



Institute  
and Faculty  
of Actuaries

# Refreshed Regulatory Policy Statement

September 2016

## REFRESHED REGULATORY POLICY STATEMENT

### 1. INTRODUCTION

- 1.1 The Institute and Faculty of Actuaries (“the IFoA”) has, in accordance with its Royal Charter, primary responsibility for the regulation of its members, as actuaries, in the public interest. The IFoA’s overarching regulatory strategy is defined as being, “*to regulate the members of the Institute and Faculty in such a way as to assure public trust and support business and innovation*”.<sup>1</sup>
- 1.2 This paper was originally published in 2012, as a summary of the IFoA’s regulatory policy direction. It has been updated in light of the IFoA’s strategy refresh in 2016.

### 2. REGULATORY RATIONALE

- 2.1 The IFoA undertakes its regulatory role, first and foremost, in the public interest. Fundamentally, this is about the protection of the public, but it extends also to assuring public confidence in the profession, by maintaining its good standing in the public eye. Ultimately, the public interest is served by maintaining the quality of actuarial work and the professionalism of the actuaries who deliver it. At an individual level, members are expected to uphold the quality and professionalism required by the Actuaries’ Code and other relevant professional standards. The **Annex** expands further on what we mean by the public interest.
- 2.2 Effective regulation serves both the public, and the profession, in maintaining and enhancing its collective reputation. In order to achieve these goals, regulation must at the same time be proportionate and support rather than hinder innovation. We will always in our regulatory approach, be mindful of the importance of facilitating innovation and of not impeding inadvertently the profession’s contribution to economic growth.
- 2.3 The IFoA seeks to undertake its regulatory role according to the Principles of Good Regulation. These principles<sup>2</sup> require that regulation is:-
- 2.3.1 **Proportionate** – such that regulatory intervention is undertaken only to the extent necessary and appropriate to the risk;
  - 2.3.2 **Accountable** – the IFoA should be ready to justify regulatory action (and inaction) and should be, and be seen to be, open to scrutiny by the public as well as its members;
  - 2.3.3 **Consistent** – regulatory action (and inaction) should be coherent, according to a clearly defined and comprehensible policy;
  - 2.3.4 **Transparent** – regulation, and the process by which it is determined, should be clearly articulated and readily comprehensible; and
  - 2.3.5 **Targeted** – regulatory action should be focused on identified problem(s), such as to minimise side effects.

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<sup>1</sup> The Institute and Faculty of Actuaries, Strategy, June 2011, as refreshed June 2016

<sup>2</sup> ‘Principles of Good Regulation’, published by the UK Government’s Better Regulation Task Force in 2003 and accorded statutory recognition by s21 of the Legislative and Regulatory Reform Act 2006.

- 2.4 Consistent with these principles, the IFoA aims to undertake its regulatory role in a way which is principles-based and outcomes focused: regulatory action should focus on solving a specific problem, but permit reasonable flexibility as to how this is achieved. The emphasis is on resolving the actual cause of public interest concern, and steers away from process-focused and 'tick-box' models.
- 2.5 The IFoA will only regulate where intervention is necessary having regard to the extent of the public interest risk.
- 2.6 We will always consider options other than mandatory regulation, including educational initiatives, voluntary schemes and non-mandatory guidance as an alternative to mandatory regulation. We are launching in 2016 our 'risk outlook' initiative, to help inform and prioritise our regulatory activity and support members in upholding our standards.
- 2.7 Any regulatory action must be fair, to users of actuarial services, the wider public, and members.

### **3. HOW WE WILL ACHIEVE THIS**

#### **3.1 General approach –**

- 3.1.1 We will support our members worldwide in achieving and maintaining high quality and professionalism. We will provide guidance to our members in complying with applicable standards and regulation.
- 3.1.2 We will promote the importance and benefits of using regulated professional actuaries worldwide and take appropriate steps to further this objective.
- 3.1.3 We will aim to achieve equivalence of regulatory outcomes, wherever in the world our members are practising. This does not mean necessarily that 'one size fits all' in terms of the regulation required in different parts of the world. In particular, we will take account of existing local as well as international standards and regulation.
- 3.1.4 We will play a proactive and leading role in the global actuarial community. We will work collaboratively with stakeholders worldwide in order to achieve these goals, including our members, other professional bodies and regulators, national associations and the international actuarial bodies. In the UK this will include in particular our oversight body, the Financial Reporting Council<sup>3</sup> and the Joint Forum on Actuarial Regulation<sup>4</sup>.
- 3.1.5 Where our non-UK members are also members of other actuarial associations, we will not, so far as possible, duplicate the regulation of that other association.
- 3.1.6 We will, as part of our commitment to "active transparency", communicate clearly the regulatory requirements which we put in place and the reasons for these requirements. We will do this through consultation and regular face-to-face meetings as well as through digital media, by email, social media and webinars. We will consult

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<sup>3</sup> The Financial Reporting Council (FRC) has responsibility for oversight of the regulation of actuaries by the IFoA and the independent setting of technical actuarial standards in the UK. The FRC operates through a Memorandum of Understanding with the IFoA supported by the IFoA Bye-Laws and Disciplinary Scheme which require its members to comply with the standards set by the FRC.

<sup>4</sup> The Joint Forum on Actuarial Regulation (JFAR) was established in 2013 by the Financial Reporting Council, the Institute and Faculty of Actuaries, the Financial Conduct Authority, the Pensions Regulator and the Prudential Regulation Authority. The JFAR is a unique collaboration between regulators to coordinate, within the context of its members' objectives, the identification and analysis of public interest risks to which actuarial work is relevant.

on proposals, publish consultation results, share our regulatory decisions and support members in compliance.

3.1.7 Just as we expect our members to speak up where they encounter issues of public interest concern, so the IFoA aims to speak up to raise awareness of such issues, for the benefit of both our members and the public.

3.1.8 We will support business and innovation by ensuring that our regulation is targeted, proportionate and monitored for effectiveness. We will amend or withdraw our regulation where it is found not to be effective, or appropriately targeted and proportionate.

3.2 **Standards and guidance** – Standards will be introduced and maintained according to the following principles:-

3.2.1 We will state clearly what is expected of all of our members, wherever in the world they are practising.

3.2.2 We will only introduce standards and guidance where there is a demonstrable need, in the public interest, for more specific provision than is currently provided by the Actuaries' Code. It is implicit in this principle that the IFoA is in a position to make this assessment from a position of informed awareness in respect of need and risk.

3.2.3 We will undertake and publish post implementation reviews to assess the effectiveness and efficient working of our regulations.

3.2.4 We prefer principles over detailed rules, but will always ensure that sufficient information about expected outcomes is provided.

3.2.5 Where appropriate, we will seek to articulate principles which have broad cross-practice relevance, avoiding regulation which is unnecessarily limited in its scope, or duplication between different areas of practice.

3.2.6 We will draft standards in a clear manner, in plain simple language, with a view to comprehensibility by the non-actuary, and by those for whom English is not their first language. We will make clear the status, application and inter-relationship of the Code, standards and guidance.

3.2.7 We will keep mandatory requirements (standards) and non-mandatory material (guidance) distinct.

3.2.8 We will not duplicate guidance or provisions originating from another source e.g. legislation or rules of another regulator.

3.2.9 We will ensure that standards are, so far as possible, future proof - ensuring that requirements are able to withstand minor changes to rules and legislation and to the structure of any named bodies or organisations.

3.2.10 Standards will be enforceable.

3.2.11 Standards will be fair to members, users and the public.

3.2.12 We will support the principle of the development of appropriate model standards by the International Actuarial Association and the Actuarial Association of Europe, as a means to (1) convergence and consistency of standards internationally; (2) supporting other actuarial associations; and fundamentally (3) promoting high quality actuarial work and professionalism worldwide.

3.2.13 We will make clear the extent to which we expect our members to comply with such international model standards.

3.3 **Lifelong learning** – the IFoA will adopt so far as possible an outcomes-focused approach to lifelong learning, ensuring that its regulatory framework is integrated with the qualification framework and relevant training and support, and addresses both technical and wider professional skills and ethics.

3.4 **Monitoring** – the IFoA will act proportionately in this area, emphasising individual self-responsibility over regulatory policing. We will use the Quality Assurance Scheme (QAS) to promote and monitor quality and professionalism amongst organisations which employ our members. We will review the effectiveness of the QAS, as well as of our standards and other regulatory initiatives.

3.5 **Enforcement and discipline** – We will ensure, through the oversight of the Disciplinary Board, the continuing effectiveness and fairness of our Disciplinary Scheme. In particular, we will:-

3.5.1 Promote awareness and use of the scheme as an effective right of recourse of choice.

3.5.2 Monitor publically available information, and proactively investigate where appropriate.

3.5.3 Engage with the profession, the public and wider stakeholders in order to understand better their use of the scheme, and any impediments to such use.

3.5.4 Refine the design of the scheme to remove any obstacles to the appropriate application of the scheme.

#### 4. **FURTHER INFORMATION**

4.1 For further information about the IFoA's regulatory strategy, and its implementation, please visit the "[upholding standards](#)" section of our website or contact [fiona.goddard@actuaries.org.uk](mailto:fiona.goddard@actuaries.org.uk).

## **The Public Interest**

“The objects of the Institute and Faculty of Actuaries shall be, in the public interest, to advance all matters relevant to actuarial science and its application and to regulate and promote the actuarial profession” – *Our Royal Charter*

### **What does acting in the public interest mean to the Institute and Faculty of Actuaries (IFoA)?**

We have a primary duty to assure public trust in the profession of actuary by maintaining its good standing in the eyes of our members, our stakeholders and the wider public in order to benefit society as a whole.

Put simply, we believe it requires the IFoA to discharge its regulatory, public affairs, membership and educational responsibilities in the interests of society at large.

#### **And how do we do this? By ensuring that:**

1. our educational syllabus is appropriate to ensure we produce high quality professionals with the appropriate skills, knowledge and behaviours;
2. we set appropriate standards, and require our members to comply with them, so that actuaries maintain a high quality of actuarial work, professionalism and ethics;
3. we appropriately sanction our members should their conduct fall short of what other members or the public might reasonably expect of a member of the IFoA;
4. in our particular field of knowledge - actuarial science - we promote and support thought leadership, speak up where appropriate on matters of public interest and contribute to relevant public policy debate; and
5. we promote the standing and sustainability of the actuarial profession throughout the world.

### **What does acting in the public interest mean in practice to members of the Institute and Faculty of Actuaries?**

Put short, it means that members uphold relevant professional requirements, ethical codes, published standards and disciplinary obligations in letter and spirit, cognisant of the public interest purpose for which they were issued.