



The Actuarial Profession

making financial sense of the future

The Actuaries' Code

Exposure Draft 29

Publication date:
TBC

Closing Date:
30 April 2013

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Appendices

1	The Actuaries' Code (showing proposed changes in tracking)
2	The Actuaries' Code (clean version)

I would like to invite you to participate in this consultation about proposed changes to the Actuaries' Code, which, if approved, will come into effect later this year.

1. Background to the Consultation

- 1.1 The Institute and Faculty of Actuaries is responsible for setting the ethical and conduct standards for its members. In 2009, we introduced the principles-based Actuaries' Code (the Code) with an undertaking to review it within two years. In early 2012, therefore, the Professional Regulation Executive Committee established a working party to review the Code, in the light of experience since its introduction, in order to ensure that it remains fit for purpose.
- 1.2 The Working Party has carried out some initial consultation and investigation to consider the impact and effectiveness of the Code. As a result of the feedback received, the Working Party has recommended that a small number of changes should be made. It was thought that it was too early to make wholesale changes and that it is important to allow members further time to become familiar with the existing five principles in the Code and to ensure that they are properly and sufficiently embedded into their working environment. The Working Party emphasises that the proposed changes do not alter materially the substance of the Code: some are intended to clarify areas where there is a possibility of confusion or uncertainty; none add unnecessarily to the burden of regulation. Whilst our intention is that this will be a "light touch" review, we do intend to carry out a wider review at a future date.
- 1.3 The following pages contain an explanation of the proposed changes (other than those which are merely typographical or stylistic). The existing version of the Code with the proposed changes marked on it can be found at **Appendix 1** and a clean copy of the proposed amended version forms **Appendix 2**.
- 1.4 Some changes have been made to update the Code to reflect the merger of the Institute of Actuaries with the Faculty of Actuaries in Scotland and the changes that have taken place whereby the functions of the former Board for Actuarial Standards now rest with the Financial Reporting Council.
- 1.5 In some areas it was not clear that the Code was fully in line with the International Actuarial Association's Criteria for a Code of Professional Conduct. Some of the proposed amendments are designed to ensure this alignment.
- 1.6 We very much welcome comments on the proposals from individual members, firms, other regulators or anyone else with an interest in the standards which the Institute and Faculty of Actuaries sets for its members.
- 1.7 The aim of this consultation is therefore to gather views on the proposed changes to the Actuaries' Code. Once responses have been considered, a decision will be taken by the Professional Regulation Executive Committee as to the extent to which the Working Party's recommendations ought to be implemented.

Alan Watson
Chairman, Actuaries' Code Review Working Party
March 2013

2. The Proposed Changes

2.1 Application

The previous wording reflected the then status of the two professional bodies.

The proposed change is designed to reflect the merged body. It is drafted to make it clear that the Code applies to all members, irrespective of their roles, geographical location or membership status.

The change brings Honorary Fellows into the scope of the Code for the first time. It is thought that this is appropriate as the Code is the core statement of ethical principles which should be observed by all members, in the public interest. Non-observance of the Code would also present a reputational risk to the Institute and Faculty, as a professional body, and to the profession at large.

2.2 Status and Purpose

We believe that the shorter form of words proposed more clearly emphasises the point that the Code is principles-based and is enforceable as such, through the Disciplinary Scheme, having regard to the definition of Misconduct in the Scheme.

2.3 Impartiality

The changes to paragraphs 3.4 and 3.5 are intended to provide further clarity in relation to members' responsibilities in handling conflicts of interest. These provisions are consistent with the new package of specific regulatory provision and guidance on the subject of conflicts of interest recently published by the Institute and Faculty.

The most significant change is that it is made explicitly clear that members must not only document, but must disclose in writing to their client, the steps they have taken to reconcile any conflict. This is consistent with new provisions set out at sections 5 and 6 of Actuarial Profession Standard APS P1.

We consider that this is a sensible protection, both for clients, to ensure appropriate disclosure and awareness from their perspective in relation to potential and actual conflicts, and for actuaries, to ensure that they act appropriately and transparently, and are able to provide evidence to demonstrate that they have done so.

2.4 Communication

In line with one of the International Actuarial Association's criteria, we have made explicit the requirement that actuaries accept responsibility for their work.

3. Questions

We invite your comments on the Working Party's proposals. It would be helpful if you would offer them by responding to the following questions.

1. **About You**

Name

Position held

2. **Do you want your name to remain confidential?**

Yes

No

3. **Do you want your comments to remain confidential?**

Yes

No

4. **Do these comments represent your own professional views or your organisation's views?**

Personal views

Organisation's views

We would be particularly interested in hearing your views on the following:

5. **Do you think that the change to include all members within the ambit of the Code is appropriate?**

Yes

No

6. **Do you think that the changes to the Impartiality Principle at 3.4 and 3.5 in relation to the handling of conflicts of interest are proportionate and reasonable?**

Yes

No

Comments

-
7. **The change at Principle 5.2 in relation to responsibility for work is designed to bring the Institute and Faculty of Actuaries Code into line with the International Actuarial Association's criteria for a Code of Professional Conduct which can be found at:**
http://www.actuaries.org/CTTEES_ACCRED/Documents/Criteria_Code_Professional_Conduct_EN.pdf **Are you content with these proposed changes?**

Yes

No

Comments

8. **Do you have any comments on other aspects of the proposed changes in general?**

Yes

No

Comments

9. **Are there any other sections you think are unclear in the Code, which you think we should address in this exercise or in a future review?**

Yes

No

Comments

10. **If you are content with the principles reflected in the changes, but are not content with the proposed wording, then we would appreciate your suggested alternative wording.**

Comments

11. **Do you have any other comments on the content of the Code which you would like us to consider in the course of the review?**

Comments

4. How to Respond to this Consultation

The deadline for responses is **30th April 2013**.

Responses should be sent to code@actuaries.org.uk

A link to an online version of the questionnaire can be found on the Actuarial Profession's website at <http://www.actuaries.org.uk/regulation/pages/consultations-and-discussion-papers> or by going directly to: <http://www.surveymonkey.com/s/ZWSMM3T>

You can also send a response by post to:

**The Actuaries' Code Consultation
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
EDINBURGH
EH1 3PP**

Please indicate whether you wish any of the information you supply in your response to be treated confidentially. Unless you so indicate, we may make responses to this paper available on our website at www.actuaries.org.uk

Consultation meetings

Given the importance of the Code to the profession, we are encouraging members and interested stakeholders to attend one or other of the following two consultation meetings to discuss and comment on these proposals:

The first will be held at Staple Inn, High Holborn, London, WC1V 7QJ from 17.00 hours on 14 March. Refreshments will be served from 16.30 hours; and

The second will be held at Maclaurin House, 18 Dublin Street, Edinburgh EH1 3PP from 17.00 hours on 27 March. Refreshments will be served from 16.30 hours.

In order for us to gauge participant numbers, we should be grateful if you could please inform us via email to karen.cross@actuaries.org.uk if you are planning to attend either of these meetings.

CPD

Members of the Institute and Faculty are entitled to claim up to **one hour private study CPD time** for reading this consultation paper and completing the relevant questionnaire, provided that the topic can be shown to be personally relevant and developmental. Please remember to record your learning outcome within your on-line CPD record.

Additionally, members are entitled to claim up to **one hour of CPD** for their participation in one of the consultation meetings. Please remember to sign the attendance sheet to verify your attendance and to record it in your on-line CPD record.

Thank you for your time and interest.

UK ACTUARIAL PROFESSION INSTITUTE AND FACULTY OF ACTUARIES

THE ACTUARIES' CODE

Application	The Code applies to all members of the Institute and Faculty of Actuaries. All actuaries, which for this purpose means anyone subject to the Disciplinary Scheme of the Faculty of Actuaries in Scotland or of the Institute of Actuaries (the disciplinary schemes). They are referred to in this Code as "members".
Scope	The Code applies at all times to members' conduct in their work as actuaries, but will also be taken into consideration where their conduct in other contexts could reasonably be considered to reflect on the profession.
Status and Purpose	The Code consists of principles which members are expected to observe in the public interest and in order to build and promote confidence in the work of actuaries and in the actuarial profession. The Code will be taken into account if a member's conduct is called into question for the purposes of the <u>Institute and Faculty of Actuaries' Actuarial Profession's Disciplinary Scheme</u> s. It is not a set of rules, and conduct that falls short of the Code will not inevitably constitute misconduct. Equally, members will be expected to observe the Code's spirit in their professional conduct.

THE PRINCIPLES

1. **Integrity:** Members will act honestly and with the highest standards of integrity.
 - 1.1 Members will show respect for others in the way they conduct themselves in their professional lives.
 - 1.2 Members will respect confidentiality unless disclosure is required by law, or permitted ~~is permitted~~ by law and justified in the public interest.
 - 1.3 Members will be honest, open and truthful in promoting their business services.

2. **Competence and Care:** Members will perform their professional duties competently and with care.
 - 2.1 Members will consider who their advice and/or services are being provided to (their clients). In many cases this may be their employer.
 - 2.2 Members will not act unless:
 - a) they have an appropriate level of relevant knowledge and skill; or

- b) they are acting on the advice of an individual who has the appropriate level of relevant knowledge and skill and all interested parties are aware that this is the case; or
 - c) they are acting under the direct supervision of another member who is taking professional responsibility for that work.
- 2.3 Members will consider whether advice from other professionals and other specialists is necessary to assure the relevance and quality of their work.
- 2.4 Members will take care that the advice or services they deliver are appropriate to the instructions and needs of the client, including the legal and other rules which may govern the matter, having due regard to others, such as policyholders of an insurer, members of a pension scheme, or any analogous persons whose interests are affected by the work of the member.
- 2.5 Members will agree with the client the scope and nature of any appointment or instruction.
- 2.6 Members will agree with the client the basis for their remuneration before commencing an appointment or instruction and before any material change in the scope of an existing appointment or instruction.
- 2.7 Members will keep their competence up to date.
- 3. Impartiality:** Members will not allow bias, conflict of interest, or the undue influence of others to override their professional judgement.
- 3.1 Members will ensure that their ability to provide objective advice to their clients is not, and cannot reasonably be seen to be, compromised.
- 3.2 A conflict of interests arises if a member's duty to act in the best interests of any client conflicts with:
- a) the member's own interests, or
 - b) an interest of the member's firm, or
 - c) the interests of other clients.
- 3.3 Members will take reasonable steps to ensure that they are aware of any relevant interest, including income, of their firm.
- 3.4 ~~Unless they decide not to act, members will disclose in writing to their client any steps they have taken, or propose to take, to reconcile any conflict or potential conflict of interest. Members will disqualify themselves from acting where there is a conflict of interest that cannot be reconciled.~~
- 3.5 ~~Members will not act where there is a conflict of interest that has not been reconciled. Members will document the steps they have taken to reconcile a conflict and will agree those steps with their clients if they would be ineffective without agreement.~~
- 3.6 Before accepting any assignment, members will consider carefully whether they should consult with any member who previously held such a position with the client, to establish whether there might be any professional reason why the assignment should be declined.

4. **Compliance:** Members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure they are not placed in a position where they are unable to comply, and will challenge non-compliance by others.

4.1 Members will speak up to their clients or to their employers, or both, if they believe, ~~or have reasonable cause to believe, or reasonably ought to believe,~~ that a course of action is unlawful, unethical or improper.

4.2 Members will fulfil any obligations to report information to relevant regulatory authorities.

4.3 Where there is legal protection available, members will report behaviour that they have reasonable cause to believe is unlawful, unethical or improper, to regulators or other relevant authorities. In the UK ~~these such~~ protections includes: the Public Interest Disclosure Act 1998, sections 342 and 343 of the Financial Services and Markets Act 2000 and section 70 of the Pensions Act 2004.

4.4 Members will promptly report any matter for consideration under the Institute and Faculty of Actuaries' Disciplinary Scheme which appears to constitute misconduct or a material breach of any relevant legal, regulatory or professional requirements including Actuarial Profession Standards and Technical Actuarial Standards issued by the Financial Reporting Council~~Board for Actuarial Standards, for consideration under the relevant 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.

5. **Open Communication:** Members will communicate effectively and meet all applicable reporting standards.

5.1 Members will ensure that their communication, whether written or oral, is clear (indicating how any further explanation can be obtained) and timely, and that their method of communication is appropriate, having regard to:

- a) the intended audience;
- b) the purpose of the communication;
- c) the significance of the communication to its intended audience; and
- d) the capacity in which the member is acting.

5.2 Members will, in communicating their professional findings, show clearly that they take responsibility for them.

5.3 Members will take such steps as are sufficient and available to them to 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.

INSTITUTE AND FACULTY OF ACTUARIES

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