

Due Process for responding to proposals from the IAA for International Actuarial Standards of Practice (IASP)

A COPY OF THE IAA'S DUE PROCESS FOR INTERNATIONAL STANDARDS OF PRACTICE CAN BE FOUND AT http://www.actuaries.org/ABOUT/documents/Due_Process_EN.pdf

Purpose

To set out Due Process for responding to proposals from the IAA for International Actuarial Standards of Practice (IASP).

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Status

Approved by FIMC November 2006

Version

Effective from

1.0

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Appendix 1 Definitions of what it means to endorse, adopt or adapt.

1. The Secretary of the Professional Affairs Board (PAB) receives notification from the International Actuarial Association (IAA) that a preliminary exposure draft IASP is being exposed to members' Associations. At this stage the Actuarial Profession would normally have 4 months deadline for comments to the IAA.
2. In discussion with the Chairman of the PAB the Secretary notifies and assigns the IASP to the relevant Board and/or the Financial Reporting Group (FRG) or other relevant free standing Committee with a timescale for submission of comments to the IAA. Where it is a preliminary technical exposure draft, BAS is notified.
3. The relevant Board/FRG or other relevant free standing Committee notifies the Secretariat of other Practice Boards and FIMC of what is under consideration and issues the draft IASP to members inviting comments within a 6 week deadline as to the contents.
4. The relevant Board/FRG or other relevant free standing Committee reviews the preliminary exposure draft with particular regard to whether
 - 4.1 The technical content is sound;
 - 4.2 It conflicts with existing professional guidance;
 - 4.3 It creates additional requirements and existing professional guidance would require to be amended, and
 - 4.4 Legal advice is required.

5. The deadline for comments by members in paragraph 3 having passed, the relevant Board/FRG or other relevant free standing Committee prepares formal comments on the draft IASP for submission to the IAA .
6. The relevant Board/FRG or other relevant free standing Committee submits a report, with the comments it proposes to submit to the IAA, to FIMC for approval.
7. Once approved, the relevant Board/FRG or other relevant free standing Committee submits the comments to the IAA.

SECOND DRAFT

8. Where the IAA issues a second draft of the IASP (it may be that there is no second draft in which case move to paragraph 12).
9. The relevant Board/FRG or other relevant free standing Committee to repeat step 5 above but without the consultation with members as the intended IAA time limit would not at this stage permit it and we have a proposed “final” IASP.
10. The relevant Board/FRG or other relevant free standing Committee submits a report, with the comments it proposes to submit to the IAA, to FIMC for approval.
11. Once approved, the relevant Board/FRG or other relevant free standing Committee submits the comments to the IAA.
12. Member Associations asked to vote for the adoption of the draft standard as an IASP.
13. The International Committee votes on behalf of the Faculty and Institute of Actuaries, subject to checking with the relevant Board/FRG or other relevant free standing Committee that the draft standard has taken account of earlier comments submitted on behalf of the Actuarial Profession.

IMPLEMENTATION

14. IAA will post the IASP on its website www.actuaries.org and notify Member Associations. This will indicate the classification of the IASP as being either:-

Class 1-mandatory
Class 2-voluntary
Class 3-recommended practice
Class 4-practice guideline (educational)

Fuller definitions can be found in the IAA’s Due Process at
http://www.actuaries.org/ABOUT/documents/Due_Process_EN.pdf

15. There are 4 options open to Member Associations in respect of the IASP as follows
 - 15.1 Formally endorse it for use in connection with the relevant International Financial Reporting Standard(s);
 - 15.2 Adopt it for use in connection with local accounting standards or other reporting requirements;
 - 15.3 Adapt it to produce a locally applicable standard; or
 - 15.4 Do nothing (not applicable to a Class 1 IASP)

Definitions of what it means to endorse, adopt or adapt can be found in Appendix 1 hereof.

Where it is a Class 4 IASP and FIMC determines, based on a recommendation from PAB, to do nothing then the PAB Secretariat alerts members by e mail (giving a link to the IASP on the IAA website) and notifies the IAA of the action taken. Where it is a technical IASP the Board for Actuarial Standards (BAS) will also be notified. The BAS may elect to issue a BAS Standard which the Actuarial Profession would, under the terms of the Memorandum of Understanding with the Financial Reporting Council, notify to members.

If FIMC determines to endorse, adopt or adapt a Class 4 technical IASP as educational material, the BAS will be notified before such a decision is implemented and advised what course of action the Actuarial Profession proposes to follow, unless the BAS determine to issue a BAS pronouncement.

Where it is a Class 1, 2 or 3 technical IASP, the PAB Secretariat notifies the BAS of the existence of the IASP, alerts members by e mail (giving a link to the IASP on the IAA website) and advises members that the BAS has been notified of the existence of the IASP and that BAS will determine which option to follow.

16. BAS or the Actuarial Profession, as the case may be, decides which option to follow, subject to such consultation as it determines.
17. The PAB Secretariat alerts members electronically to the action taken and notifies the IAA.

APPENDIX 1

Adoption: an association's decision to “adopt” an IAA actuarial standard of practice would usually mean an agreement on the part of the association to accept the standard ***as written***, consent to its application to the members of the association, and to put the standard into operation. Ordinarily, this would involve some formal process, *i.e.*, an affirmative vote by the governing Board of the association (or, if applicable, of the national standard-setting body with authorization from the governing Board(s)) to formally adopt the IAA standard.

Endorsement: “endorsement” of an IAA actuarial standard of practice refers to an association expressing support for or agreement with the standard, but without formally adopting the standard as described above. An association can “endorse” an IAA standard of practice without entirely agreeing with it or thinking that it should be binding on practicing actuaries. Additionally, an association could legitimately limit its “endorsement” of an IAA standard, for example, by making members aware of its existence and encouraging them to review it before performing applicable work, but not requiring members to comply with it. It would normally be preferable for the governing Board of the association (or, if applicable, of the national standard-setting body with authorization from the governing Board(s)) to formally vote to endorse the IAA standard, and to also expressly vote on any limitations on the endorsement.

Adaptation: member associations might need to adapt an IAA actuarial standard of practice to conform to local legal, accounting and cultural requirements. The IAA’s standards in this case would serve as models, encouraging consistency of practice worldwide while recognizing and allowing for international differences. Adaptation complements the concept of endorsement, because an association may endorse an IAA standard after it has first adapted the standard to be consistent with local practice. Such an endorsement might also include a statement by the governing Board of the association (or, if applicable, of the national standard-setting body with authorization from the governing Board(s)) that the adapted and endorsed standard was equivalent to the IAA standard from which it was taken.