

Mr P Boyle
Financial Reporting Council
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WC2B 4HN

2 September 2008

Dear Paul

The Actuarial Profession welcomes the opportunity of making some comments in relation to the FRC's paper "Proposals for future arrangements for funding the FRC's activities in relation to accounting, auditing and corporate governance". The Profession is very supportive of the work done by the FRC in relation to promoting confidence in corporate reporting and governance. Transparency of information on which to make financial decisions and good governance practices are matters in which actuaries believe passionately.

The Actuarial Profession is small and comprises two bodies (the Faculty and the Institute) who only have approximately 6,000 qualified members working in the UK. The Profession regulates individuals not firms, and is financed by its membership subscriptions and income from educational activity.

The Profession entered into its relationship with the FRC on a voluntary basis. At the time the Profession considered that the basis of its contribution to the funding of actuarial regulation at the FRC was reasonable. This covered the work of the Board for Actuarial Standards, which is responsible for technical actuarial standards; the Professional Oversight Board, which oversees the regulatory activity of the Profession; and the Accountancy and Actuarial Discipline Board, which would handle any discipline case with public interest perspective related to actuaries. The Profession would not support any change in the structure of those arrangements, arising from a change to how the FRC is funded to cope with its work in relation to the accountancy profession. The accountancy profession comprises six bodies, with some 277,800 members in the UK and Republic of Ireland; and also covers the regulation of accountancy firms.

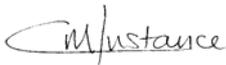
Whatever the funding basis for the FRC it is essential that it controls its costs and focuses its activity on that which it believes is essential. The Profession would like to take this opportunity to express its concern about the increase in costs it has incurred during the three-year relationship,

to date, between the FRC and the Profession. There has been a rise of nearly 44% (of which 11% was last year). It does not take either an accountant or an actuary to tell you that this is significantly more than the rise in inflation, by whatever means it is measured! The Profession would not expect to see that level of increase in the future. At a time when BAS requires additional funding because of the nature of setting up its book of technical actuarial standards perhaps other actuarial activity should be kept to a minimum.

In relation to the FRC's responsibilities related to accounting, auditing and corporate governance the Profession considers that its proposals to also call upon large private sector companies and public sector organisations is reasonable. The Profession does not however think it reasonable for the accountancy professional bodies to contribute a higher percentage, simply because central government has decided to withdraw its funding. After all, their compound annual growth in membership is only 2.5%. In the Profession's view the proportion of the total cost borne by the professional bodies involved should remain at 35%.

The Profession agrees that it is appropriate for the FRC to increase its level of reserves given the increased uncertainty of its future funding, but keep the level of reserves under review.

Yours sincerely

A handwritten signature in cursive script that reads "C Instance".

Caroline Instance
Chief Executive