



Name & Address

21 July 2006

Dear Name

I am writing to notify you of the introduction of two key regulatory developments in the financial services sector. These are the Consumer Protection Code and the Minimum Competency Requirements.

## 1. Consumer Protection Code

Since its establishment, the Financial Regulator has been involved in an extensive project to develop a code of conduct for regulated entities engaged in providing financial products and services to consumers. This project entailed the issue of interim codes of conduct to certain classes of regulated entity in December 2003, followed by two public consultations in 2004 and 2005. We engaged in in-depth discussions with interested parties and issued a Regulatory Impact Analysis and Public Response in December 2005.

The Financial Regulator will publish the Consumer Protection Code ('the Code') on 25 July 2006 and it will come into force on 1 August 2006. The Code will be available on the Financial Regulator's website at [www.financialregulator.ie](http://www.financialregulator.ie).

The Code is a legally binding document containing a set of general principles supplemented by more detailed sectoral rules. Contraventions of the Code may be subject to the imposition of administrative sanctions<sup>1</sup>.

The Code's principal aims are to:

- ensure a consumer-focussed standard of protection for buyers of financial products and services;
- ensure the same level of protection for consumers regardless of the type of financial services provider they choose; and
- facilitate competition by contributing to a level playing field.

### Compliance with the Code

The general principles and existing provisions carried forward from the current codes and handbooks must be complied with immediately. Some new provisions will be capable of coming into effect before others. In this regard, we would expect that changes in the following areas should be in place by the end of August 2006:

- the prohibition on making the sale of one product contingent on the purchasing of another product (Chapter 2 Rule 4);
- the requirement that a consumer must positively indicate acceptance of any optional extras for which there is a charge (Chapter 2 Rule 5);

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<sup>1</sup> Publications containing guidelines on, and a general summary of, the Administrative Sanctions Procedure, which came into force on 1 August 2004, are available on our website.



- application of changes in interest rates (Chapter 3 Rules 3 & 4);
- the prohibition on unsolicited pre-approved credit (Chapter 4 Rule 1);
- the requirement to advise consumers who are thinking of surrendering certain life assurances policy before they mature of the existence of a secondary market, where they may get a higher amount for their policy (Chapter 5 Rule 13); and
- the requirement for warning statements in certain advertisements must be included in all advertisements created after 31 August 2006 (Chapter 7).

In relation to the other new requirements in the Code, we expect firms to take immediate steps towards implementing the to systems, procedures and documents and providing relevant staff training. We recognize that this is a significant undertaking and in monitoring compliance with the Code, we will take account of the time needed to make these changes. We are engaged in discussions with the relevant industry representative bodies in order to assist firms to become fully compliant with new provisions within a reasonable timeframe.

Any queries on the Code should be directed to [code@financialregulator.ie](mailto:code@financialregulator.ie) or 01 410 4583.

## 2. Existing codes

The Handbook for Investment and Stockbroking Firms, the Code of Conduct for the Investment Business Services of Credit Institutions and Advertising Requirements applicable to Credit Institutions will continue to apply to these regulated entities when providing services covered by EU Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments until 1 November 2007 (commonly referred to as MiFID). These are all available on our website.

The prudential requirements currently contained in the Handbook for Authorised Advisors and the Handbook for Restricted Intermediaries will be available in a consolidated *Handbook of Prudential Requirements for Authorised Advisors and Restricted Intermediaries* on our website and continue to apply.

The following requirements will be withdrawn with effect from 1 August 2006:

- Handbook for Authorised Advisors
- Handbook for Restricted Intermediaries
- Interim Code of Practice for Mortgage Intermediaries
- Interim Code of Practice for Insurance Undertakings
- Code of Conduct for Deposit Agents
- Code of Practice for Credit Institutions



### **3. Minimum Competency Requirements**

The Financial Regulator also engaged in two public consultations in April 2004 and January 2006 on another consumer protection matter, the Minimum Competency Requirements ('the Requirements'). These Requirements will also be published, together with our Public Response, on 25 July 2006.

The Requirements introduce a competency framework that is designed to establish minimum standards for regulated entities. Firms will be required to ensure that individuals who provide advice on or sell retail financial products or who undertake certain specified activities on their behalf acquire the competencies set out in the Requirements. In addition, individuals will be required to undertake a programme of Continuing Professional Development on an ongoing basis.

The Requirements come into force on 1 January 2007 and will be available on our website.

### **4. Proposed insurance regulations**

In order to give effect to proposals that insurers should be able to issue renewal notices through insurance intermediaries, the Financial Regulator is proposing to repeal the Motor Insurance (Provision of Information)(Renewal of Policy of Insurance) Regulations 2002 (S.I. 389 of 2002) ('the Motor Insurance Regulations').

It is proposed that the Motor Insurance Regulations will be replaced by regulations allowing insurers to issue renewal notices through intermediaries and extending the requirements concerning renewal notices to other types of non-life insurance.

We propose that the new regulations will be effective from 1 September 2006 and it is intended that they will be published on the 'Legislation' page of our website. They will also be available from the Government Publications Sale Office in Molesworth Street, Dublin 2.

I would like to thank all of our stakeholders for their active engagement and assistance in developing this Code.

Yours faithfully

**Mary O'Dea**  
**Consumer Director**