
Minutes

**Minutes of the meeting of the
INTEGRATED REGULATORY REPORTING ADVISORY GROUP
Held on 13 September 2006 – at 13:30
In Conference Rooms 1 & 2**

Present:

Remi Adebajo (RA) - FSA
Alex Atkinson (AA) – FSA
Chris Bone (CB) – FSA
Peter Cardinali (PC) – FSA
Jeremy Heales (JH) – FSA
Grainne McKeever (GM) – FSA
Sirpa Myllyoja (SM) – FSA
Dhiren Pattni (DP) – FSA
John Stocker (JS) – FSA

Linda Chandler – Association of Independent Financial Advisors
David Dooks – British Banking Association
Diane Hilleard – London Investment Banking Association
Andrea Jeffries – Building Societies Association
Charles Meade-King – Association of Professional Compliance
Consultants
Vanessa Moore – Association of Mortgage Intermediaries
Joanna Rose – Association of British Insurers
James Tatch – Council of Mortgage Lenders

Apologies: Louisa Gjertsen – Association of Professional Compliance Consultants
Chris Gomm – Small Businesses Practitioner Panel
Stephen Gore – Investment and Life Assurance Group
Jane Green – Futures and Option Association
Tim Lewis – British Venture Capitalists Association
Angus Milne – Investment Management Association
Mary Richardson – Alternative Investment Management Association
Leslie Sharpe – Solicitors for Independent Financial Advice Ltd
Kevin Sloane – Association of Private Client Investment Managers
Michael Tidmarsh – Association of Foreign Banks
Susan Valler – Investment and Life Assurance Group
Steve White – British Insurance Brokers Association

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1. **Welcome**

JH welcomed the attendees to the third meeting of the IRR Advisory Group.

AA introduced John Stocker. JS will be taking over as MER Project IS Manager whilst AA takes up a new role within the MER Business Change team.

A copy of the presentation can be found at the following location:

<http://www.fsa.gov.uk/Pages/Doing/Regulated>Returns/IRR/advisory/index.shtml>

2. **IRR and MER Status Update**

PC thanked the trade associations who had submitted responses to Consultation Paper 06/11 and who had helped identify firms to participate in the workshops held at FSA earlier in the Summer.

PC gave a brief update on the status of the IRR Policy work including the number of responses received and the dates that the Policy Statements are due to be released. PC advised that the Policy Statement for Part 1 of CP06/11 would be issued at the end of October with the most likely date being either the 26th or 27th.

AA gave an update on developments within the MER programme and outlined the work that the IRR team would be doing in the next three months.

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3. Early Reporting Update

RA gave an update on the progress of the Early Reporting IS project.

We are only collecting the minimum new data items from firms subject to CRD during 2007. CRD firms will therefore only need to report FSA009 (Key Data Sheet) and FSA028 (Non-EEA sub-group if applicable). These will be collected under MER via the Early Reporting system being developed. In order to ensure delivery of this technical solution and keep costs to a minimum it will only be a transitional system and will only be used to collect these two data items. For firms that adopt the new approach to credit risk during 2007, we will therefore be removing the option (referred to in paragraph 8.5 in CP06/11) to report alternatively on FSA001, FSA002, FSA003 and FSA008.

RA advised that the Early Reporting solution would be a basic Excel download/upload solution.

Firms would still be expected to submit existing returns in the usual methods during 2007. Final details will be confirmed in the forthcoming Policy Statement (see Minute 2 above).

4. Industry User Group Issues and Recommendations

AA summarised the main issues raised in the Industry User Group discussions. They were as follows:

- All User Groups raised concerns over the lack of functionality to round and auto-calculate data within returns. The FSA team will investigate this claim as there are concerns over systems efficiency here which need to be addressed. FSA to report back to Advisory Group at the next meeting to discuss further (see Action 1 below).
- During our discussions with the Industry User Groups we asked the groups whether they would like the offline (downloadable) form option. The consensus amongst the groups was that this would not be required. Whilst we have not made a final decision on this (as we are to have discussions with our development partners), the current thinking is that the level of technical complexity involved may be prohibitive and we may not offer the offline options. (Also, see question 1 below).
- One of the Industry User Groups raised a query over how the FSA was going to handle the process of an auditor signing off a return. This is something that we have not previously discussed

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in detail but we will report back to the User Groups and Advisory Group at the next round of meetings to confirm the requirements (see Action 1 below).

- All of the groups recommended that we would need to ensure that submission errors were clear and understandable on the web-browser system. We will start to look at intelligent ways to manage multiple occurrences of similar errors.
- The Groups noted that currently within the Firms Online system the completion of "0" values was compulsory – this proved particularly problematic in the complaints return which contains 450+ reportable fields. We think that there is a strong case to be made for allowing firms to leave cells blank where they have nothing to report and the MER web-based browser system will then interpret these as a report of "0" value and this is something that can be easily incorporated into the Data Reference Guides (see minute 5 below).
- Several IUG members who used the Product Sales Data system reported that they found the trial environment facility extremely useful. The trial environment is always available and allows firms to train staff and re-test reporting software if they have had cause to make system alterations. We are planning to provide this service for MER and it is already included within the system requirements documentation.
- IUG members requested that MER contains functionality to allow them to submit supplementary text to accompany data submissions. Currently the FSA Handbook requires Insurance firms to submit supplementary information. The MER team will consult with business colleagues and report their findings back to the Groups at the next round of meetings (see Action 1 below).

The recommendations log will be distributed to Advisory Group members along with a copy of the meeting minutes for further consideration (see Action 2 below.)

5. Data Reference Guide Prototype

CB gave the group a short introduction to the Data Reference Guide (DRG) prototype.

The DRG is a set of technical documents that firms and independent software vendors will use to develop their own systems to be able to

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create XML files that can be sent directly to the FSA's Mandatory Electronic Reporting (MER) system.

6. MER Web Browser Prototype

DP demonstrated the MER web browser prototype. Since the last meeting DP had made a number of amendments to the web browser prototype based on the Advisory and Industry User Groups recommendations. DP also demonstrated the new Direct Communications Results section of the prototype.

JH asked the Group whether they would be interested in seeing the updates to the MER web browser prototype on a regular basis (when substantive changes are made). The Group thought that this would be useful for future meetings.

7. Questions raised by the Advisory Group

Question: 1: (With regards to the decision as to whether or not FSA offers an offline forms option). To date, FSA has not given companies much time to complete their returns when the system has gone down. From this perspective, offline (downloadable) forms would be a useful option...

Answer: FSA: One of the most important things from the Industry User Groups' perspective was a robust save and auto-save functionality. However, we would welcome further feedback from AMI and AIFA members (see Action 3 below).

Q: 2: Will you be working with the Independent Software Vendors (ISVs) to develop a web upload solution?

A: FSA: The ISVs are companies that are entirely independent of the FSA. We therefore have no control over the technical options that an ISV chooses to offer. However, ISVs may decide that there is an opportunity in the market to offer solutions that enable a firm to 'web upload' more effectively. If this is the case, the data reference guides and the discussion forums will be a way for the vendors to ensure that their solutions are compatible with MER.

Q: 3: If a firm submits 3 data items two weeks before the submission deadline and then finds there are errors, will they be able to resubmit?

A: FSA: Yes. However, they will have to request a resubmission through the MER system. The resubmission team will assess the request and, where appropriate, unlock the return and advise the firm that the

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return is ready to be resubmitted.

Q: 4: In the Product Sales Data system Technical Guide there was some confusion over what certain terminology actually meant. Some of the terms were ambiguous (such as "Input is optional") and there was quite a bit of confusion amongst firms. How are you going to ensure that this does not happen in the MER DRG?

A: FSA: This is one of the primary reasons why we have set up the Industry User Groups and ISV Discussion forums. By giving firms and ISVs an early opportunity to comment on technical documentation, we are able to identify and rectify this type of ambiguity/inconsistency at an early stage. Early feedback from ISVs suggests that we have made a very good start but we will maintain a continuous feedback cycle to ensure we produce high quality deliverables.

Q: 5: With the Direct Communication submission option, will the FSA have direct access to firms systems? This is something that will be unpopular with our members.....

A: FSA: Our systems will not have direct access to firms' systems. Firms will submit via a secure method which will transfer data to the FSA system. The firm will have total control over the process and we will only send firm correspondence to indicate whether files have been successfully received.

Q: 6: Will the Advisory Groups and Trade Associations be given the opportunity to review the early reporting spreadsheets before the solution goes live?

A: FSA: Yes. We will circulate the materials to the Advisory Group and the Credit Institution and CRD Investment Firms Industry User Group once they are in a suitable state (see Action 4 below).

Q: 7: There is currently a lot of work going on throughout the FSA on the various directives that trade associations are involved in. How are you ensuring that consistent information is passed on across the various working groups?

A: FSA: We are coordinated with other areas within the FSA such as the BASEL II Implementation team (see above) to ensure that our messages are aligned and that we are not putting unnecessary demands on the time of the Trade Associations.

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Q: 8: You seem to have quite a lot of interest in your discussion forums. We have a number of members who are interested in joining – are there any plans to expand the membership of the Industry User Group forums?

A: FSA: It is our intention to continually review the success of these forums to ensure that they remain relevant. We will review the membership of the Groups and get back to you with regards to this point (see Action 5 below).

Q: 9: Will IRR and MER have an impact on the current Firms Online reporting requirements (in particular the RMAR)?

A: FSA: We have just commenced a review of the RMAR, MLAR and complaints return. It is too early to say what the outcome of this review will be at this stage but our intention is to involve Trade Associations and firms to ensure that the review is a success. We will keep the Group updated on developments.

Q: 10: We have not previously been copied in on invitations that have been issued to our members who sit on the Industry User Groups and we have not seen the previous minutes from the meeting. Will it be possible to do so?

A: FSA: Of course. We will send you a record of the previous meetings attendees and the minutes from these meetings (see Action 6 below).

8. **Technical Recommendations made by the IRR Advisory Group**

Recommendation 1: Suggested improvement to the MER Prototype. Improve the explanatory text within the validation errors screen (in the web-browser prototype) to ensure that errors are easy to understand and free of technical references.

9. **Actions for the next IRR Advisory Group**

Action 1: FSA to report back to Advisory Group on the status of the auto-calculation, rounding, supplementary information and auditor sign-off issues.

Action 2: FSA to circulate the Recommendations Log amongst Advisory Group members for further consideration.

Action 3: FSA to contact AMI and AIFA to discuss ways to canvas

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their members' opinions on the offline forms option.

Action 4: FSA to circulate the excel spreadsheets and / or relevant supporting materials before Early Reporting solution 'goes live'.

Action 5: FSA to review IUG Group membership and contact Trade Associations where further members are required.

Action 6: FSA to distribute names of invitees, attendees and minutes for previous two IUG meetings.

Action 7: Draft minutes to be distributed to Advisory Group members on or before 27th September.

10. **Next Steps**

The next meeting will be scheduled for the end of February 2007.