IFoA- Regulatory Approach and Standards

Ben Kemp
General Counsel, IFoA

Standard Setters Round Table
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History

• Founded in 1848

• Granted a Royal Charter by Queen Victoria in 1868

• Updated on merger in 2010

• "The objects of the Institute and Faculty of Actuaries shall be, in the public interest, to advance all matters relevant to actuarial science and its application and to regulate and promote the actuarial profession.”
IFoA basics

• Over 31,000 members
  • 14,000 Fellows
  • 500 Associates
  • 16,000 Students
  • 700 “Other”
• Members in over 110 countries
• 3 UK offices, 3 non-UK offices
A global body

Total Members

- UK
- Europe
- China
- SE Asia
- Rest of World
- Africa
- South Asia

Students
Governance

• Council (30 elected Fellows/ Associates)

• Management Board (Independent actuary chair, 1 lay, 3 Exec, 5 Council)

• Regulation Board- lay chair + 1 Exec + 11 others appointed (2 additional lay, 9 actuaries)

• Practice Boards
Standard Setting Responsibility

• IFoA sets ethical standards for all Members:
  ✓ Actuaries’ Code, Actuarial Profession Standards
  ✓ Many of those standards (including the Code) are not restricted by geography e.g. APS X2

• Financial Reporting Council (FRC) sets technical standards (TASs) for work within ‘UK Geographic scope’

  “Work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (regardless of the location or domicile of the person carrying out the work)”
IFoA Standards Framework

• Actuaries’ Code

• Professional Standards:
  – APS X1 (Application of Standards)
  – APS X2 (Work Review)
  – APS X3 (Experts in Legal Proceedings)
  – APS Z1 (Funeral Plans)
Standards (contd)

– APS L1 (Life)
– APS G1 (Non-Life)
– APS G2 (Lloyd’s)
– APS P1 (Pensions)
– APS QA1 (Organisations)
Guidance

- Application of Standards
- Conflicts of Interest
- Investment Business
- Funeral Plans
- Work Review
Guidance (Contd)

• TAS 100

• Whistleblowing

• Actuaries as Legal Experts

• Actuarial Software and Calculations
The Actuaries’ Code Review

- The Actuaries’ Code came into force in 2009
- Since then:
  - More members working internationally
  - More members working in wider fields
The Actuaries’ Code Review

- Considered whether the Code:
  - Remains fit for purpose;
  - Appropriately reflects the role of individual actuaries in terms of protecting the ‘public interest’; and
  - Appropriately reflects the international nature of the IFoA’s membership.
The Actuaries’ Code Review

- Public consultation on proposed changes took place between October 2017 and January 2018.
- Revised Actuaries’ Code to be published in May 2018.
- Long lead-in time; effective mid 2019.
The Actuaries’ Code Review

The Changes:

- Clearer structure using principles and ‘amplifications’.
- Clearer language which is relevant to all Members, regardless of where they are based or who they are employed by.
- Members’ obligations clarified using ‘must’ and ‘should’.
- Removal of more prescriptive and process-based wording to simplify the Code and make it more principles-based.
The Actuaries’ Code Review
The new principles

The Revised Code has six key principles:

- Supported by amplifications
- New supporting Guide

Integrity
Competence and Care
Compliance
Communication
Impartiality
Speaking Up
The Actuaries’ Code Review

- Revised Code will apply to all Members.
- Will apply at all times to ‘Members’ conduct in relation to an actuarial role’.
- Will also apply to ‘Members’ other conduct if that conduct could reasonably be considered to reflect upon the profession’.
APS X1 - The International Standard

- Came into force on 1 July 2017
- Detailed guide (with case studies)
- Sets out:
  - how IFoA standards, international standards and the FRC’s TASs apply to IFoA members
  - how members carrying out non-UK work should determine which standards to apply

- Ensures all members are meeting broadly an equivalent set of professional standards while recognising that it may be appropriate for ‘local’ standards to be applied
- Ensures there aren’t ‘gaps’ where Members are not required to apply any professional standards at all
The requirements – starting point

All members must comply with:

• the Actuaries’ Code; and

• relevant APSs
The requirements

All members must ensure their work is carried out in a way that is substantially consistent with ISAP 1, either:

- Direct application of ISAP 1
  (Many of the requirements in ISAP 1 already covered by the Actuaries’ Code plus APS X2 – so will be largely about technical requirements (reporting, assumptions etc.)

- Applying the FRC’s TAS framework

- Applying the standards of a ‘Relevant Authority’

- Applying a set of standards reasonably judged to achieve substantial consistency
X1- Requirements- Contd

- If required (by law or by membership of another IAA Member Association) to apply a ‘Recognised Standard’, there is a presumption that a Member will do so.

- Where there is a local standard applicable in the relevant geographic area - should apply it to the extent ‘appropriate and proportionate’.

- May apply all or part of a ‘substantively similar’ recognised standard as an alternative to an IFoA APS.

- Should exercise reasonable judgement to consider whether there are other relevant standards that they ought to apply.
Voluntary accreditation scheme for employers of actuaries.

Focuses on whether there is a working environment most likely to produce good quality actuarial work.

Operating in the UK for just under two years.

Currently 34 organisations accredited in the UK.

Involves independent on-site assessment visits and interviews.

Recent successful pilot in South-East Asia.

First non-UK accreditations announced May 2018.
QAS is outcomes based

Quality Assurance (including work review)

Relationship with users
- Engagement and communication
- Handling and appropriate resolution of concerns

Speaking up

Conflicts of interest

Development and training of actuaries

Quality Assurance Scheme
QAS pilot

- Pilot assessments took place in Malaysia, Singapore and Hong Kong from September / October 2017.
- Following successful pilot decision to remove geographic restriction for applications.
- First non UK accreditations announced in May 2018.
- Keen to hear from other organisations interested in the accreditation.
Other issues/ considerations

• Post-implementation review
• Transnational membership/ practice
• Supporting actuaries working in developing markets
• Monitoring
• Regulatory complexity/ proportionality
• JFAR
• SQAR Forum
Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.