



The Actuarial Profession

making financial sense of the future

Consultation response **The Society of Actuaries in Ireland**

Code of professional conduct

June 2010

Ms Yvonne Lynch
Director of Professional Affairs
The Society of Actuaries in Ireland
102 Pembroke Road
Dublin 4
Ireland

25 June 2010

Dear Yvonne

The Society of Actuaries in Ireland – Code of Professional Conduct

We welcome the opportunity to comment on your consultation paper on a draft Code of Professional Conduct. We hope the following observations are helpful.

We welcome, of course, the statement that fully and partially regulated members of the Actuarial Profession should comply fully with all the provisions of the Actuaries' Code. In examining the Society's Code of Professional Conduct we have sought to satisfy ourselves that the two codes are consistent. We have also taken note of the Society's reasons for departing from the wording of the Actuaries' Code, since we will be reviewing the Code towards the end of next year, and such points of departure clearly provide useful material to consider when we do so.

We have not commented on differences which relate only to the order of the provisions of the two Codes. Our position is that all provisions of the Code are of equal importance and that the order in which they are stated does not imply any priority.

Our experience of drafting the Code was that questions of what to leave out and what to put in could give rise to considerable debate. The eventual product reflected a number of aims. The Code enshrines statements of principle, but it also needs to be as helpful as possible to the reader (whether actuary or not), and this often argues for the inclusion of material that might otherwise have been regarded as too detailed. Given that users of actuarial services were one of our primary targets, we did not let purism prevent us from making the document as useful a tool as possible. Against this general background, however, it is understandable that different bodies will produce slightly different documents.

COMPLIANCE

We note that the Society omits the provision in Principle 4 of the Actuaries' Code requiring actuaries to "take reasonable steps to ensure that they are not placed in a position in which they are unable to comply". This is on the grounds that it is inconsistent with the first clause of the principle, which requires compliance with all relevant legal regulatory and professional requirements.

We think that the two are consistent, but that they are saying slightly different things. The omitted clause requires actuaries to *take a proactive role* in relation to compliance: in other words it obliges them to think

Ms Yvonne Lynch
Director of Professional Affairs
The Society of Actuaries in Ireland

25 June 2010

about the issues beforehand, and ask questions, rather than suddenly finding themselves in an awkward situation.

We also note the Society's omission of the requirement to fulfil any obligations to report information to relevant regulatory authorities on the grounds that it is covered by the compliance principle and amplification 4.3 (which deals, in effect, with whistleblowing). We do see a distinction, since whistleblowing provisions that give protection to those making disclosures are not the same as obligations to report; and where there are such obligations it seemed to us important to make compliance with them a requirement under the Code.

COMMUNICATION

We note the change from communicating "effectively" to communicating "in an appropriate manner". It seems to us that the difficulty identified by the Society with the first formulation (that it can be difficult to assess and can be impacted by the level of user engagement) applies equally to the replacement, and we have deliberately been wary of using the word "appropriate" as being subjective, and as being seen in some quarters as a insufficiently rigorous test.

We note the additional explanatory material inserted into the Society's Principle 5 as to the specific information which might be covered in communications. There is an argument that providing such examples acts to narrow the scope of the principle, so we have tried to avoid such lists wherever we can. We also note the reference to the requirements of the IAA Code, which we comment on more fully in the paragraph which follows.

COMPETENCE AND CARE

We note the provision inserted into principle 2.3 about disclosure of financial interests, and the reference to the IAA Internal Regulations. On the face of it this seems to be covered by the Conflict of Interest principles of the Actuaries' Code, but when we come to review the Code in due course we will seek to ensure that we have, as we intended, reflected all the requirements of the IAA Internal Regulations. Those Regulations make it clear that codes of professional conduct *must be consistent with* the principles they describe, but that provisions contained in the code do not need to be identical with the provisions set out there.

The IAA point applies also to the Society's additional requirement to co-operate with others, which the Actuaries' Code at least partly covers in the requirement to consider whether advice from other professionals is necessary. We note that the Society does not consider this latter provision to be necessary, and we will consider this point when we review the Code.

IMPARTIALITY

We note the addition relating to *potential* conflicts of interest, and will consider this when we review the Code.

Ms Yvonne Lynch
Director of Professional Affairs
The Society of Actuaries in Ireland

25 June 2010

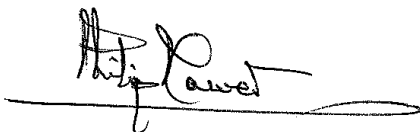
We also note that the Society has omitted the requirement on actuaries to take reasonable steps to ensure that they are aware of their firms' relevant interests, on the grounds that this duty follows naturally from the definition of a conflict, which includes conflicts with the firm's interests. While we agree that this should be the case in theory, we believe that it is both helpful to actuaries and in the public interest to include this proactive requirement in order to minimise the risk of sins of omission.

We note the Society's omission of the requirement on actuaries to document the steps taken to reconcile a conflict and agree them if they would be ineffective without agreement. We took the view that an auditable evidence trail was vital in these circumstances, and that it was therefore worth including this.

We note the difference between "speaking up" and "drawing attention". We felt that "speaking up" reflected the fact that often some courage will be required in such circumstances, and although it is perhaps only a nuance, we considered that it would help actuaries to show that this was recognised.

CONCLUSION

Overall we agree with the Society that the differences between the two documents are unlikely to produce any difficulties for actuaries. While we offer above a number of reasons for our wording which the Society may wish to consider further, and which in our view make the wording of our Code preferable, we would have no concerns we would wish to press if the Society were to adopt the Code it has drafted.

A handwritten signature in black ink, appearing to read "Philip Mawer", with a long horizontal flourish extending to the right.

Sir Philip Mawer
Chairman, Professional Regulation Executive Committee