

General Comments

We recognize that the international role of the IAIS has substantially escalated in recent years by an increased mandate from the Financial Stability Board and G20 member nations, and manifest especially through the development of a Basic Capital Requirement (BCR) and Insurance Capital Standard (ICS). As the IAIS appreciates, these demands have so far been successfully negotiated and supported by careful, transparent processes that encourage observer participation. We appreciate the periodic attention paid to reviewing these processes in light of the fast developing environment.

We support a transparent consultation process inclusive of notification, consultation and participation that can be practically accessed and practiced by all stakeholders. We think of stakeholder as: any regulated entity or other public party. The creation of a single-tiered stakeholder group by the proposed elimination of observer fees may on the face of the proposal seem fair. However, it strikes us that this is a logical moment to broaden rather than diminish stakeholder participation in the IAIS.

Comments on Section I

We reference the earlier stated objective to receive stakeholder input in a more 'effective, consistent, transparent and predictable manner.' However we are surprised that the IAIS envisions achieving this by closing meetings to stakeholders except by chairperson discretion to 'invite guests.' To us, this proposal will tend to work against and not for the stated objectives. While they may be effective in streamlining work streams, 'discretionary' decisions are – by definition – not predictable ones and the proposed guidance on building transparency and consistency around them is oddly brief and not explanatory.

Installing chairpersons with sole discretionary power to select stakeholders for participation in meetings creates a far too subjective selection process that will result, despite best intentions, in uneven access to IAIS work. At the least, such a one-way selection process will appear as an avenue for undue influence and favoritism, and decisively undermine any claims of transparency or inclusiveness to the contrary. The OECD *Background Document on Public Consultation* draws attention to the close proximity of one-way 'lobbying' and a procedure whereby the regulatory agency actively initiates contact with stakeholders in the consultation process: 'The line between these two activities, however, is potentially difficult to draw.' We therefore ask that the IAIS carefully build more transparency and inclusiveness in its contact with stakeholders throughout the entire consultation process to promote a wide spectrum of scrutiny. This means creating a predictable, two-way consultation process that can be mechanized.

As a minimal measure stakeholders should be given the opportunity to volunteer for participation in meetings by request or by responding to open calls for engagement. This should occur at an early stage so that draft supervisory and supporting material are meaningfully engaged with stakeholder participation to help prevent unintended consequences

and results. According to the OECD *Best Practice Principles for Regulatory Policy* 'transparent engagement' also translates through the public documentation of who has been consulted, their input and the regulator's response. Detailed minutes of meetings which identify speakers and not only summaries of the main issues should be made publically available.

Comments on Section II.B

We ask the IAIS to review its proposed timeframes for public consultation and the posting of final draft material. Allowing more time to review material is now suddenly crucial if public consultations are generally limited to one window and are combined with the other proposals to restrict stakeholder consultation in the early development of supervisory and supporting material. On the latter point, we think IAIS members and stakeholders would benefit from a two-way consultation process activated from the beginning and not simply deployed mid-stream, at an undefined time, when presumably the consultation material will be at a relatively advanced stage of preparation. For example, stakeholder participation and involvement will be a critical input in aiding the IAIS develop a global insurance capital standard (ICS).

Also, we see longer public consultation periods as being consistent with the proposed changes to create a more democratic field for stakeholders. Moreover, doing so is not only likely to increase the quality of stakeholder feedback, as well as the number of stakeholders who are able to take part, but also work to improve buy-in in the *implementation phase* of supervisory or supporting material.

The proposal for 'in principle' consultation periods of 60 days for supervisory material and 30 days for supporting material should be extended by 30 days. Supervisory material should be given 90 day comment periods and supporting material should be given 60 day periods.

We ask that the IAIS also consider extending the time between the posting of final draft material and its adoption past the proposed 14 days, which we feel is unnecessarily short. For example, the US Administrative Procedure Act allows for a public posting period of 30 days before the effective date of a rule.

Comments on Section III.6

Stakeholder groups, so long as they do not develop into a substitution for all stakeholders, can be a useful device for the development of supervisory and supporting materials. We note, with interest, the method taken by the International Organization of Securities Commissions (IOSCO). In December 2013, IOSCO revised its internal organization in an effort to enhance stakeholder contributions made to its ongoing policy and research work. IOSCO created the Affiliate Member Consultative Committee (AMCC) in recognition of the important role the practitioner perspective plays in the work of regulators. The AMCC is inclusive of all affiliate members (currently 62) and has been directed to contribute to specific work streams by the IOSCO Board.