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A handwritten signature in black ink that reads 'Michael Heap'.

Regulatory Independence 2011

I am writing to you about your final submission to the LSB on regulatory independence. The matter has now been considered by my board. I can confirm that we are content with your final response. The board did however wish to make a number of points about the current arrangements.

Firstly, we appreciated the formation of your Approved Regulator (AR) Forum as a new mechanism to improve liaison between the regulator and the respective representative arms. We think it should be given some time to 'bed in' before any view is taken on the appropriateness and effectiveness of the arrangements. We at the LSB are conscious that calibrating the right level of residual oversight and liaison has proved difficult for a number of the approved regulators and hope that this forum can provide the right level of oversight.


Secondly, we note that the delegation agreement will need to be revised to reflect changes to the arrangements. You indicated that this work will be undertaken through the new AR forum. This is an important piece of work and will set out the relationships between the three parties. We hope that this work can be given an appropriate level of priority. During next year's exercise, or beforehand if we judge it necessary, we will expect an update on the creation of the revised delegation agreement, the operation of that agreement and the operation of the AR forum.

Thirdly, we hope that this year's budget and business plan process runs smoother than last year's. As you know, it is our view that it is for the regulatory arm to determine the activities they deem necessary to address the risks to the regulatory objectives in the market. The regulatory arm should then consult with the profession based on a proposed business plan and budget. Once this consultation period is complete it is up to the regulatory arm to weigh up the responses from the profession and their representative bodies and determine whether to make any alterations to their original business plan and budget.

Finally, the independence process revealed a level of dissatisfaction about communication between the three organisations. As was made clear during discussion, the regulatory arm is under no obligation to inform the representative arms when they publish documents, but we do think it represents good practice to do so. So we would encourage them to provide documentation in a timely manner. However, the representative bodies must appreciate that some documents will be for consultation and comment and others will simply be for information purposes only.

We will be making this letter and a copy of your jointly completed regulatory independence certificate available on our website shortly. I am copying this letter to Ann Wright.

David Edmonds
Chairman

A handwritten signature in black ink, appearing to read 'David Edmonds', written in a cursive style.