



## PG2 - PRINCIPLES IN RELATION TO THE GOVERNANCE OF INTERNATIONAL ACTUARIAL WORK

*This paper has been prepared by the IAA Professionalism Committee for information to assist Member Associations in this increasingly important area. It is not a model standard, nor is any change to associations' codes of conduct expected at the time of writing. This paper may also be of interest to individual actuaries undertaking International Actuarial Work.*

### 1. Definition of “International Actuarial Work”

- 1.1 International Actuarial Work is defined as work that is under the jurisdiction or regulation of one country, but is carried out by an actuary whose principal jurisdiction of practice or the jurisdiction of their professional membership is in a different country.
- 1.2 The “governance” of International Actuarial Work refers to the regulation and supervision of the actuary’s conduct and work by member associations of the International Actuarial Association (IAA).
- 1.3 International Actuarial Work is broadly therefore actuarial work in relation to which the law/ standards/regulatory frameworks of more than one country are relevant and material. More specifically, it is taken to include ‘actuarial work’<sup>1</sup> in relation to which the legal/ regulatory requirements of more than one legal jurisdiction or IAA member association<sup>2</sup> are relevant and material.

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<sup>1</sup> ‘Actuarial work’ is assumed in this context to be defined broadly, to include any work done by members of IAA associations in their capacity as actuaries, including work done for the purposes of providing ‘Actuarial Services’, as defined in ISAP 1.

<sup>2</sup> It is recognized that the regulatory jurisdiction of IAA member associations will usually arise from membership, and may not necessarily or primarily depend upon geographic/ territorial considerations. Equally, it is recognized that in certain geographic territories there may be more than one IAA body which has jurisdiction. It is envisaged that the principles set out in this paper might, according to the circumstances, also be relevant in that context i.e where there is more than one relevant legal or regulatory framework operating within a single geographic area or territory.

- 1.4 The following are a set of principles that might be applied by IAA member associations, with a view to avoiding or addressing the potential for inconsistency, duplication or gaps in relation to the governance of International Actuarial Work.

## 2. Proposed Principles

### 2.1 Qualification, Codes and Standards

- 2.1.1 Adherence to Codes of Conduct helps to ensure that actuaries are competent to undertake work for which they are responsible, and have an appropriate understanding of relevant legal and regulatory requirements applicable to them and to that work.
- 2.1.2 Except to the extent that they are inconsistent with relevant mandatory legal or regulatory requirements, actuaries therefore apply the code and standards and satisfy the educational and qualification standards<sup>3</sup> and requirements, where applicable, of each of the full IAA member bodies of which they are a member. Where appropriate, actuaries also follow any applicable local qualification standards and standards of practice.
- 2.1.3 Where there is material inconsistency between the codes, qualification standards and/or practice standards which an actuary would otherwise be required to apply to a piece of work, or between those standards and others which are more relevant to the work in question, reasonable judgment is exercised by the actuary in determining which code, qualification standards and practice standards to apply, and the extent to which they apply, having regard to all of the relevant circumstances, including the following considerations:-
- 2.1.3.1.1 The context in which, and purpose for which, the work is being provided;
  - 2.1.3.1.2 Relevant market expectations and norms in the context in question; and
  - 2.1.3.1.3 The need to safeguard the interests of the client and of the public in relation to the work in question.

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<sup>3</sup> By 'qualification standards' we mean the standards or requirements, imposed by a body of appropriate authority, which actuaries are required to satisfy in order to be considered qualified to perform the work in question. These may include initial educational requirements required to obtain sufficient knowledge to practice (broadly or in a particular practice area), CPD requirements and/or experience requirements. In some jurisdictions these may include, for example, practising certificates.

2.1.4 It may be appropriate for actuaries to advise and/or justify to their clients as to the code and standards that have been applied to their work.

2.1.5 Associations are encouraged to include consideration of international and cross border practice in the development and maintenance of their code, qualification standards and (where applicable) standards of practice. Ideally this is done so as to reduce or avoid situations of direct conflict with applicable codes and standards applied to their members and the members of other IAA associations.

## **2.2 Continuing Professional Development (CPD)**

2.2.1 Many actuarial organizations or other actuarial authorities include a requirement for continuing professional development in their requirements for membership or in their qualification standards. These requirements may range from highly prescriptive requirements with numerous rules, to general principle-based requirements.

2.2.2 In general, compliance is expected with the CPD regimes of every full IAA member association of which the actuary is a member. The actuary may also be required to fulfill an organization's CPD requirement in order to fully meet a local qualification standard. This may create difficulties to the extent CPD undertaken to fulfill one organization's requirement cannot be used to help fulfill another organization's CPD requirement.

2.2.3 Associations are therefore encouraged where appropriate to recognize CPD undertaken in fulfilment of the requirements of another full IAA member association and to recognize compliance with the CPD regime of that other association as fulfilling their own requirements, including any such requirement incorporated into qualification standards. This suggestion is not meant to imply that an association should lower the level of acceptable actuarial practice.

2.2.4 Where possible and appropriate, member associations are encouraged to avoid duplicative requirements, either in relation to the undertaking of the substantive CPD itself, or in relation to the compliance burden associated with the regulation of CPD.

## **2.3 Disciplinary Investigation and Enforcement**

2.3.1 Actuaries are subject to the professional disciplinary jurisdiction of those IAA member association(s) of which they are a member. Each association retains its jurisdiction to deal with disciplinary matters in relation to its members.

2.3.2 Member associations are however encouraged to take appropriate steps in order to facilitate the sharing of relevant information with other IAA associations in relation

to disciplinary proceedings, and to cooperate where appropriate in relation to the disciplinary investigations and/or proceedings of other member associations. Sharing of information should take into account any relevant laws, regulations and court rulings in respect of the entitlement of members and third parties (including actuarial clients) to privacy, confidentiality and/ or data protection.

2.3.3 Member associations might in particular, while mindful of the overriding importance of procedural fairness, seek to coordinate their disciplinary arrangements in a number of ways:

2.3.3.1 They might put in place a formal cross-border discipline arrangement with another association or associations. This envisages in effect that one association (Association 1) assumes, in specific circumstances, some defined formal (legal) responsibility for undertaking investigations as to violation of actuarial standards in its relevant jurisdiction and/ or disciplinary proceedings in relation to the members of another association (Association 2). (For example, and most obviously, where the proceedings relate to the conduct of the member of Association 2, whilst practicing in the geographic jurisdiction associated with Association 1). A version of this approach is currently adopted, for example, by the North American actuarial associations<sup>4</sup>.

2.3.3.2 A similar, but less formal, arrangement would not involve the conferral of actual legal jurisdiction on Association 1. Instead, Associations 1 and 2 might instead agree simply to provide mutual assistance in relation to disciplinary matters, including the sharing of relevant information, and support in the gathering of evidence for the purposes of disciplinary investigations. This would not necessarily however envisage the conferral of any formal decision-making authority on Association 1, in relation to the members of Association 2. Arrangements of this sort are known to exist between a number of associations, and might be effected for example by some form of Memorandum of Understanding.

2.3.3.3 In certain circumstances, more than one association may have jurisdiction and be required to undertake separate disciplinary proceedings. It may in these circumstances be appropriate to consider the coordination of disciplinary

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<sup>4</sup> *The Canadian Institute of Actuaries (CIA) and the U.S.-based organizations have entered into a cross-border discipline agreement that provides, in essence, that if a member of a U.S.-based organization is accused of breaching Canadian professional standards of conduct, practice, or qualification when practicing in Canada, the CIA will investigate the matter and, if the CIA finds that the actuary has committed such a breach, the CIA will so notify the relevant U.S.-based organization(s). Similarly, if a question arises concerning a CIA member's practice in the United States, the question will be investigated by the U.S.-based Actuarial Board for Counseling and Discipline, and the relevant U.S.-based organization(s) will notify the CIA of any determination of breach of U.S. professional standards of conduct, practice, or qualification.*

investigations and/ or proceedings (so as to avoid unnecessary duplication from a practical perspective). It may be appropriate for one association to take the lead in relation to any substantive investigation/ proceedings. This may, for example, be the most relevant association, having regard to the alleged conduct and to the related evidence in the case. Member associations are encouraged to enter into a dialogue with the relevant association(s), where applicable, at the outset of such a case, in order appropriately to co-ordinate the investigation and proceedings, having regard to all of the Circumstances.

- 2.3.3.4 Member associations will also wish to consider what weight or recognition they can appropriately give to the disciplinary findings or determination of another association. So, for example, certain European associations are known to have in place provisions which permit a degree of weight or reliance to be placed on the formal findings of another association, thereby avoiding to some extent the need for a further potentially duplicative inquiry into the relevant factual circumstances.
- 2.3.3.5 A further variant would envisage arrangements by which a joint disciplinary panel or committee is convened, comprising appropriate representatives or appointees from each of the associations involved. This could enable a single hearing by a jointly recognized panel, the decision of which is formally recognized (and enforced) by each association. This model has again been adopted for certain purposes in North America and avoids the necessity for multiple hearings in relation to the same member and conduct.
- 2.3.4 In the longer term, there may be value in reviewing the scope for a greater level of consistency/harmonization between the specific tests/ thresholds applied by associations in establishing the necessity for disciplinary action.