



Institute
and Faculty
of Actuaries

Update: Supplementary Feedback Document

**APS X1: Applying Standards to Actuarial
Work**

Regulation Board

December 2016

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1. FOREWORD

I am pleased to introduce this supplementary feedback document summarising the steps taken by Regulation Board and the Cross Practice Working Party to finalise the standard APS X1: Applying Standards to Actuarial Work, following the consultation in 2014.

The aim of this new APS is to promote consistency in relation to the quality of actuarial work undertaken by members of the IFoA irrespective of the location where they perform that actuarial work by setting out a clear structure within which to assess the standards to be applied to a particular piece of work. It seeks to articulate a principles-based approach which recognises the increased internationalisation of the actuarial profession together with the growth of international standards.

A [Summary of Consultation Responses document](#) was published in April 2015 in which it was confirmed that Regulation Board had reviewed the consultation responses and concluded that there was a firm basis upon which to proceed to introduce APS X1 (and the accompanying Guide).

It was, however, prudent to postpone publication of the final proposals to allow further opportunity for (1) the UK's Financial Reporting Council (FRC) to progress their review of the Technical Actuarial Standards (TASs); and (2) Member Associations of the International Actuarial Association (IAA) to take steps in relation to the model Standard of General Practice ISAP 1.

The Regulation Board therefore determined that final refinement of the APS would be postponed until mid 2016.

The Cross Practice Working Party resumed their work to refine the APS in light of consultation responses back in January 2016 and their proposals have now been approved by Regulation Board resulting in the publication of APS X1. The new standard will come into force on 1 July 2017.

It is accompanied by a detailed [Guide](#) which includes some scenarios which I hope you will find helpful.

I would also like to take this opportunity to thank the members of the Cross Practice Working Party (Graham Everness, David Everett, Andrew Chamberlain and Alex Marcuson) for their hard work on this APS over the last few years.

Thank you again for your interest in this new standard.



Desmond Hudson
Chairman of the Regulation Board
December 2016

2. Review of detailed feedback

2.1 The Working Party reviewed the feedback provided during the consultation period and concluded that there was no reason to depart from the position agreed in April 2015, namely that the IFoA should proceed with the introduction of APS X1. However, they felt that there were some areas where minor amendments should be made to the APS.

2.2 It was therefore agreed that:

- i) There should be an attempt, if possible, to align the introduction of APS X1 with the publication of the final version of the new (UK) TAS regime. This would go some way to address points raised around the different scope of the pre-July 2017 TAS framework and ISAP 1.
- ii) Consideration should be given to the possible extension of the requirement to comply with ISAP 1 as a minimum to all Members (including those based in the UK). This would deal with some of the comments provided during consultation around differing standards applying to UK and non-UK Members.
- iii) The requirements around application of Recognised Standards should be adjusted slightly to introduce more scope for judgement and to introduce reference to factors for consideration in relation to this section as well.
- iv) Some work was required in relation to the definitions section, including the addition of more definitions.

2.3 We have also considered carefully the detailed comments provided during the consultation period to determine whether there were specific suggestions that should be incorporated within the final version of the APS and Guide.

- i) There were not a significant number of detailed comments to work through and, of those provided, there seemed to be a wide range of different views, some of which were in direct contradiction.
- ii) Some of the detailed drafting comments suggested that respondents were interpreting the APS in a way that was different to that intended. So, for example, APS X1 does allow for the alternative application of standards produced by other IAA member associations, but this appeared in some instances to have been misunderstood. We have therefore sought to clarify the intent through further drafting improvements to the standard and Guide.
- iii) There were also suggestions that were helpful but ultimately not within the scope of the IFoA's powers, such as extending requirements to apply to non-IFoA Members working in the UK (when the IFoA has no remit in relation to individuals that are not Members).

1. Refinement of APS X1 and Guide

- 3.1 Following its consideration of the consultation feedback, the Working Party made some changes to the APS. A copy of the APS showing the changes from the consultation version is included at Appendix 1 to this paper.
- 3.2 The Working Party also concluded that some refinement of the Guide should also be made in light of consultation responses.
- 3.3 The changes to the APS and Guide reflect the consideration by the Working Party of that consultation feedback and are intended to address some of the issues raised. They do not alter the substantive requirements of the APS or change its approach.
- 3.4 Some of the changes to the form and style of APS X1 are also intended to bring it into line with the principles agreed in the recent Standards Framework Review. This is the first APS to be published by the IFoA following that review.

2. Further comments

- 4.1 Although the final version of APS X1 has been published and is due to come into effect on 1 July 2017, comments are still invited on both the APS and Guide.
- 4.2 If you would like to provide any such comments then please do so by **9 February 2017** sending them either to apsx1@actuaries.org.uk or to the address below.

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APS X1: APPLYING STANDARDS TO ACTUARIAL WORK

[converted to new APS layout]

Version: 1.0, effective from 1 July 2017

Purpose: This **APS** sets out how to determine which standards are applicable to actuarial work

1. Actuaries' Code and APSs

1.1. Subject to relevant **Legal Requirements**, and ~~section 3 the provisions in paragraph 5.2~~, all **Members**, ~~regardless of their geographic location, are subject to~~ must comply with:-

1.1.1. the **Actuaries' Code**; and

1.1.2. relevant **APSs**.

~~1.2. Sections 2 and 3 set out additional obligations in relation to the application of standards.~~

2. Substantial consistency with ISAP 1

~~2.1 **Members** should ensure that their **Actuarial Work** is carried out in a way that is substantially consistent with **ISAP 1**.~~

~~2.2 **Members** will be deemed to have met the requirements of paragraph 2.1 if they are:~~

~~2.2.1 Applying all relevant **TASs**;~~

~~2.2.2 Applying the **Recognised Standards** of a **Relevant Authority** included in a non-exhaustive list of such **Relevant Authorities** as may be published from time to time by the IFoA; or~~

~~2.2.3 Applying to that work **Recognised Standards** which, when considered collectively, the **Member** reasonably judges to achieve substantial consistency with **ISAP 1**.~~

3. Applying TASs

3.1. **Members** must apply ~~the relevant~~ **TASs** to work which is within ~~both the **TASs**' stated scope and UK Geographic Scope~~. They may additionally apply ~~such~~ other standards ~~as may be~~ which are appropriate in the circumstances, provided that any such other standards, to the extent applied, are consistent with the **TASs**.

4. Work outside UK Geographic Scope Applying Recognised Standards

4.1 This section applies only to the extent that Members are undertaking **Actuarial Work** which is outside **UK Geographic Scope**.

4.2 Where a Member is required (for example, through a Legal Requirement or membership of an IAA Full Member Association) to apply a Recognised Standard, the Member should apply that Recognised Standard. ~~All work to which this section applies should be carried out in a way that complies with ISAP1.~~

4.3 To the extent appropriate and proportionate, the Member should also apply any other relevant Recognised Standard that is applicable in the geographic area where the Member is carrying out work but which the Member is not under an obligation to apply.

5. Additional provisions on applying Recognised Standards

5.1 This section applies only to Members undertaking Actuarial Work which is outside UK Geographic Scope.

5.2 Where the subject matter of a Recognised Standard applied by a Member is substantively similar to part or all of an applicable APS the Member may, if appropriate, treat that Recognised Standard as being an alternative to the relevant APS (or part of the APS).

~~5.3 Where the subject matter of To the extent that a Recognised Standard is applied by a Member under 3.4.1 is substantively similar to part or all of an applicable APS the Member may, if appropriate, treat that Recognised Standard as being as an alternative, to the relevant APS (or part of the APS). To the extent that the Recognised Standard is applied as an alternative, the requirement under paragraph 1.1.2 shall does not apply.~~

6. Considering any other relevant standards

6.1 This section applies only to Members undertaking Actuarial Work which is outside UK Geographic Scope.

6.2 In addition to the requirements in section 4 above, Members should also exercise reasonable judgement to consider whether there are other relevant standards (not being relevant Recognised Standards) that they ought to apply. In particular, members should give consideration as to whether it would be appropriate and reasonable to apply other relevant IAA Standards or AAE Standards and, if so, apply those standards.

7. Relevant circumstances to consider

7.1 In exercising reasonable judgement in terms for the purposes of paragraph 3.4.3 section 4, 5 and 6, Members should take into account all have regard to all of the relevant circumstances, including:-

7.1.1. the context in which the Actuarial Work, and purpose for which, the work is being provided and its purpose;

7.1.2 the scope of any Recognised Standards applied under 3.4.4 section 4 and whether they cover all aspects of the Actuarial Work in question;

~~7.1.3~~ the requirement of paragraph ~~3.2 2.1~~; ~~and~~

~~7.1.4~~ the reasonable expectations of **User(s)**;

~~7.1.5~~ relevant market expectations and norms in the context in question; ~~and~~

~~7.1.6~~ the regulatory and/or public interest objectives of the **Recognised Standards** or relevant standards in question, ~~subject always to the importance of safeguarding the interests of the **User(s)** and of the public in relation to the work in question.~~

8. Communication and justification of the standards applied

~~8.1~~ ~~Members~~ must be open with **User(s)** as to the standards which have been applied to their work. If ~~Where~~ necessary to avoid possible misunderstanding on the part of the **User(s)**, **Members** should set out ~~to the **User(s)**~~, in writing, the standards that have and/or have not been applied to their Actuarial Work.

~~8.2~~ **Members** must be able to justify the standards applied (and/or not applied) to their Actuarial Work, if reasonably called upon to do so.

9. Interpretation and application

~~9.1~~ ~~All Members are reminded of the Status and Purpose preamble of the Actuaries' Code, which states that the Code will be taken into account if a Member's conduct is called into question for the purposes of the Institute and Faculty of Actuaries' Disciplinary Scheme. A failure to comply with this APS may result in a finding of misconduct in terms of the IFoA's Disciplinary Scheme.~~

~~9.2~~ This APS uses the word "must" to mean a specific mandatory requirement, and "should". ~~In contrast, this APS-It~~ uses the word "should" to indicate that, while the presumption is that Members will comply with the provision in question, ~~it is recognised that~~ there will may be some circumstances in which Members are able to justify non-compliance.

~~9.3~~ In the event of any inconsistency between this APS and the Actuaries' Code, the Actuaries' Code prevails.

Term	Definition
<u>Actuarial Work</u>	<u>Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions.</u>
Actuaries' Code	The ethical <u>professional</u> code for Members issued by the Institute and Faculty of Actuaries.
AAE Standards	Standards approved by the Actuarial Association of Europe as model standards.
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
IAA	The International Actuarial Association.
IAA Standards	Standards approved by the IAA as model standards including ISAP 1 and any subsequent standards, as may be amended from time to time.
<u>IFoA</u>	<u>The Institute and Faculty of Actuaries.</u>
<u>IFoA's Disciplinary Scheme</u>	<u>The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.</u>
ISAP 1	The first International Standard of Actuarial Practice issued by the IAA <u>as may be amended from time to time.</u>
Legal requirement	A requirement of law or regulation, imposed by a body of lawful jurisdiction and directly enforceable by reason of national or local law.
Member	A member of the Institute and Faculty of Actuaries.
Recognised Standard	Professional standard, written practice or guidance, other than a Legal Requirement, issued, given effect to, or otherwise recognised, by a Relevant Authority, and relevant to the professional and/or technical quality of actuarial work.
Relevant Authority	A full IAA Full m Member <u>Association (as defined by the IAA)</u> organisation or other regulatory entity with equivalent authority to impose standards in relation to actuarial work (for the avoidance of doubt this does not include the IAA or the Actuarial Association of Europe).

TAS	Technical Actuarial Standard produced by the Financial Reporting Council, along with any formal written accompanying guidance issued by them, for example a Scope and Authority document.
UK Geographic Scope	Refers to work done carried out in relation to the UK operations of entities, as well as to any overseas or in relation to non-UK operations to the extent that they which report into the UK, within the context of UK law legislation or regulation (regardless of the location or domicile of the person carrying out the work).
User	The person, including a corporate entity, for whom the actuarial work is produced.