Note of key matters and actions agreed:

Attenders:

FSA	APPG	Others
Stephen Bland - Director, Small Firms Division Julian Adams – Head of Dept., Wholesale Insurance Alison Hewitt – Head of Dept., Retail Firms Eleanor Linton – Head of Dept., M&GI Policy	John Greenway Baroness Turner Lord Hunt Lord Davies Edward Leigh	David Worsfold Stephanie Denton (Post Magazine) Andrew Tjaardstra (Professional Broking) Tim Sharp (Investment Week) David Morey (PwC) Hugh Bayley's representative

1. Key matters

A copy of the FSA's notes is attached. Key points noted during the FSA's presentation included:

Mortgages

- Perimeter Enforcement: only a handful of firms so far found to be trading without proper authorisation
- Financial Promotions: no significant concerns identified to date; some issues noted in the sub-prime sector
- Disclosure documentation: most firms need to improve standards and FSA has identified a number of 'learning points' for firms
- Lifetime mortgages: the FSA's initial assessment activity has identified some significant concerns, including in particular investment advice which may lead to consumer detriment
- Regulatory returns: FSA work only just getting under way
- Ongoing supervision: other areas being looked at (e.g. responsible lending)

General insurance

- Perimeter: 700 visits so far; firm conclusions not yet available at a sector level; no major non compliance identified
- Authorisation backlog: of the 900 (or so) 'interim authorisations', only 20 (or so) unresolved
- Disclosure: FSA review in progress (30 insurers) and results will be published in 2 to 3 weeks time
- Controlling ARs: FSA visits are ongoing; FSA is expecting to find problems in this part of the regulated market (mainly around controls established by the principal firm)
- Claims handling: FSA has decided to deprioritise this area of focus and delay the review for 3 or 4 months (no evidence of significant problems; other priorities being addressed in advance)
- Conflicts: FSA's findings show that most firms (although better at most larger firms) have not established robust controls over potential conflicts; FSA will provide market feedback in August
- Client Money: a wide range of non compliance matters have been identified across the 30 Wholesale firms subject to early thematic review; FSA will issue a 'Dear CEO' letter tomorrow (published after 5 days) setting out its conclusions and pointers for firms to increase awareness of concerns/need for action; FSA to focus attention on Retail firms over the next 6 to 9 months
- Contract certainty: FSA awaiting results of the market's own solution; FSA will take a view on the market's progress in December

- Linked sales of PPI: FSA has undertaken a large survey (covering mortgage PPI, loan PPI and other protection products) and will publish its findings in September / October

Treating customers fairly

- FSA has now identified a number of TCF clusters to help firms to focus of TCF principles
- FSA believes significant progress made by larger firms over the last 6 to 9 months – 85% of these firms are now planning / implementing (in Autumn '04, only 35 to 40% of these firms were aware of the FSA's TCF initiative
- FSA expects that TCF should be a part of business as usual for firms, and for its own supervisors

Small Firms

- FSA recognises the need for making it easier for smaller firms and is keen to help firms wherever practicable (accessing the FSA website, electronic forms and reporting, working with trade bodies and the Smaller Businesses Practitioner Panel), improving communications

Other matters

- Development of regulation for the home reversion market will consider the need to ensure fair treatment of customers in the context of market value discounting (in deriving the equity release sum payable)

2. APPG's view

Client Money - the Group supports the FSA's work to ensure proper protection of clients and client money with a view to also ensuring that the exposure of compliant intermediaries to unlimited FSCS levies is minimised. The Group supports the FSAs policy of early intervention where significant deficits are found, whether client money or risk transfer money.

IMD - the Group intends to bring pressure on the European Commission to exercise its right to prosecute Members States who have so far not adopted the Insurance Mediation Directive's requirements. It also supports action to ensure that authorised UK regulated brokers and intermediaries have immediate access to EU Members States markets.

Equity Release and Reversion Plans - the Group welcomes development of appropriate regulation of reversion plans to ensure proper protection of potentially vulnerable customers and the creation of a level playing field between the two types of equity release products, namely lifetime mortgages and reversion plans.

Payment Protection Insurance -the Group welcomes the FSAs decision to undertake a thorough review of sales practices in relation to payment protection insurances with a view to ensuring that policy holders have a better understanding of the cover they are buying and that the cover purchased is relevant to the circumstances of the policy holder.

DL Morey
19 July 2005