2014/15
31 March 2014	All OFT-issued consumer credit licences expire
1 April 2014	FCA takes over regulation of consumer credit

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²² FSA CP13/10 (see note 7 above), p.31, para.3.15.