



Institute
and Faculty
of Actuaries

Engagement between external auditors and supervisors and commencing the PRA's disciplinary powers over external auditors and actuaries – CP8/15

IFoA response to the Prudential Regulation
Authority

27 May 2015

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Pat Sucher
Technical Specialist in External Audit and Assurance,
Accounting and Audit Policy Team
Prudential Policy Directorate
Bank of England
Threadneedle Street
London
EC2R 8AH

27 May 2015

Dear Ms Sucher,

IFoA response to CP8/15 Engagement between external auditors and supervisors and commencing the PRA's disciplinary powers over external auditors and actuaries

1. The IFoA welcomes the opportunity to respond to this consultation. This response has been led by members of the IFoA who work in insurance with input from the IFoA's Regulation Board and Disciplinary Board.
2. The IFoA has a regulatory role for its members. Its members are subject to standards the IFoA sets to ensure that the users of actuarial services can have confidence in the work undertaken by actuaries. IFoA members in the UK must also comply with the technical standards set by the Financial Reporting Council (FRC).
3. The IFoA broadly welcomes the proposed exercise of the PRA's powers; however, as noted in our response, there are a number of areas where we would encourage the PRA to provide further clarity. We have limited our response to those sections where the IFoA has a specific comment to make.

General Comments

4. The IFoA appreciates the distinction the PRA makes between the appointment of individual actuaries and firms. This distinction will enable the IFoA to carry out its function of regulating individual actuaries, while at the same time working closely with the PRA as appropriate. The exercise of any disciplinary powers by the PRA should continue to reflect this distinction.
5. As the PRA, the FRC and the IFoA operate separate disciplinary schemes, the IFoA would value the opportunity to discuss with the PRA how the respective powers of the three schemes would be aligned.

Section 1.9

6. The PRA notes the requirement to undertake further work on its disciplinary powers under Solvency II. As the role of Chief Actuary may be performed by an individual who is not a Fellow of the IFoA, we would urge the PRA to consider carefully how it would exercise its powers consistently under Solvency II, recognising IFoA members are already subject to professional standards.

Section 4.5 and Section 4.6

7. The IFoA welcomes the PRA's recognition of the work actuaries do and the inclusion of the Chief Actuary within the Senior Insurance Managers Regime. The IFoA emphasises the importance it places on compliance with regulatory rulings and with whistle-blowing where breaches become known.
8. The IFoA's own disciplinary scheme recognises the importance that is placed on adhering to compliance with such matters. However, the IFoA does not regard compliance as a tick-box exercise; therefore, the IFoA expects its members to exercise professional judgment at all times. Our standards, and changes to those standards, reflect that expectation.

Section 4.8

9. The IFoA would welcome clarity on how the PRA will ensure proportionate treatment between firms and individuals in the process set out in Appendix 3 of the consultation.

Section 4.10

10. The IFoA would welcome clarity around the circumstances when a financial penalty would apply and when censure would apply.

Section 4.16

11. While the IFoA would welcome the opportunity to discuss any matters with the PRA, particularly in sharing information, the operation of disciplinary schemes would remain independent. This could lead to an individual actuary facing a sanction under one scheme, but not the other, or indeed under both schemes.
12. We would therefore welcome the opportunity to discuss how the PRA, the IFoA and the FRC disciplinary schemes would function together.

Should you wish to discuss any of the points raised in further detail please contact Philip Doggart, Technical Policy Manager (philip.doggart@actuaries.org.uk / 0131 240 1319) in the first instance.

Yours sincerely,

A handwritten signature in black ink that reads "David Hare". The signature is written in a cursive style with a long horizontal stroke underneath.

David Hare,
Immediate Past President, Institute and Faculty of Actuaries