

# Actuarial Profession - UK

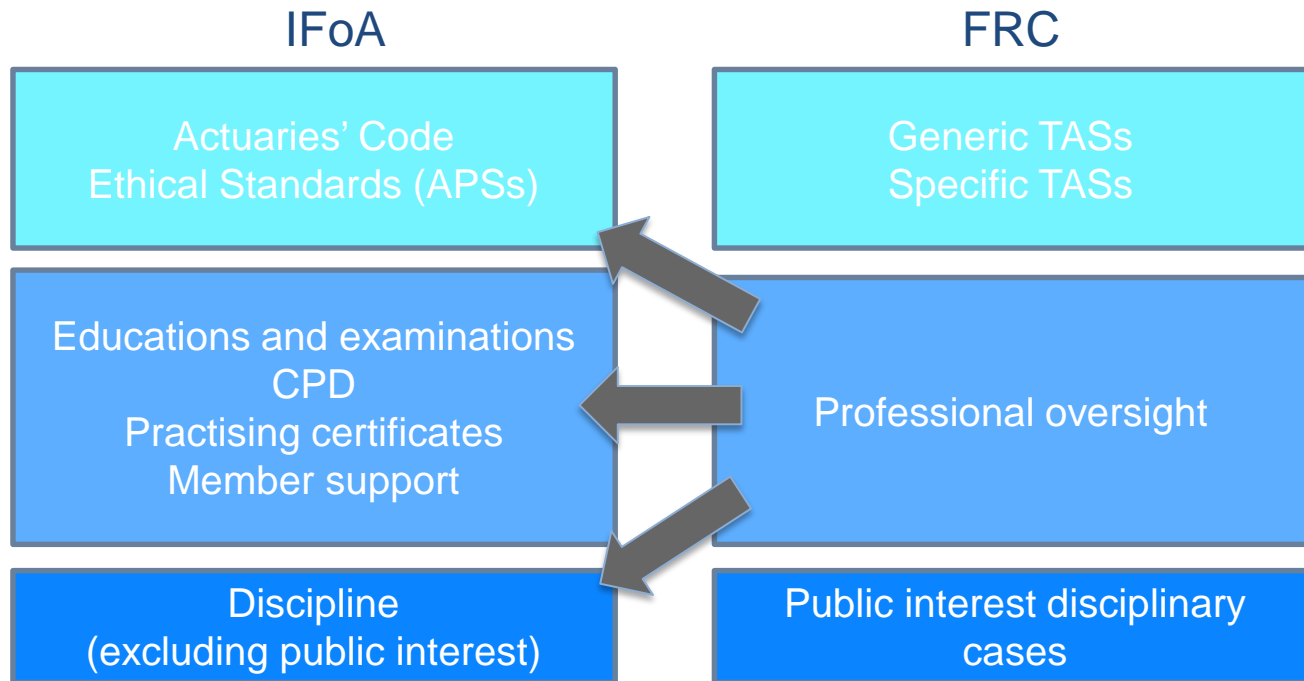
Financial Reporting Council

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Financial Reporting Council

# What regulatory functions does the FRC do related to actuaries





# Who is the Financial Reporting Council (FRC)?

- The FRC regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
- The mission of the FRC is to:
  - promote transparency and integrity in business*
- The FRC's functions derive from a number of sources. The FRC's functions in respect of actuarial are set out later.
- The FRC is a public body which is funded by a voluntary levy. For actuarial this is met by insurance companies, large pension funds, and the IFoA.





# How are the FRC's functions for the actuarial profession set?

## Setting Standards

Memorandum of Understanding between the FRC and the Actuarial Profession supported by provision within the bye laws and disciplinary schemes of the actuarial bodies requiring its members to comply with the standards set by the FRC.

Providing an **independent investigation and discipline scheme** for matters relating to members of the actuarial profession which raise or appear to raise important issues affecting the **public interest**.

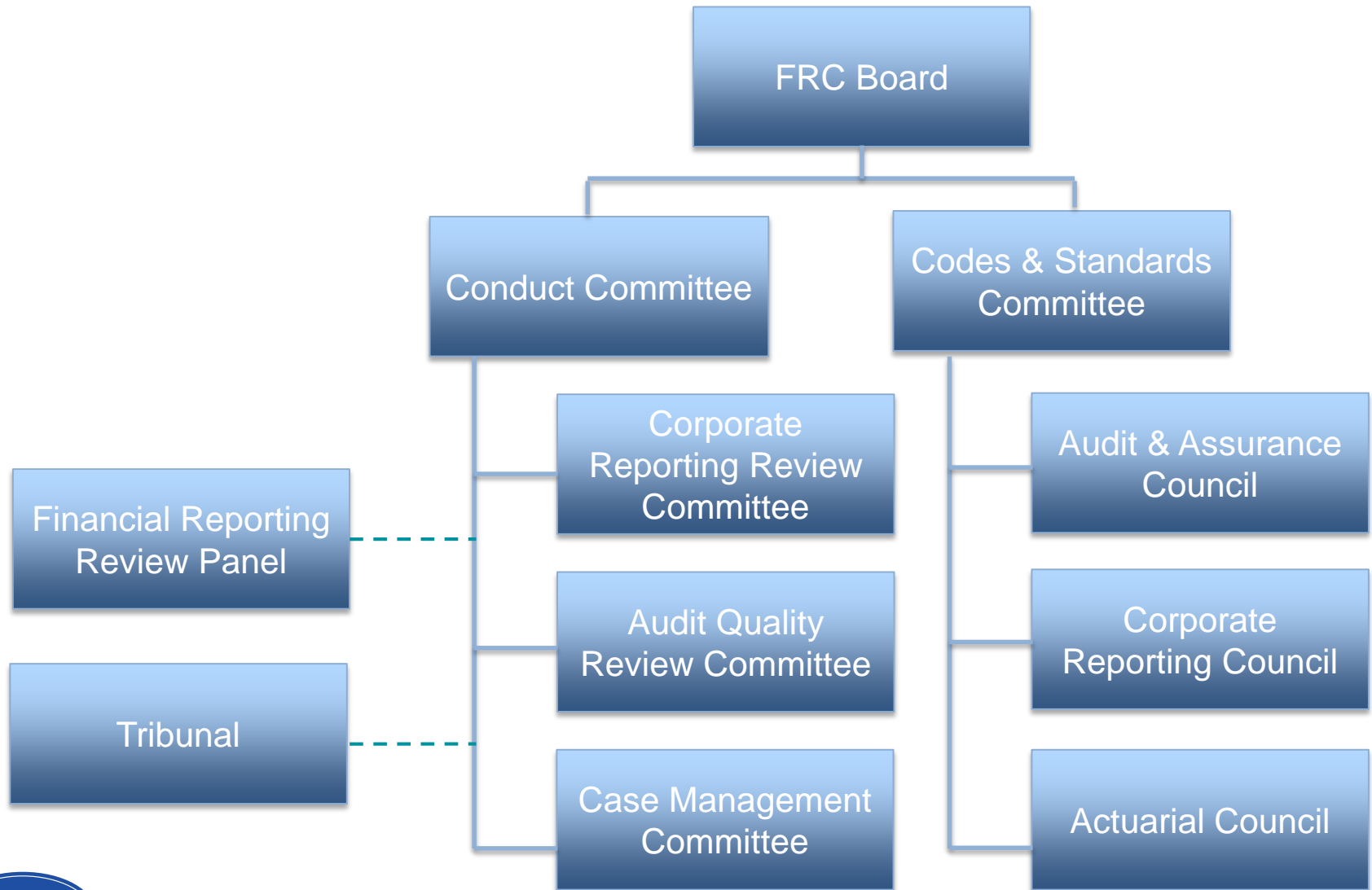
By private arrangement with the Institute and Faculty of Actuaries (IFoA), the FRC provides independent investigation and/or disciplinary hearings in respect of misconduct by actuarial members/member firms in public interest cases. The bye laws of the IFoA provide that their members are subject to the FRC's actuarial scheme. These provisions are supported by the Memorandum of Understanding between the FRC and the IFoA.

**Independent oversight** of the regulation of the actuarial profession by the professional actuarial bodies.

MoU between the FRC and the IFoA including a commitment by the IFoA to consider carefully FRC recommendations, implement them within a reasonable period or give reasons in writing for not doing so.



# Governance Structure of the FRC



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# Development of Technical Actuarial Standards

The steps we take in the development of a standard are as follows:

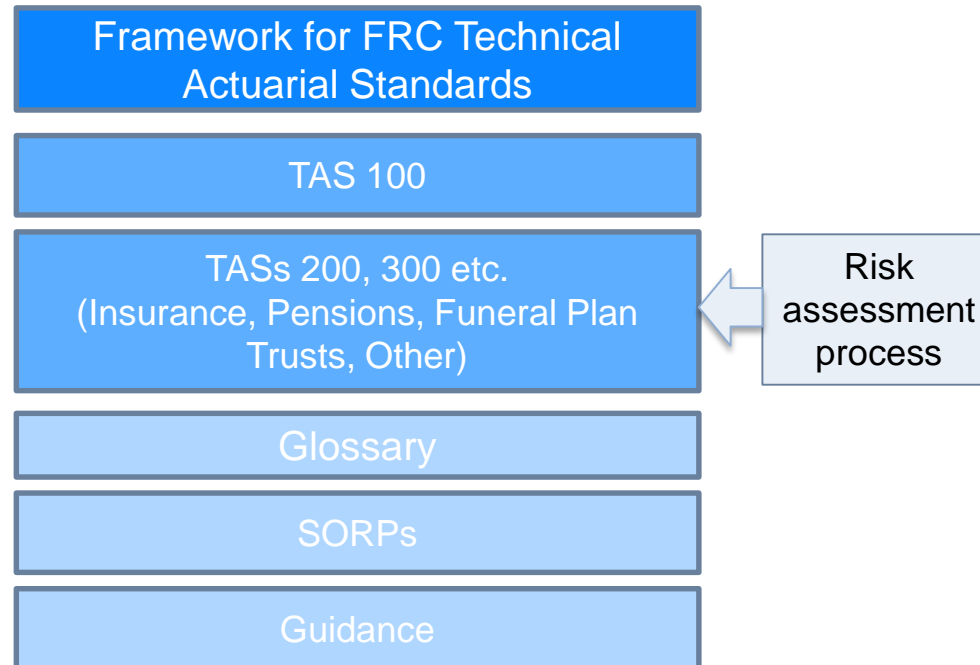
- Development
- Consultation
- Governance
- Publication and promotion
- Post-implementation



# Structure of Technical Actuarial Standards

**Applies to all technical actuarial work**

Apply to areas of technical actuarial work specified in the Specific TASs



# Framework for FRC Technical Actuarial Standards

Historical context

FRC principles for development of codes, standards and guidance

Reliability Objective

Authority

Scope and Application

- Including Technical Actuarial Work and Geographic Scope





# Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information

***Definition of Users:*** Those people whose decisions a communication is intended (at the time it is provided) to assist



# UK Geographic Scope

Framework for FRC technical actuarial standards:

.....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

APS X1 sets out approach for work outside geographic scope



# TAS 100

High-level outcome-focused principles

Judgement

Data

Assumptions

Modelling

Communications

Documentation



Supporting provisions

**Applies to all technical actuarial work**

**Based on previous Generic TASs**

**No guidance**



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# Definition of technical actuarial work

**Technical actuarial work** is work performed for a **user**:

- where the use of principles and/or techniques of actuarial science is central and which involves the exercise of judgement; or
- which the **user** may reasonably regard as technical actuarial work by virtue of the manner of its presentation.



# Specific TASs

<b>Three TASs</b>	Pensions, Insurance and Funeral plan trusts – in future could be others Transformations provisions moved to pensions and insurance TASs
<b>Scope</b>	Work where there is a high degree of risk to the public interest – identified using risk assessment process
<b>Provisions</b>	Support TAS 100 principles Core and work-specific



# Actuarial Standard Technical Memorandum 1 (ASTM1)

- ASTM1 is a technical standard inherited from the IFoA when the technical standards were transferred.
- It sets the technical standards for the assumptions to be used in annual statements on money purchase pension schemes.
- The disclosure requirements themselves are set by legislation.
- The style of this standard is very different to the principles based TASs
- We review ASTM1 on a regular basis



# Joint Forum on Actuarial Regulation

- Established in 2013
- Members are regulators involved in actuarial work:
  - Financial Reporting Council
  - Institute and Faculty of Actuaries
  - Financial Conduct Authority (Conduct – financial services)
  - Prudential Regulation Authority (Prudential regulation – financial services)
  - Pensions Regulator
- Collaboration between regulators involved in actuarial work to coordinate, within the context of its members' objectives, the identification and analysis of public interest risks to which actuarial work is relevant.
- Main public output is a Risk Perspective – a joint view of risks to high quality actuarial work arising from current issues.

[https://www.frc.org.uk/actuarial-policy/joint-forum-on-actuarial-regulation-\(jfar\)](https://www.frc.org.uk/actuarial-policy/joint-forum-on-actuarial-regulation-(jfar))



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