

# CII membership survey on UK financial services regulatory change

## Headlines

- In general, members support the Coalition Government's plans for regulatory change. They agree with the need for change and the proposed timetable.
- However, there are significant numbers who question whether change will lead to an improved system and whether the timetable is realistic. This scepticism is highest amongst general insurance members. This could be as a result of a fear that the new system will have a heavy banking focus.
- The majority of members believe that the FSA's new 'intrusive' regulation will continue under the proposed new system. Yet there is also a significant number who are unsure – this could be because members are waiting to see the new system in practice.
- Members also believe that the FSA should work closely with professional bodies to promote & police ethics.

## Methodology

This was a survey of CII Group members. 2017 members in total responded: 1386 CII members and 631 PFS members. The survey was conducted in August 2010.

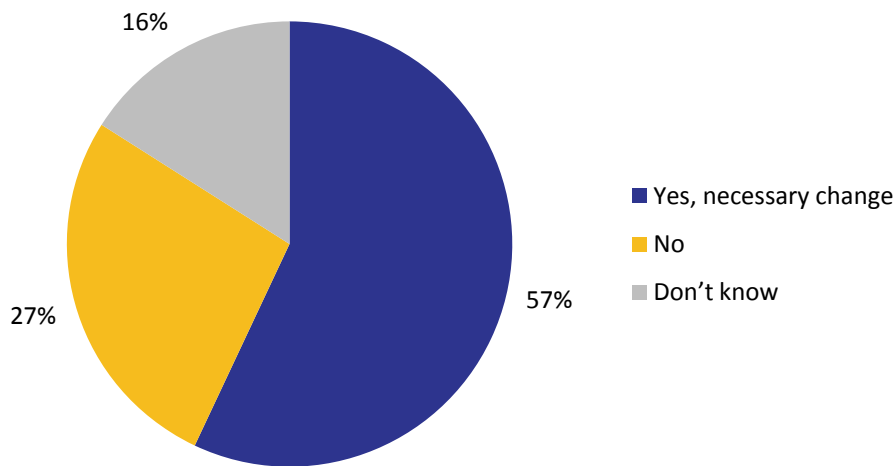
**Daniel Pedley**  
**Policy & Public Affairs**  
**October 2010**

**Q.1 Do you believe such a major reorganisation is required or would you have preferred less major changes to the current tripartite system?**

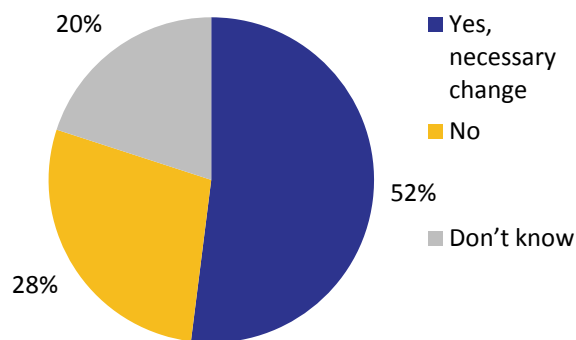
**MEMBERS SUPPORT THE NEED FOR CHANGE**

- Of those members who expressed an opinion, twice as many were in favour of the need for major change to the tripartite system than those who were not.
- Over half (57%) believe that a major reorganisation is necessary. A quarter (27%) of members say they would have preferred less of a significant change.
- When the results are split by CII & PFS members, we see a higher percentage of PFS members supporting major change (62% of PFS members answered 'yes') than CII members (52% of CII members answered 'yes')

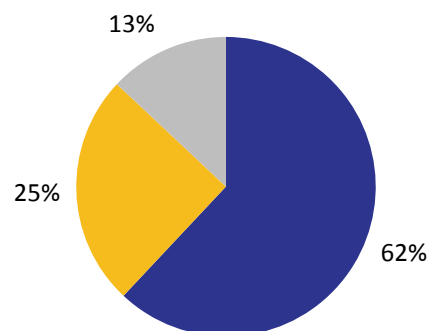
*Overall CII Group results (Sample 2017)*



*Insurance results (Sample 1386)*



*PFS results (Sample 631)*

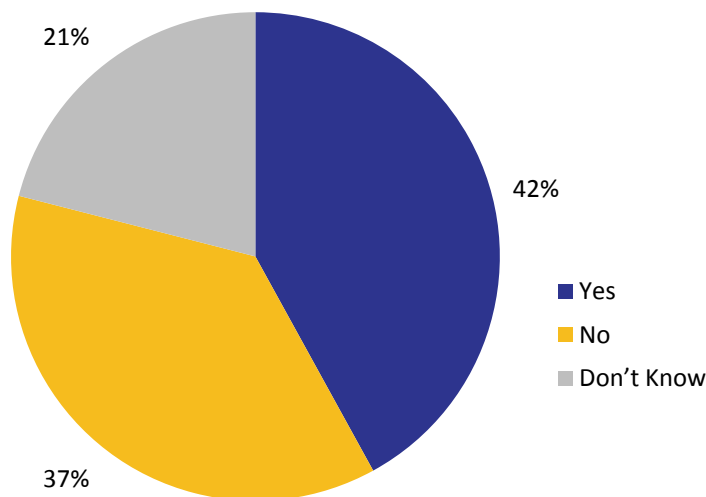


**Q2. Do you think that the regulatory uncertainty and upheaval these changes will create will be worth it to improve the current regulatory system?**

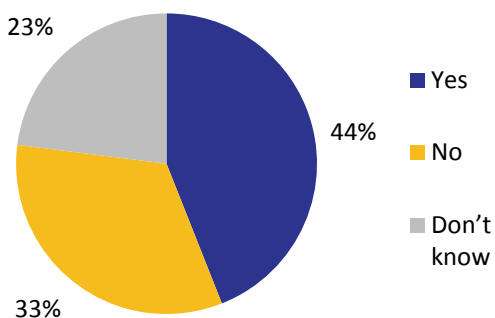
**MEMBERS UNSURE OF WHETHER CHANGE WILL PROVIDE IMPROVEMENTS**

- There are similar levels of support for the opposing views of whether or not the upheaval of the proposed changes will lead to an improved regulatory system.
- Members therefore are unsure as to whether the proposed changes will be worthwhile. There are significant levels of scepticism.
- The proportion of those believing there will be improvements is higher amongst CII members (44%) than PFS members (38%).
- In fact amongst PFS members there were more who believed that the changes would *not* be worth it (45%) than those who did (38%).

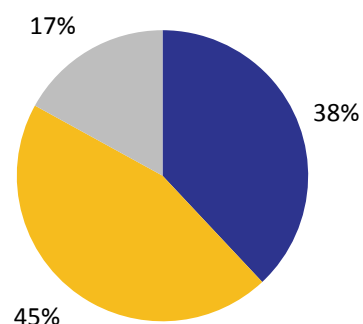
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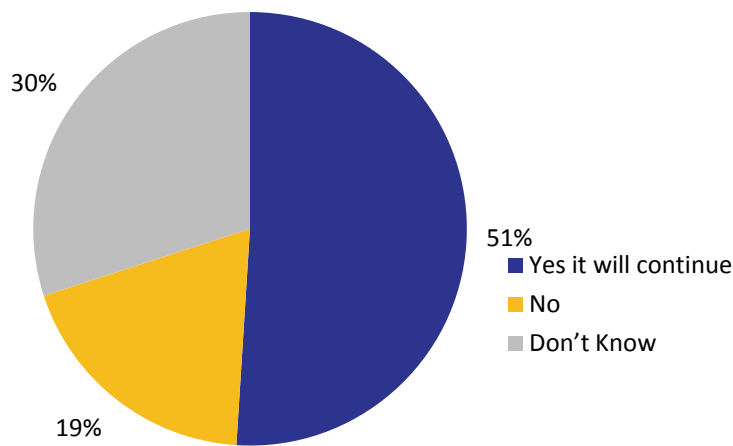


**Q3. The FSA has embarked on more 'intrusive regulation'- do you believe this approach will be carried into the new regulatory culture or do you think it will lessen once the new structure develops?**

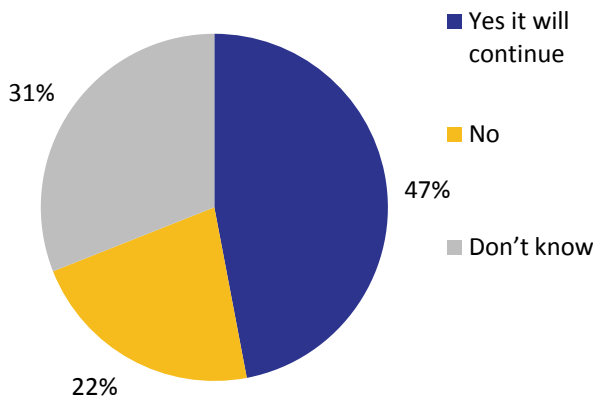
**'INTRUSIVE REGULATION' SET TO CONTINUE IN NEW SYSTEM**

- Just over half of members believe that the FSA's new intrusive regulation will continue under the proposed new system.
- Perhaps significantly there were more who are unsure as to whether it will than those who think it will not.
- Significantly more PFS members feel 'intrusion' will continue – 61% PFS v 47% CII. This could be explained by the increased contact that PFS members have with the regulator.

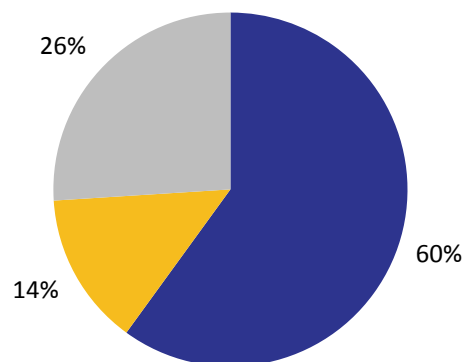
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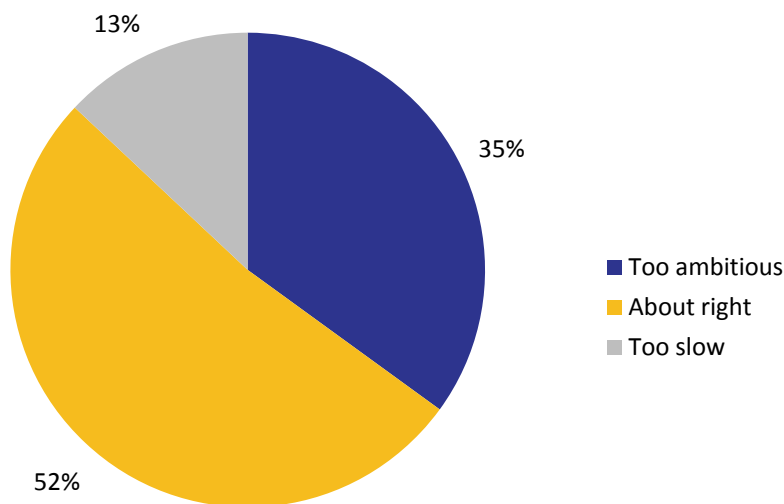


**Q4. The government has said it wants the new structure ready by 2010. Is this too ambitious, too slow or about right?**

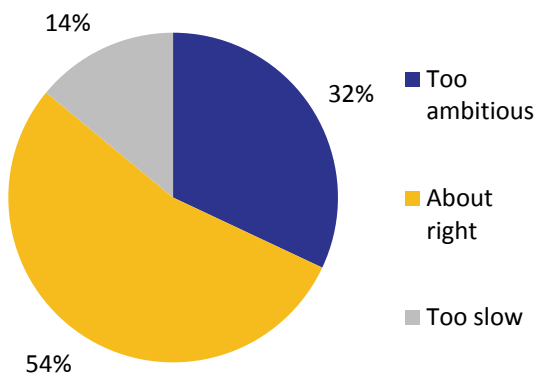
**MAJORITY OF MEMBERS AGREE WITH GOVERNMENT'S TIMETABLE**

- Over half agree with the proposed timetable for change.
- However a significant proportion, one third, say that it is too ambitious.
- There is a big difference in opinion between CII & PFS members on this particular question. 60% of PFS members say too ambitious compared to 32% CII.

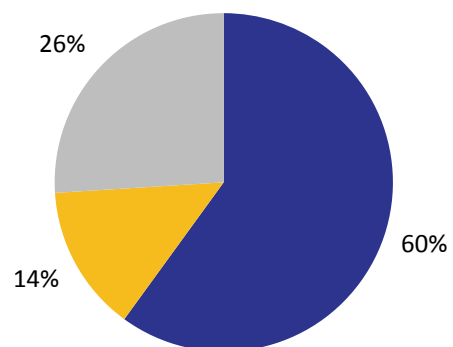
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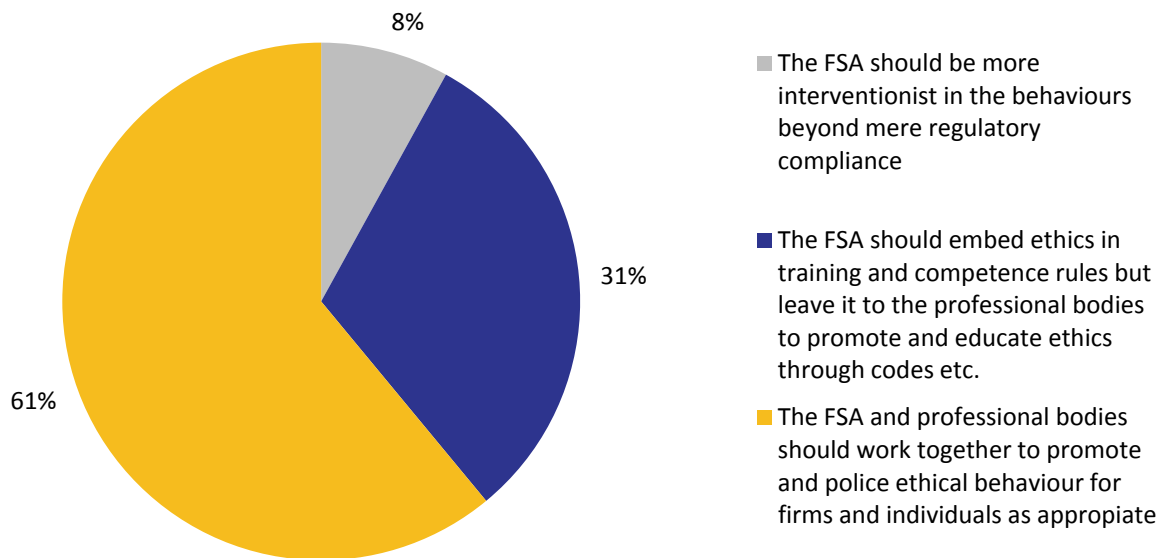


**Q5. The FSA Chairman raises the issue whether regulators should play a more active role in judging the culture and ethics within a firm. Please choose the option closest to your view.**

**MEMBERS SUPPORT COLLABORATION BETWEEN FSA & PROFESSIONAL BODIES ON ETHICS**

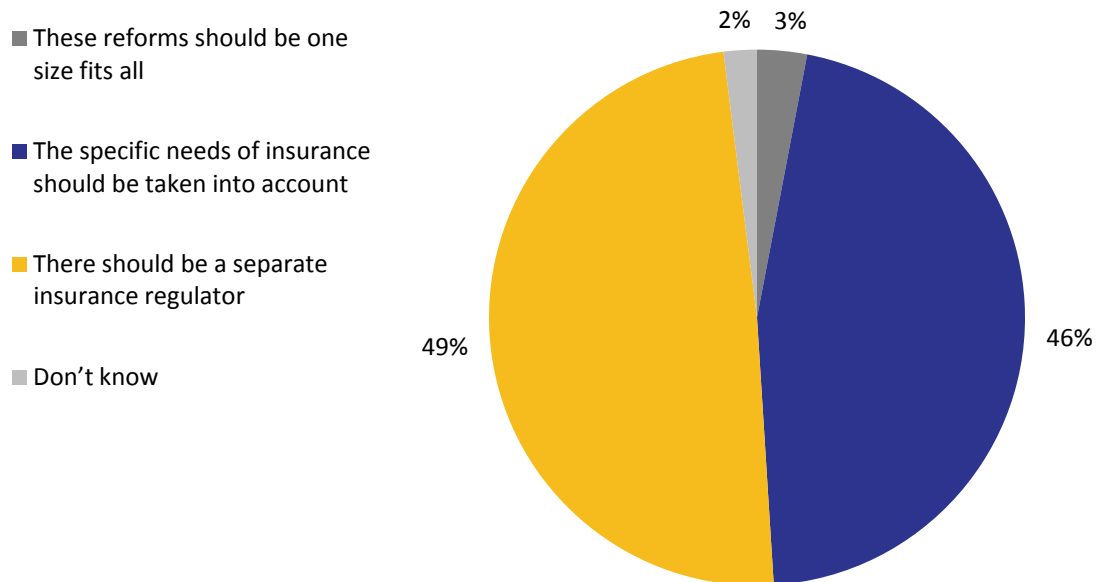
- Almost two thirds of members want the FSA and professional bodies to work together to promote and police ethics.
- Just under one in three feel that professional bodies should be responsible for the promotion and policing but that the FSA should embed ethics in its T&C rules.
- Only a small number support greater intervention on behaviours by the FSA.
- The figures for CII & PFS members almost identical highlighting agreement across our whole membership.

*Overall CII Group results (Sample 2017)*



## CII Members' Only Question

**Q. There has been comments that the proposed reforms were designed to meet failures in banking supervision and do not take into account separate requirements of insurance. Do you believe that...**



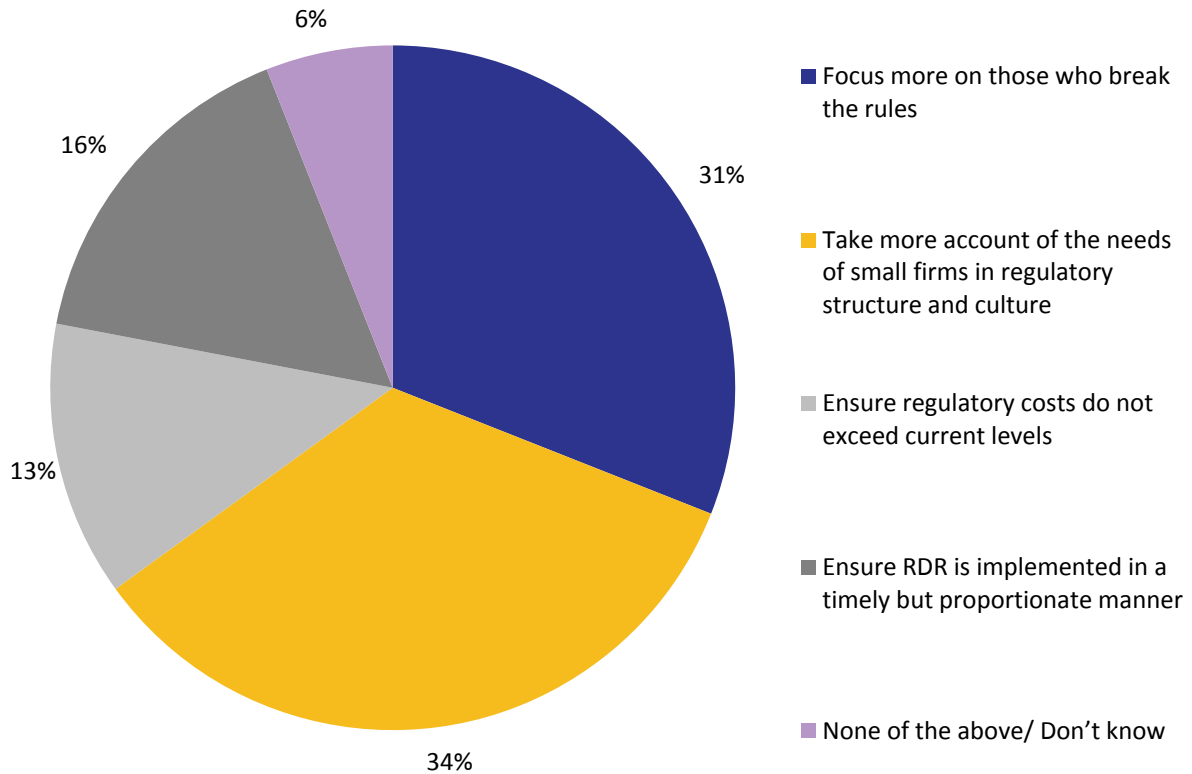
*(Sample 1386 General Insurance and Life & Pensions Members only)*

### **CII MEMBERS CALL ON THE REGULATOR TO RECOGNISE THE NEEDS OF INSURANCE**

- 95% of members would like a new regulatory system to take into account the requirements of insurance in some form.
- Almost half of CII members believe there should be a separate regulator (49%).
- A similar number (46%) think that insurance has to be considered during the formulation of a new system but that there shouldn't necessarily be a separate insurance regulator.
- This is a clear message that there is concern that banking could dominate the new regulatory system.

## PFS members' only question

Q. What is the most important factor the Government needs to take into account in reforming the FSA?



*(Sample 631 PFS Members only)*

### REGULATOR SHOULD FOCUS ON SMALL FIRMS AND RULE BREAKERS

- A third of PFS members believe that a new regulatory system should better take into account the needs of small firms.
- Almost a third called for more of a focus on those who break the rules.
- Perhaps surprisingly only 16% wanted a timely and proportionate implementation of the RDR.