



IAA COMMITTEE ON PROFESSIONALISM MUTUAL DISCIPLINE AGREEMENT

- 1 The IAA Committee on Professionalism has developed this paper as a resource for actuarial associations. To the extent it might be useful, the Committee is prepared to advise or facilitate actuarial associations with respect to issues related to mutual discipline.
- 2 The IAA Committee on Professionalism has developed a paper as a resource for actuarial associations entitled 'Mutual Recognition and other Cross-Border Practice Issues'. Paragraph 20 of that paper stated, "A Mutual Discipline Agreement would usually be appropriate to describe the various associations' responsibilities with respect of investigations of misconduct allegations and other discipline matters."
- 3 A Mutual Discipline Agreement is independent of Mutual Recognition and can be entered into without there being a Mutual Recognition Agreement.

General Principles

- 4 There should only be one investigation for any particular alleged violation.
- 5 There should only be one disciplinary tribunal for any particular alleged violation.
- 6 The investigation should be conducted by the actuarial association with the most knowledge as to the rules of professional conduct and of professional standards (hereafter referred to collectively as standards) alleged to be violated.
- 7 The determination of whether the actuary had breached the appropriate standards should be conducted by the actuarial association with the most knowledge as to the standards deemed to be violated, subject to the legal environment in the relevant jurisdictions.
- 8 The Committee believes that a mutual discipline agreement must define the actuarial work to which it applies and determine the standards of which actuarial association apply. Examples of jurisdiction of practice are set out in paragraph 19 of the paper "Mutual Recognition and other Cross-Border Practice Issues". Recognition must be made of any standards or guidance specifically designed for application in a cross border situation. Associations should advise

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actuaries to consider advising their clients about the existence of the agreement and whether to define which actuarial association's standards are applicable in an engagement letter.

- 9 The standards of the actuarial association with jurisdiction would require to be followed whether or not the actuary is a member of that body. This requirement must be made an obligation on members through the rules of the actuarial association of which they are a member.
- 10 The actuarial association whose standards were required to be followed would be the body responsible for carrying out an investigation into any misconduct allegations and normally also for determining whether the actuary had breached the appropriate standard. That actuarial association would be responsible for communicating the findings to all actuarial associations to which the actuary belonged, together with, subject to any legal constraints, the appropriate evidence.
- 11 Upon receipt of a determination of breach of standards from another actuarial association, each actuarial association shall proceed to discipline the guilty actuary according to its own rules. The disciplining actuarial association shall communicate to each actuarial association to which the actuary belongs the extent of any public discipline. When a disciplinary decision is determined by an actuarial association, it should inform the other actuarial association that the case is now closed, even if the nature of the discipline cannot be divulged; so that the other party knows not to wait any longer for a decision.
- 12 Provision should be made for the necessary administrative arrangements.

Illustrative Mutual Discipline Agreement

The Appendix is an Illustrative Mutual Discipline Agreement. Actuarial associations considering such agreements may find this a useful template for developing an agreement. Of course changes may be needed to fit the circumstances or desires of the respective associations. Associations are advised to take legal advice before entering into any agreement.

APPENDIX
ILLUSTRATIVE MUTUAL DISCIPLINE AGREEMENT

BETWEEN: **The Actuarial Association of Atlantis,**
Hereinafter referred to as “**Association A**”

AND: **The Actuarial Association of Babylon,**
Hereinafter referred to as “**Association B**”.

A. ASSOCIATION A AGREES AS FOLLOWS:

- 1 That it is in the best interest of the actuary being investigated, to reduce the risk that the actuary being investigated will be subjected to multiple disciplinary investigations arising out of a single complaint, enquiry or incident, involving an alleged breach of Rules of Professional Conduct or of professional standards (hereafter collectively called Standards) of both Association A and Association B. Consequently, with regard to the actuary being investigated practising in an area of work which could be held to be subject to the Standards of Association B, the following procedures are agreed.
- 2 The location(s) of the work of the actuary being investigated is determined by the facts and circumstances of the case. The ultimate purposes(s) of the work of the actuary being investigated is determined by whether the work is performed pursuant to the legal, or regulatory, requirements of country A or country B or whether it is intended for use in country A or country B.
- 3 A written statement in the report by the actuary that, the Standards of Association A, or of Association B, applies to the report will define the Standards applicable.
- 4 In the absence of a statement by the actuary in the report as in 3, the residence of the recipient of the report, if in country A or country B, will normally determine the standards applicable.
- 5 The residence or physical location of the actuary being investigated is irrelevant to the determination of whether the actuary has practiced under standards of Association A or standards of Association B.
- 6 It is agreed that, if Association A is the Association whose standards should have been followed according to the location of the work, Association A has the responsibility of carrying out the disciplinary investigation, according to its rules and standards and of

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coming to a determination, as to whether or not the actuary being investigated has complied with the standards.

- 7 Association A will carry out such disciplinary investigation and processes as are required according to its rules, irrespective of whether the actuary being investigated is also a member of Association A or not.
- 8 Association A will communicate to Association B and any other Association of which the actuary who has been found guilty is a member, any determination of guilt and, subject to any legal constraints, the evidence that led to the findings.
- 9 Association A undertakes to exercise its disciplinary powers, under its rules, to discipline any of its members found guilty by Association B.
- 10 Association A warrants that its rules and Bylaws bind its members to observe the standards of Association B when doing actuarial work to which these standards are relevant and to accept the disciplinary procedures set out in this agreement.
11. Association A nominates _____ of _____ to deal with communications under this agreement with Association B.

B ASSOCIATION B AGREES AS FOLLOWS:

1. That it is in the best interest of the actuary being investigated, to reduce the risk that the actuary being investigated will be subjected to multiple disciplinary investigations arising out of a single complaint, enquiry or incident, involving an alleged breach of Rules of Professional Conduct or of professional standards (hereafter collectively called standards) of both Association A and Association B. Consequently, with regard to the actuary being investigated practising in an area of work which could be held to be subject to the standards of Association A, the following procedures are agreed.
- 2 The location(s) of the work of the actuary being investigated is determined by the facts and circumstances of the case. The ultimate purposes(s) of the work of the actuary being investigated is determined by whether the work is performed pursuant to the legal, or regulatory, requirements of country A or country B or whether it is intended for use in country A or country B.
- 3 A written statement in the report by the actuary that, the standards of Association A, or of Association B, applies to the report will define the standard applicable.

- 4 In the absence of a statement by the actuary in the report as in 3, the residence of the recipient of the report, if in country A or country B, will normally determine the standards applicable.
- 5 The residence or physical location of the actuary being investigated is irrelevant to the determination of whether the actuary has practiced under Standards of Association A or standards of Association B.
- 6 It is agreed that, if Association B is the association whose standards should have been followed according to the location of the work, Association B has the responsibility of carrying out the disciplinary investigation, according to its rules and standards and of coming to a determination, as to whether or not the actuary being investigated has complied with the standards.
- 7 Association B will carry out such disciplinary investigation and processes as are required according to its rules, irrespective of whether the actuary being investigated is also a member of Association B or not.
- 8 Association B will communicate to Association A and any other association of which the actuary who has been found guilty is a member, any determination of guilt and, subject to any legal constraints, the evidence that led to the findings.
- 9 Association B undertakes to exercise its disciplinary powers, under its rules, to discipline any of its members found guilty by Association A.
- 10 Association B warrants that its rules and Bylaws bind its members to observe the standards of Association A when doing actuarial work to which these standards are relevant and to accept the disciplinary procedures set out in this agreement.
11. Association B nominates _____ of _____ to deal with communications under this agreement with Association A.

C THE ASSOCIATIONS FURTHER AGREE AS FOLLOW:

- 1 This agreement will take effect for all complaints, enquiries or incidents involving the practice of members as between country A and country B that are under consideration by the parties as from *[starting date to be entered]*.
- 2 This agreement may be terminated by either association for any reason following one year's notice. Termination of this agreement will not affect the disciplinary process in respect of any complaints, enquiries or incidents that have already been formally notified to either association.

SIGNED ON BEHALF OF ASSOCIATION A,

AT _____, THIS _____ DAY OF _____, 20__.

Per: _____, Title _____.

Ratified by its Board of Directors, _____, 20__.

SIGNED ON BEHALF OF ASSOCIATION B,

AT _____, THIS _____ DAY OF _____, 20__.

Per: _____, Title _____.

Ratified by its Board of Directors, _____, 20__.