
Minutes

**Minutes of the meeting of the
INTEGRATED REGULATORY REPORTING ADVISORY GROUP
Held on 18 June 2007– at 14:00
In Conference Rooms 1 & 2**

Present:

Jeremy Heales (JH) – FSA
Chris Bone (CB) – FSA
Grainne McKeever (GM) – FSA
John Stocker (JS) – FSA
Nathan Russell (NR) – FSA
Gbemi Akojenu (GA) – FSA (Minutes)

Adrian Hood – Investment Management Association
Andrea Jeffries – Building Societies Association
Andrew Strange – Association of Mortgage Intermediaries
Ben Mathers – British Venture Capitalists Association
Chris Gomm – Small Businesses Practitioner Panel
David Dooks – British Banking Association
Diane Hilleard – London Investment Banking Association
Ian Cornwall – Association of Private Client Investment Managers
James Tatch – Council of Mortgage Lenders
Joanna Rose – Association of British Insurers
Linda Chandler – Association of Independent Financial Advisors
Hilary Spivey – Association of Professional Compliance
Consultants
Michael Tidmarsh – Association of Foreign Banks
Stephen Gore – Investment and Life Assurance Group
Vanessa Young – British Insurance Brokers' Association

Apologies:

Jane Green – Futures and Option Association
Angus Milne – Investment Management Association
Mary Richardson – Alternative Investment Management
Association
Leslie Sharpe – Solicitors for Independent Financial Advice
Limited

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1. **Introduction**

JH welcomed everyone to the fifth meeting of the IRR Advisory Group.

GM introduced Andrew Strange from AMI and Ian Cornwall from APCIMS, who recently joined the IRR Advisory Group. Ben Mathers from BVCA also attended the meeting for the first time.

2. **Minutes and Actions from last meeting**

The minutes of the meeting held on 26 February 07 were agreed as accurate.

Action: FSA to liaise with BBA/BoE to ensure all banks receive any communications on MER.

- GM to coordinate and discuss with David Dooks.

All other actions from the previous meeting were completed.

3. **Mandatory Electronic Reporting Update**

JS announced that the Early Reporting System (ERS) will be extended with enhanced functionality for submitting returns from January 2008 to June 2008. The key argument for this is that firms are already familiar with the system and would not require further training to use the system.

The enhanced ERS system would be used for all reporting from January 08 including 3 additional data items FSA003 - Capital Adequacy, FSA004 - Credit Risk and FSA011- Mismatch liquidity – building societies. The Mandatory Electronic Reporting system would kick in July 2008 and would be used for returns falling due on June 30 and afterwards.

JS explained that there would be 3 implementation phases for the roll out of the MER system. Phases 1 and 2 constitute the roll out of the CRD, Non –CRD, investment and deposit taking in July and September. The third and final phase would be the transfer of returns currently submitted on Firms on Line (FoL) including RMAR and MLAR to MER system in October 2008.

JS reported that Capgemini, our application development partner, is working to target. The elaboration phase, which is the design stage, is due to be completed at the end of June 07. He also stated that FSA staff would be visiting India to commission the construction stage which is scheduled to commence in July 07.

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4. Pilot and Form Demo

MER System Pilot – Terms of Reference

CB provided an overview on the pilot testing of the MER system. There will be 3 phases – preparation, actual pilot and feedback session. There is a possibility of running 2 pilots to tie in with July 08 and October 08 roll out. This is being considered and decision will be communicated to members before the next meeting.

JS stated that the User Acceptance Test (UAT) would be conducted before the pilot in order to ensure that the system is robust before carrying out a pilot. The pilot is intended to test end to end processes of the MER system including support provided to firms. CB said that support given to firms would be proportionate to what firms would expect when MER goes live.

CB explained the process for participation in the pilot. It is envisaged that a sample of 50 firms would be appropriate as this should reflect a cross section of the industry population and will be an effective size in terms of managing firms and feedback. The population for the pilot is to be sourced from the IUG members and other firms in the industry. The supervisor for firms that have volunteered will be notified that firms are participating in the pilot.

CB mentioned that the Terms of Reference are based on a number of dependencies which may alter as circumstances surrounding the pilot become clearer. Firms would be notified of any changes to the terms of reference. It was noted that data submitted for the pilot would be erased and firms would still need to submit their regular returns as usual.

CB asked whether Trade Association members would be able to help fill gaps in population if there are any. Members agreed to assist with recruiting firms from their members if necessary.

It was suggested that the pilot should be flexible to capture a wider population and allow all firms types participate. IC stated that it would be useful for FSA to visit firms at their office for feedback during the pilot period.

It was emphasised that the feedback sessions were important and firms will be invited to a briefing session after the pilot.

User Interface Demonstration

CB showed a prototype of the *look and feel* of the MER. He

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demonstrated how the system would work and functionalities available for firms including loading firms' schedule and downloading forms based on their profile. The offline form will be useful for small firms as they would be able to complete the form offline and upload on the FSA website. Other functionalities on the MER system include saving reports on temporary folder, uploading attachment to returns, printing copy of the schedule, viewing submission history and pre-populating data fields.

JS stated that FSA is collaborating with Independent Software Vendors (ISVs) in developing software for the new reporting. He added that the FSA is aware that some firms are building their own software and will be able to provide technical support where required.

ACTION FOR MEMBERS: Please provide list of members who are building own software to FSA by Friday 13th July.

5. User Management Processes

NR illustrated the User Management Processes associated with the MER system. The processes covered included registration, setting up users and certification, which will be required by firms submitting returns via the direct communication method.

The registration process is further split for existing firms and new firms. For existing firms who report electronically current principal users will be migrated to the MER system. Firms can nominate a different PU prior to go live date. Firms who wish to nominate a different PU after go live date would need to register through the normal process.

For firms not submitting electronically, FSA will send a letter to the Control Function (CF) based on the information available on our system. It was agreed that communication letters to firms should be sent to a named individual. The CF will need to log on the MER website to verify their details, register the firm and nominate a PU.

It was brought to the meeting's attention that firms such as mutual institutions and credit unions, which are not affected by MER, will continue to use paper returns. Also insurance returns will continue to be submitted as usual. However insurance firms carrying out activities covered by new regulations should submit such returns via the MER system.

Once the firm has registered on the system, the PU can set up other users. Firms can set up as many users as they wish and assign different permissions levels to each user. Therefore firms can specify who will

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be responsible for authorising and submitting returns.

HS suggested that it would be helpful to have a memo pop up window on the system for firms to record their reporting procedure. (**Action 5**)

Firms planning to use the direct communications method would be required to log in the MER trial area and select the link for direct communication. The PU will then have to call the Firm Contact Centre to confirm successful transmission. The process of verification is a one off system and firms would not be required to undertake the process afterwards. It is envisaged that around 300 firms would be using the direct communication method.

6. Review of Issues and Recommendations from IUGs

Update of the Recommendations Log

We record all suggestions made by the User Groups in the Industry User Group Recommendation Log. This section of the agenda provides an update on how we are progressing with those recommendations.

Where on MER can external auditors confirm approval of returns:

The MER system does not have a formal functionality to enable external auditors validate returns. Firms will be able to set up external auditors with permission to review returns before they are submitted.

How will senior executives sign off the returns: MER system allows firms to set up users with different permission levels. Firms will need to ensure that the “submit” functionality is assigned to appropriate member(s) of staff.

Can we reschedule detailed briefing sessions for Pilot (February is an inconvenient time of year for insurance preparing returns): The briefing session has been rescheduled to March 2008 and the ToR updated to reflect the change.

When will data reference guides for the full set of MER data items be available: A number of data items will be featured in the July 2007 consultation paper. As agreed at the meetings, we will publish draft data items on the FSA website before the end of July. These will be subject to minor changes.

What will you be doing to avoid the log-on expiry issues that some firms experienced when the Early Reporting System went live?:

Passwords will still expire on MER system, however the process for resetting them is simpler and firms will not need to call the contact

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centre to do this. We will also make it clearer in our communication to firms that their password will expire after a certain period.

Would it be possible to “number” data elements within the new data items: The forms are being designed in rows and columns to enable firms cross check what they are entering.

Firms would find it useful in the future to have regulatory reporting and regulatory transactions in MER. Will firms have the option to access both via the same system in the future? : MER system will not hold regulatory transaction. We are working to develop a joint portal to access both MER and Regulatory Transactions.

Migration of Principal Users: It would be useful to have more information on how to submit existing reporting and new data concurrently. When will firms receive more information: We are planning to provide information and worked examples on the FSA website following decision by FSA Board in July.

7. **Questions and Answers Session**

This section will include all questions raised by the IRR Advisory Group

Q: 1.1: When is FSA planning to contact firms and when does the pilot work start?

A: FSA: We will be contacting firms by end of July 2007 to confirm their participation and provide details on the pilot. The process will kick off with training in March 2008. The actual pilot is planned for April 2008, ideally this would require equivalent of 3 working days. Although time commitment may vary depending on firms' preference. Also, there would be a 2 hours feedback session as the end of the pilot.

Q: 1.2: When is FSA likely to contact Trade Association if there shortages?

A: FSA: We are planning to assess feedback from firms at the end of June and would contact TA by end of July.

Q: 1.3: Is there a profile of type of firm for the pilot?

A: FSA: The testing would focus on different areas and specific scenarios and would be flexible enough to enable a cross section of the industry to participate. We are considering making the pilot

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environment available to firms after the pilot testing.

Q: 1.4: Would FSA be able to view information store in the temporary folder? Also, would information stored on the temporary folder be deleted once it is overwritten or saved?

A: FSA: FSA will have access to data stored on the temporary folder but would not be using these for regulatory activities. It was emphasised that draft data will be used where necessary by Supervisors and Contact Centre to provide support to firms. Firms' draft data and returns would be deleted once return is submitted.

Q: 1.5: Will firms require extra software to view the PDF file?

A: FSA: Firms only need to update adobe reader if required, this can be downloaded free. We would look into providing link for firms to download adobe.

Q: 1.6: Will guidance be available for third party advisers? Will there be links to guidance in the system?

A: FSA: The Data Reference Guides (DRG) on FSA website would provide third party advisers with information to answer firms' queries. Further details can be found at:

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

Firms can also sign up third party advisers and TA as users and specify permission levels for them. The system will not have links to guidance but will have functions such as helptext and interactive help that can provide guidance to users. A computer based training (CBT) package would also be available for firms who require it.

Q: 1.7: Would firms have direct access to technical advisers?

A: FSA: All queries would go to the Firm Contact Centre as point of first call and will be filtered down to technical advisers as necessary.

Q: 1.8: Has FSA got a follow up process to track firms that do not log on to MER within the specified period of time following communication about registration?

A: FSA: We are aware there might be some problems associated with registration of firms or some firms not responding promptly to our correspondence. . We hope to develop a follow up process to deal with

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such matters before the system goes live.

Q: 1.9: The role of the PU is quite significant, would there be a job description or role description to explain what is required of them?

A: FSA: We would design a job description detailing what is expected of PU. (**Action 4**)

Q1.10: We have received comments from members about password problems with logging on the Early Reporting System (ERS), would it be same procedure when firms migrate to MER system?

A: FSA: No, the MER system will have an automated password reset function so firms will not have to phone the Contact Centre. For security reasons, it is necessary that passwords have an expiry period. We would also highlight this in our communications to firms.

Q1.11: Would firms be able to delete individual users instance if they left or move to another role?

A: FSA: We will investigate and confirm at the next meeting.

Q1.12: Can firms allocate responsibility for submission of return to certain level of staff to ensure that accurate returns are submitted?

A: FSA: The MER system will enable firms to delegate authorisation for submission of returns.

Q1.12: Will the system allow firms returns to be approved by external Auditors?

A: FSA: As returns are not required to be authorised by auditors before submission, the MER system does not provide this functionality. Firms can however set up their auditors as users to review and validate their returns before submission.

8. **Next Steps**

Action 1: Help text functionality to be brought forward as agenda item at a future meeting.

Action 2: Trade associations to provide FSA with list of firms who are planning to develop their own software.

Action 3: FSA to clarify whether there is functionality built into the system to enable PU delete individual users.

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Action 4: FSA to specify job description for PU.

Action 5: FSA to investigate the possibility of adding in a memo “pop up” feature in the system to enable firms to record notes or annotations.

9. **Any Other Business**

There was no other business

The next meeting is provisionally for the afternoon of Monday 22 October 2007.