

## **The Actuaries' Code and supporting Actuarial Practice Standards: a new approach to professional ethics**

Members will recall that late last year, following an earlier draft issued in August, we published the draft of The Actuaries' Code and 8 supporting Standards (one each for each of the principles in the Code) for consultation. That consultation period drew to a close on 4<sup>th</sup> January.

Our consultation attracted a good degree of feedback from the membership as well as input from the Professional Oversight Board (POB) of the FRC and after taking these comments into account we have produced a reworking of the original draft Code and 8 supporting Standards to produce a Code structured around 5 principles namely;

- Conduct
- Competence
- Client Interests
- Compliance, and
- Communication

In restructuring to this tighter format we have mapped across all of the issues covered in the original draft (and indeed in the PCS) but we hope that this more compact style will be welcomed.

We have also listened to the views of the POB, particularly in addressing the issues surrounding public interest and with input from them, have expanded the preamble to the Code to emphasise this issue. Members will see that the issue is no longer within the Code, but instead it is a requirement that the Code and Standards should be interpreted in the light of their purpose, which is to serve the public interest. Such a basis of interpretation is common to many regulatory regimes, and to areas of law, and we have concluded this is the best way in which to reflect the central public interest requirement which underlies everything we are doing.

We have also debated at length how best to describe the "Client Interests" principle in a meaningful and memorable way for members and of course other users of the Code and core Standards. We considered a range of descriptors which came from various sources inside and outside the Profession, ranging from "Courage" to "Objectivity", "Integrity" and "Selflessness" but for varying reasons we concluded these either did not quite fit the scope of the material, might lead to confusion with other parts of the Code, or else were open to misinterpretation. We finally settled on "Client Interests". However, as in many aspects, we are not fixed on the final wording and would welcome views from you on what best meets the nature of the principle.

### **A new framework**

As outlined before we intend to bring forward a new Actuarial Profession Standards framework comprising of;

- The Actuaries' Code (the Code),
- Actuarial Profession Standards (AP Standards), and
- Information and Assistance Notes (IANs) where appropriate.

The Code and the first 5 AP Standards, now exposed to you for consideration, will replace the PCS.

Each of the 5 overarching principles is expanded upon in a core Actuarial Profession (AP) Standard again couched in terms of principle, while recognising that some degree of prescription will be necessary in certain areas. Principles prescribe higher-level, less specific requirements, which have wider application, but thereby challenge people to give more careful consideration to their application in different contexts. Rules prescribe more detailed provisions, which may relate more obviously and directly to specific circumstances. Getting the balance right between principle and rule is a difficult task as every individual member will have a different perspective on where the balance lies.

Principles are no less 'mandatory' than 'rules' but it is in the level of detail where the difference can be found and it is not surprising that principles require the exercise of a greater level of judgement as to their implications and application. In an attempt to aid understanding we continue to use a similar approach to the FSA through the inclusion of *For amplification* paragraphs.

Consideration is already being given to the next tranche of AP Standards which will be needed to give the membership clarity on their professional duties and responsibilities. Although in early stages, thoughts are being shaped around function specific Standards such as Standards for the;

- Scheme Actuary
- Actuarial Function
- Reviewing Actuary
- With Profits Actuary
- Appropriate Actuary (Friendly Societies)
- Lloyd's Syndicate Actuary.

The rationale for this is that, for example, in the production of an AP Standard for scheme actuaries, **all** the additional issues for a scheme actuary could be brought together under one Standard. This would mean that a scheme actuary would need to know the Code, the core AP Standards **and** the AP Standard for scheme actuary.

We think this approach will help address, in this example, the scheme actuary's legitimate need for clarity and surety of where he or she must go for the 'rule book'.

Finally, to complete the framework, we may provide interpretation and advice on issues which do not fall precisely within these Standards through a range of non mandatory Information and Assistance Notes.

We therefore invite comments and feedback on;

- ED10 The Actuaries' Code
- ED11 AP Standard Conduct
- ED12 AP Standard Competence
- ED13 AP Standard Client Interests
- ED14 AP Standard Compliance
- ED15 AP Standard Communication

### **Consultation Meetings**

We hope that the membership of the Profession will continue to take an active interest in the development of the Code and supporting AP Standards and again we have arranged consultation meetings for;

- 21 May 2008 commencing at 1700hrs at Maclaurin House 18 Dublin Street, Edinburgh, and
- 3 June 2008 commencing at 1700hrs at Staple Inn, High Holborn

### **Your views**

Any comments on The Actuaries' Code or the proposed Standards should be addressed to [code@actuaries.org.uk](mailto:code@actuaries.org.uk). The formal deadline for feedback is Friday 11th July 2008, though it would be of considerable assistance to us if all comments were in practice sent to us by the end of June. This will enable us to make our decisions in good time and to consult further with POB.

### **What will happen next?**

In July the views of members and of those bodies such as regulators and representative bodies of users of actuarial services will be reviewed, the Code and Standards reconsidered and further views on any changes obtained from POB. We expect that this will take about six weeks. The revised schedule is to publish the finalised Code and the 5 Standards to be effective from 1st October 2008, though this timetable is ambitious, and will depend upon how close we have got in these drafts.

**Andrew Chamberlain**

**Chairman Professional Regulation Executive Committee**

**9 May 2008**

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**Andrew Chamberlain**

**Chairman Professional Regulation Executive Committee**

**9 May 2008**

# THE UK ACTUARIAL PROFESSION

## ED10 THE ACTUARIES' CODE

As chartered professional bodies, the Faculty and Institute of Actuaries (the Actuarial Profession) have a core objective to serve the public interest. The public interest involves having regard to the legitimate interests of clients, the state, financial institutions, employers, trustees, employees, investors, the business and financial community and others who rely on, or are directly or indirectly affected by the competence, objectivity and integrity of actuaries. The Actuarial Profession fulfils this objective in a number of ways, including setting educational and professional development requirements, requiring actuaries to comply with ethical and technical standards, and addressing professional shortcomings through discipline. Individual Members play an essential role in maintaining the reputation of the profession in the eyes of the public by demonstrating their commitment to meeting the highest standards of professional conduct, and through their courage and conscience in complying with the spirit as well as the letter of professional requirements.

It is for this purpose that the Actuaries' Code (the Code) and supporting Standards have been developed. The Code sets out the 5 principles (the Principles) of behaviour with which all Members (referred to as "Actuaries" in the Principles themselves) are required to comply. The Principles are applicable to all Members, whether or not they are engaged in actuarial work. For the avoidance of doubt, "Member" includes, for the purposes of the Code, enrolled students and affiliates of the Faculty of Actuaries.

The Principles represent the core values which should inform the conduct of Members. The Principles are supported by Standards, which prescribe in further detail certain requirements relating to each Principle and should be read alongside the Principle. The requirements set out in the Standards are mandatory although not exhaustive and generally take the form of high level principles rather than prescriptive rules, leaving many matters to the judgment and integrity of Members. Each Member must apply his or her professional judgment in considering the specific requirements of the Code and Standards in any given context, bearing in mind the public interest objective as described above.

Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself ground for referral under the Disciplinary Schemes and would amount to strong *prima facie* evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.

The Principles are as follows;

- |                         |   |
|-------------------------|---|
| <b>Conduct</b>          | Actuaries must act at all times with honesty and integrity and show appropriate respect for others. |
| <b>Competence</b>       | Actuaries must undertake their duties with appropriate knowledge, skill and care.                   |
| <b>Client Interests</b> | Actuaries must act with courage in the best interests of each of their clients.                     |
| <b>Compliance</b>       | Actuaries must comply with all relevant legal and regulatory requirements.                          |
| <b>Communication</b>    | Actuaries must communicate clearly, completely and effectively.                                     |

# THE UK ACTUARIAL PROFESSION

## ED11 ACTUARIAL PROFESSION STANDARD

### CONDUCT

#### Application & status

All Members of the Faculty and Institute of Actuaries (the UK Actuarial Profession) are required to comply with the mandatory sections of this Standard in their professional lives, whether or not they are engaged in actuarial work, and at all times with those sections which so state. Where there is uncertainty as to whether an activity forms part of a Member's professional life for the purposes of the application of this Standard, then it should be regarded as such a part. For the avoidance of doubt, "Member" is deemed to include, for the purposes of this Standard, enrolled students and affiliates of the Faculty.

All sections of this Standard are mandatory except those paragraphs denoted by "*For amplification*", which are intended as guidance only. Mandatory sections are additionally printed in bold text, for ease of reference.

1. **The Conduct Principle**
  - 1.1 **The Actuaries' Code states: "*Actuaries must act at all times with honesty and integrity and show appropriate respect for others.*"**
  - 1.2 **This Standard prescribes in further detail what is required by the Conduct Principle. This Standard is not however intended to be exhaustive and Members are expected to exercise judgement in considering the specific requirements of the Code in any given context.**
  
2. **Confidence in the Profession**
  - 2.1 **Members have a duty to the UK Actuarial Profession and must not act at any time in a manner which damages its reputation or impugns its integrity.**
  - 2.2 *For amplification:* The reputation of the UK Actuarial Profession can be damaged by its members in many ways. Members must take care that their actions will not give rise to such damage, and in this regard may have on occasion to take actions which work against their own apparent immediate interests so as to safeguard the reputation of the Profession.
  - 2.3 *For amplification:* The duty to the UK Actuarial Profession does not preclude criticism of the UK Actuarial Profession in a reasonable way, as part of a justifiable debate in the public interest. Indeed debate is encouraged as this demonstrates to the wider public that the UK Actuarial Profession is open and willing to consider a broad spectrum of views.

### **3. Confidentiality**

#### **3.1 Members must demonstrate appropriate respect for confidentiality.**

3.2 *For amplification:* Members are likely to have specific duties of confidentiality to both clients and/ or their firms/ employers. The law does in certain circumstances require or permit the disclosure of information which would otherwise be protected by confidentiality. In particular, disclosure may be permitted or required for the purposes of whistle-blowing. See further paragraphs 4.2 and 4.4 of this Standard.

### **4 Whistle-blowing**

#### **4.1 Members must at all times fulfil all obligations which they may have to report information to relevant regulatory authorities.**

4.2 **Members must, upon becoming aware of any matter which appears to constitute a material breach of the Code or any Actuarial Profession Standard, refer that matter promptly for consideration under the Disciplinary Schemes of the UK Actuarial Profession (the Disciplinary Schemes). To the extent that the consent of a third party is required for this purpose in order to disclose information, Members must take all reasonable steps to obtain such consent.**

4.3 *For amplification:* For the avoidance of doubt, a breach of, for example, a relevant legal requirement, or of a requirement imposed by the Board for Actuarial Standards, may give rise to a material breach of the Code and Actuarial Profession Standard(s) for the purposes of paragraph 4.2.

4.4 *For amplification:* For the avoidance of doubt, the requirement set out in paragraph 4.2 does not require the disclosure of information to the extent that such disclosure would be unlawful for reasons of confidentiality. The law does in certain circumstances permit the disclosure of information which would otherwise be protected by confidentiality, including where relevant consent is obtained or there is a public interest justification for disclosure. Members are advised to seek legal advice if in any doubt on this point.

4.5 *For amplification:* A breach may be material notwithstanding that it has not resulted in a materially adverse outcome. Conversely, a breach should not normally be dismissed as immaterial if it has resulted in a materially adverse outcome.

4.6 *For amplification:* If in doubt as to the materiality of the apparent breach, Members may choose in the first instance to make inquiries in order to obtain clarification. If following appropriate inquiry Members remain uncertain as to the materiality of the matter, they should refer the matter for consideration under the Disciplinary Schemes.

4.7 *For amplification:* Paragraph 4.2 does not require Members to make a complaint under the Disciplinary Schemes. It is sufficient to provide full details of the matter in writing to the Head of the Disciplinary Investigation Team of the UK Actuarial Profession.

### **5 Advertising**

#### **5.1 Members must not at any time engage in advertising or business solicitation that they know or ought to know is false or misleading.**

**6 Respect**

**6.1 Members must not act in their professional lives in a manner which in all the circumstances would reasonably be considered to be offensive.**

6.2 *For amplification:* This requirement does not preclude criticism of one member's work by another member, provided that the criticism is properly reasoned and believed to be justified. Members should distinguish appropriately between facts and opinion, recognising that Members may quite properly hold a range of different professional opinions.

**7 Non-compliance with this Standard**

**7.1 Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself a ground for referral under the Disciplinary Schemes and would amount to strong prima facie evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.**

# THE UK ACTUARIAL PROFESSION

## ED12 ACTUARIAL PROFESSION STANDARD

### COMPETENCE

#### Application & status

All Members of the Faculty and Institute of Actuaries (the UK Actuarial Profession) are required to comply with the mandatory sections of this Standard in their professional lives, whether or not they are engaged in actuarial work, and at all times with those sections which so state. Where there is uncertainty as to whether an activity forms part of a Member's professional life for the purposes of the application of this Standard, then it should be regarded as such a part. For the avoidance of doubt, "Member" is deemed to include, for the purposes of this Standard, enrolled students and affiliates of the Faculty.

All sections of this Standard are mandatory except those paragraphs denoted by "*For amplification*", which are intended as guidance only. Mandatory sections are additionally printed in bold text, for ease of reference.

1. **The Competence principle**
  - 1.1 **The Actuaries' Code states: "Actuaries must undertake their duties with appropriate knowledge, skill and care."**
  - 1.2 **This Standard prescribes in further detail what is required by the Competence Principle. This Standard is not however intended to be exhaustive and Members are expected to exercise judgement in considering the specific requirements of the Code in any given context.**
  
2. **Knowledge and skill**
  - 2.1 **Members must not act unless;-**
    - 2.1.1 **they have an appropriate level of relevant knowledge and skill; or**
    - 2.1.2 **where they do not themselves have the appropriate level of relevant knowledge and skill, they are acting in reliance upon an individual who does have the appropriate level of relevant knowledge and skill, and this arrangement has been made clear to and agreed by both that individual and the client.**
  - 2.2 *For amplification:* For the avoidance of doubt, the duties imposed by the Code and this Standard apply equally to services provided by Members to 'clients' internal to their firm or organisation, as they do to services provided to external clients. Reference to 'the client' should be construed accordingly.
  
3. **Care**
  - 3.1 **Members must provide all advice and services with appropriate care, ensuring that any advice is accurate and that any service delivered is appropriate to the instructions and requirements of the client.**

3.2 *For amplification:* Members should ensure that they agree clearly with the client the specific nature and scope of the work to be undertaken.

#### **4. New Appointments**

**4.1 Members must take all reasonable steps to ensure that it is appropriate for them to act before accepting an instruction or appointment.**

4.2 *For amplification:* before accepting an instruction or appointment Members should take all reasonable steps to satisfy themselves that they are in a position to deliver the required standards of knowledge, skill and care (see paragraphs 2 and 3 above) and that it is not otherwise inappropriate for them to act. Regard should be had to the provisions of this Standard, in addition to the other requirements of the Actuarial Profession Code and Standards, including in particular those relating to Compliance and Objectivity.

4.3 *For amplification:* In order to comply with paragraph 4.1, Members may require to seek further information from the prospective client and/or their current or former advisor(s). Members will normally require to seek the appropriate professional clearance from a prospective client's former advisor before accepting appointment to any role which, by statute or otherwise, is usually reserved to Members.

4.4 *For amplification:* Members may require to seek the consent of the (prospective) client before approaching the client's current or former advisor(s). If such consent is not forthcoming, Members may not be able to comply with paragraph 4.1 and may not therefore be able to accept the appointment or instruction.

**4.5 Members must take all appropriate steps to cooperate with the appointment of another Member or advisor.**

4.6 *For amplification:* Members should respond promptly to any reasonable request received from a new appointee or prospective appointee.

**4.7 Members must ensure that they agree with the client an appropriate basis for their remuneration, before commencing an appointment or instruction.**

4.8 *For amplification:* This should include appropriate provision for any anticipated possible alteration in the scope of the agreed work. In the event that it becomes appropriate to consider altering the agreed scope of the work, Members should discuss and agree this with the client at the earliest opportunity.

4.9 *For amplification:* It will not normally be appropriate to act on a contingency fee basis. Members are referred to paragraph 3 (Conflicts of Interest) of the Actuarial Profession Standard on Client Interests.

#### **5. Continuing Professional Development**

**5.1 Members must satisfy the Continuing Professional Development training requirements as imposed by the UK Actuarial Profession and applicable from time to time.**

5.2 *For amplification:* Further information in relation to Continuing Professional Development training requirements can be found on the UK Actuarial Profession's website: <http://www.actuaries.org.uk>

**6. Non-compliance with this Standard**

- 6.1 Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself a ground for referral under the Disciplinary Schemes and would amount to strong prima facie evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.**

# THE UK ACTUARIAL PROFESSION

## ED13 ACTUARIAL PROFESSION STANDARD

### CLIENT INTERESTS

#### Application & status

All Members of the Faculty and Institute of Actuaries (the UK Actuarial Profession) are required to comply with the mandatory sections of this Standard in their professional lives, whether or not they are engaged in actuarial work, and at all times with those sections which so state. Where there is uncertainty as to whether an activity forms part of a Member's professional life for the purposes of the application of this Standard, then it should be regarded as such a part. For the avoidance of doubt, "Member" is deemed to include, for the purposes of this Standard, enrolled students and affiliates of the Faculty.

All sections of this Standard are mandatory except those paragraphs denoted by "*For amplification*", which are intended as guidance only. Mandatory sections are additionally printed in bold text, for ease of reference.

1. The Client Interests principle
  - 1.1 The Actuaries' Code states: "*Actuaries must act with courage in the best interests of each of their clients*"
  - 1.2 This Standard prescribes in further detail what is required by the Client Interests Principle. This Standard is not however intended to be exhaustive and Members are expected to exercise judgement in considering the specific requirements of the Code in any given context.
  - 1.3 *For amplification:* The term client includes both direct and indirect clients. Members may work for an employer, who will therefore be a client, but they will often be offering advice or services to another party who is a client of their employer, which includes a party to whom their employer supplies their services, and in either case that party is a client of the Members concerned for the purposes of the Actuaries' Code and the related AP Standards. There does not need to be a direct contractual relationship between a Member and a client.
  - 1.4 *For amplification:* The best interests of a client include helping the client to fulfil obligations to which the client is subject, which includes duties to the customers, members and beneficiaries of the client. It will not be in the best interests of a client to disregard its duties, whether legal or regulatory, to third parties
2. General
  - 2.1 **Members must ensure that their ability to provide objective advice to their clients is not, and cannot reasonably be seen to be, compromised.**

- 2.2 *For amplification:* The duty on Members to act in the best interests of their clients is fundamental to the client relationship. 'Objective advice' in the context of paragraph 2.1 means advice which is not coloured or influenced by considerations which might conflict with the best interests of the client. For the avoidance of any doubt, paragraph 2.1 does not preclude the exercise of appropriate professional judgement.
- 2.3 *For amplification:* For the avoidance of doubt, the duty on Members to act in the best interests of their clients does not require Members to act other than in accordance with their wider professional, regulatory and legal obligations.
- 2.4 *For amplification:* Members should consider carefully whether it is in any given context appropriate to accept gift(s), in case this may cause their judgement to be, or to be seen to be, coloured or influenced by considerations which might conflict with the best interests of their client(s).

### **3. Conflicts of Interests**

**3.1 Subject only to paragraph 4, Members must not act in circumstances in which they have a conflict of interests.**

**3.2 If a conflict of interests does arise, Members must immediately take appropriate steps to end the client relationship(s) which give(s) rise to the conflict of interests.**

**3.3 For the purposes of this Standard, a conflict of interests arises if;-**

**3.3.1 A Member owes separate duties to act in the best interests of two or more clients in relation to the same or related matters, and those duties conflict, or there is a significant risk that those duties may conflict; or**

**3.3.2 A Member's duty to act in the best interests of any client in relation to a matter conflicts, or there is a significant risk that it may conflict, with that Member's own interests in relation to that matter or a related matter.**

3.3.3 *For amplification:* Reference to a Members' own interests includes, but is not limited to, financial interests.

3.3.4 *For amplification:* A conflict of interests may arise because a Member acts or has acted for a client in the same sector as another client. If in doubt as to whether a conflict of interests arises in this situation, Members should normally seek to clarify the position through discussion with the relevant client(s).

3.3.5 *For amplification:* It will not normally be appropriate in terms of paragraph 3.3.2 to act on a contingency fee basis.

**3.4 Members must not act for a client in circumstances in which it is not reasonably possible for them to act, or to be seen to act, in the best interests of that client, by reason of a conflict of interests which their firm has, of which the Member is aware or reasonably ought to be aware.**

3.5 *For amplification:* If in any doubt as to whether they can act under paragraph 3.4, Members should normally decline to act.

3.6 *For amplification:* Reference to a conflict of interests of a firm includes, but is not limited to, a conflicting financial interest.

- 3.7 Members must disclose promptly to their clients any relevant interest of their firm of which they are aware or reasonably ought to be aware.**
- 3.8 *For amplification:* Members should provide sufficient information such as to enable the client to make an informed decision as to whether they wish to continue to instruct the Member.
- 4. Exceptions to the duty not to act**
- 4.1 Members may however act in the following circumstances, provided that they have taken the appropriate steps set out in paragraph 5.**
- 4.1.1 Where Members are instructed to advise two or more clients in relation to the same or related matters and the advice to be provided to each client is identical or is of a generic, rather than client-specific, nature.**
- 4.1.2 Where Members are expressly permitted by an applicable Actuarial Profession Standard to act in a specific role for two or more clients, to the extent that they are acting in that role in compliance with that Actuarial Profession Standard.**
- 5. Conflict Management Plan**
- 5.1 Before acting in any of the exceptional circumstances set out in paragraph 4, Members must agree a written Conflict Management Plan in accordance with this paragraph 5 with each of the relevant clients involved.**
- 5.2 *For amplification:* Members must not act in either of the exceptional situations set out in paragraph 4 unless and until an appropriate Conflict Management Plan has been agreed in writing.
- 5.3 Members must provide sufficient information about the circumstances and the conflict of interests to enable all relevant parties reasonably to give informed consent to the Conflict Management Plan.**
- 5.4 *For amplification:* If it is not possible to comply with paragraph 5.3 due to restrictions on the disclosure of information, it will not be possible to put in place an adequate Conflict Management Plan.
- 5.5 *For amplification:* Informed and clear consent requires that the consenting party;-
- 5.5.1 is reasonably in a position to understand and assess the information supplied, and
- 5.5.2 having been made aware of all of the relevant information and circumstances, has freely agreed to the proposed course of action.
- 5.6 The Conflict Management Plan must include appropriate provision in relation to;-**
- 5.6.1 The procedures for the use and transmission of information, and any restrictions on the use or transmission of information.**
- 5.6.2 The management of reasonably foreseeable scenarios; and**
- 5.6.3 Steps to be taken in the event that relevant unforeseen events occur.**
- 5.7 *For amplification:* The Conflict Management Plan must not require artificiality in its implementation. It should not, for example, require a Member to advise

upon the basis that they are not privy to information which is in fact within their knowledge.

- 5.8 *For amplification:* The Conflict Management Plan should give appropriate recognition to the fact and nature of the conflict of interests which arises. It will usually be inappropriate for the Conflict Management Plan to require the Member to advise on any matter which is central to that conflict of interests.

**6. Non-compliance with this Standard**

- 6.1 **Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself a ground for referral under the Disciplinary Schemes and would amount to strong prima facie evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.**

# THE UK ACTUARIAL PROFESSION

## ED14 ACTUARIAL PROFESSION STANDARD

### COMPLIANCE

#### Application & status

All Members of the Faculty and Institute of Actuaries (the UK Actuarial Profession) are required to comply with the mandatory sections of this Standard in their professional lives, whether or not they are engaged in actuarial work, and at all times with those sections which so state. Where there is uncertainty as to whether an activity forms part of a Member's professional life for the purposes of the application of this Standard, then it should be regarded as such a part. For the avoidance of doubt, "Member" is deemed to include, for the purposes of this Standard, enrolled students and affiliates of the Faculty.

All sections of this Standard are mandatory except those paragraphs denoted by "*For amplification*", which are intended as guidance only. Mandatory sections are additionally printed in bold text, for ease of reference.

1. **The Compliance principle**
  - 1.1 **The Actuaries' Code states: "*Actuaries must comply with all relevant legal and regulatory requirements.*"**
  - 1.2 **This Standard prescribes in further detail what is required by the Compliance Principle. This Standard is not however intended to be exhaustive and Members are expected to exercise judgement in considering the specific requirements of the Code in any given context.**
  
2. **Conforming to standards**
  - 2.1 **Members must at all times comply with all applicable legal, regulatory and professional requirements, including, insofar as applicable:-**
    - 2.1.1 **All applicable legal requirements;**
    - 2.1.2 **All applicable requirements imposed by the UK Actuarial Profession, including the requirements imposed by the UK Actuarial Profession Code and Standards;**
    - 2.1.3 **All applicable requirements imposed by the Board for Actuarial Standards; and**
    - 2.1.4 **All applicable requirements imposed by other Regulators.**
  - 2.3 *For amplification:* Members should refer to the specific terms of the relevant legislation or regulatory requirement in considering its relevance and applicability in any given context. It will be noted that certain requirements, including those imposed by the Board for Actuarial Standards, are of limited geographical application. For further information in relation to requirements imposed by the Board for Actuarial Standards, see <http://www.frc.org.uk/bas/>.

- 2.4 *For amplification:* Members are advised to seek independent legal advice in the event that they are in doubt as to the requirements and/or applicability of any legal or regulatory provision.
- 2.5 *For amplification:* With effect from 19 May 2006 the Board for Actuarial Standards (BAS) became responsible for the independent setting of actuarial technical requirements, leaving the Profession responsible for the setting and maintenance of ethical standards. The relationship between the UK Actuarial Profession and BAS is set out in a Memorandum of Understanding and Members are required to comply with the actuarial technical requirements imposed by BAS for so long as there is such a Memorandum of Understanding in force.

### **3 Non-compliance with this Standard**

- 3.1 **Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself a ground for referral under the Disciplinary Schemes and would amount to strong *prima facie* evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.**

# THE UK ACTUARIAL PROFESSION

## ED15 ACTUARIAL PROFESSION STANDARD

### COMMUNICATION

#### Application & Status

All Members of the Faculty and Institute of Actuaries (the UK Actuarial Profession) are required to comply with the mandatory sections of this Standard in their professional lives, whether or not they are engaged in actuarial work, and at all times with those sections which so state. Where there is uncertainty as to whether an activity forms part of a Member's professional life for the purposes of the application of this Standard, then it should be regarded as such a part. For the avoidance of doubt, "Member" is deemed to include, for the purposes of this Standard, enrolled students and affiliates of the Faculty.

All sections of this Standard are mandatory except those paragraphs denoted by "*For amplification*", which are intended as guidance only. Mandatory sections are additionally printed in bold text, for ease of reference.

1. **The Communication Principle**
  - 1.1 **The Actuaries' Code states: "*Actuaries must communicate clearly, completely and effectively.*"**
  - 1.2 **This Standard prescribes in further detail what is required by the Communication Principle. This Standard is not however intended to be exhaustive and Members are expected to exercise judgement in considering the specific requirements of the Code in any given context.**
  
2. **Clear and effective communication**
  - 2.1 **Members must ensure that their communication, whether written or oral, is clear, and that their method of communication is appropriate, having regard to:-**
    - 2.1.1 **the intended audience;**
    - 2.1.2 **the purpose of the communication;**
    - 2.1.3 **the significance of the communication to its intended audience; and**
    - 2.1.4 **the capacity in which the Member is acting.**
  - 2.2 *For amplification:* The over-riding aim is to ensure that the intended audience can gain a proper understanding of what is being communicated. Of necessity, technical and complex information may require to be communicated. The extent to which an explanation is required may depend upon the intended audience and the overall context. If it becomes apparent that a misunderstanding has arisen, appropriate steps should be taken promptly to clarify the position.
  - 2.3 *For amplification:* Complex language can detract from clarity. Plain language is preferable in most cases.

- 2.4 *For amplification:* Where large volumes of data are to be conveyed, it will rarely be suitable for this to be done orally. Similarly, any communication directed at a client or employer which has significant implications for that client or employer, should normally be confirmed in writing.
- 2.5 *For amplification:* It may be appropriate to present a written report in person, having regard to the complexity of the subject matter and the nature of the audience. The Member should ensure that any third party responsible for presenting the Member's report has a sufficient understanding of its subject-matter.
- 2.6 *For amplification:* Members should ensure that they communicate appropriately any risks associated with their advice or recommended course of action, including any risks associated with the possibility that the communication may be taken out of context.
- 2.7 *For amplification:* Members should make clear where appropriate the intended audience for the communication, its purpose and the capacity in which the Member is acting. In particular, Members should not give the impression that they speak for the UK Actuarial Profession unless they are authorised to do so.

### **3. Completeness**

- 3.1 Members must ensure that any communication with which they are associated is accurate and not misleading, and contains sufficient information to enable its subject matter to be put in proper context.**
- 3.2 Members will be associated with a communication if one or all of the following apply:**
- 3.2.1 they make the communication themselves,**
- 3.2.2 the communication is made by a body corporate of which they have management control, or of which they are members of the governing body, and the communication is made with their knowledge and without their distancing themselves from it appropriately to the recipients,**
- 3.2.3 the communication is made by a body corporate either with their approval or in circumstances where they could have prevented it,**
- 3.2.4 the communication was made with the knowledge of the Member and a party receiving the communication would reasonably conclude that the Member was responsible in some way for it, or**
- 3.2.5 the communication is made in any of the circumstances referred to in paragraphs 3.2.2, 3.2.3 or 3.2.4 except that the communication was made without their knowledge, but they subsequently become aware of the communication and do not take the appropriate steps to distance themselves from it, or to rectify the defects in the communication.**
- 3.3 *For amplification:* Communication requires Members to listen to the client and to understand their objectives. Where a view is expressed by the Member it is important that the existence of alternative views and the potential implications of those alternatives are indicated. The provision only of a restricted viewpoint is unlikely to achieve the aim of promoting an understanding of the subject matter by the intended audience, or to allow the client properly to assess any risks which may arise.

- 3.4 *For amplification:* This does not mean that every communication needs to contain every potentially relevant piece of information or potential alternative point of view. The inclusion of too much information may also act against the aim of promoting an understanding of the subject matter.
- 3.5 *For amplification:* As an aspect of integrity a Member should not be associated with reports, information or any other communication when they believe that that communication may;
- 3.4.1 contain a materially false or misleading statement,
- 3.4.2 contain statements or information furnished recklessly, or
- 3.4.3 omit or obscure information required to be included where such omission or obscurity would be misleading.
- To distance themselves from a communication, especially when a member of a governing body, may require that Members resign their position.
- 3.6 *For amplification:* Communication is likely to be most effective when viewed as a process rather than an event. In many situations, setting out the key concepts and issues at a high level initially will be the most effective route. The detail can be expanded upon in subsequent communications.

#### **4 Non-compliance with this Standard**

- 4.1 Any failure by a Member to comply with the Code or Standards may be liable to consideration under the Actuarial Profession's Disciplinary Schemes (the Disciplinary Schemes). A material breach of the Code or Standards is of itself a ground for referral under the Disciplinary Schemes and would amount to strong *prima facie* evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Schemes.**