



Institute
and Faculty
of Actuaries

Update: Summary of Consultation Responses

**APS X1: Applying Standards to actuarial
work**

Regulation Board

April 2015

CONTENTS

	Page No.
1. Introduction	3
2. Explanatory note	4
3. Summary of responses	6
4. Conclusions and next steps	9
Appendix 1 List of respondents to the consultation	10
Appendix 2 Responses to the online questionnaire	11
Appendix 3 Response received by letter or email	36

1. INTRODUCTION


I am pleased to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries' (IFoA) Consultation Paper on APS X1: Applying standards to actuarial work.

As you will be aware, the Cross Practice Working Party was set up to consider the introduction of new cross-practice Actuarial Profession Standards (APSs) and that working party has developed a draft APS with application across all practice areas in relation to the application of standards to actuarial work.

The aim of the proposals is to promote consistency in relation to the quality of actuarial work by setting out a clear structure within which to assess the standards which are relevant to a particular piece of work. The proposals seek to articulate a principles based approach which recognises the increased internationalisation of the actuarial profession together with the growth of international standards.

We have reviewed the responses received to the consultation, which took place in mid 2014, and a summary of those responses is set out in this paper. We are particularly grateful to those who took the time to provide us with a response. We are currently in the process of revising the proposals in light of the feedback received, but are also mindful of the current review of the technical actuarial standards in the UK and the work being undertaken by other actuarial bodies in response to ISAP 1. With that in mind, we hope to be able to publish the revised APS and Guide in mid 2016 with a view to them coming into effect shortly afterwards.

We are extremely grateful for the care and attention shown by all respondents in preparing their comments on the discussion paper and I hope you will find this summary of the feedback received both useful and informative.



Desmond Hudson
Chairman of the Regulation Board
April 2015

2. EXPLANATORY NOTE

The IFoA recently consulted upon the proposed introduction of a cross-practice Actuarial Profession Standard setting out the regulatory requirements applicable to members carrying out actuarial work (APS X1).

The proposals

As explained in the consultation document, it was recognised as part of the IFoA's review of its standards framework that there is a need to clarify for members internationally the standards that apply to their work. It is in the public interest to do so, insofar as clients and users are entitled to understand as to the standards they can expect to be applied in relation to actuarial work.

Many of our members undertake work which is outside the geographic scope of the FRC's Technical Actuarial Standards (TASs) and/or is subject to other local standards. The consultation document proposed introducing a requirement that all members must, as a minimum, carry out such work in a way that complies with the International Actuarial Association's ISAP 1 General Actuarial Practice (ISAP 1).

By using ISAP 1 as a reference point, the IFoA sought to ensure that all of its members, regardless of where they carry out work, meet the broadly recognised general standards provided by ISAP 1. For members carrying out work within UK geographic scope, it was proposed that this would be met by applying the IFoA's standards along with the FRC's Technical Actuarial Standards (which, when taken together, should, if certain changes are implemented, be substantially consistent with ISAP1).

The draft APS X1 provided a range of ways in which that minimum standard could be met by members and allowed them to use their judgement to determine the appropriate standards to apply.

The consultation sought feedback on the draft APS X1 and draft Guide.

Draft APS X1

The draft APS X1 required members to consider what standards apply to their work (or that they should appropriately apply), to comply with a minimum level of standards and to be open with users about the standards they have applied.

The provisions of the draft APS X1 can be summarised as follows:

- A general requirement that all members comply with any legal requirements, the Actuaries' Code and relevant APSs (section 1).
- A requirement that members carrying out work which is within the scope of the Financial Reporting Council's (FRC) TASs to apply the TASs to that work (section 2).
- Requirements that members carrying out work outside UK Geographic scope (ie work that is not within the scope of the TASs):

- carry out their work in a way that complies with ISAP 1 (they will be deemed to have done so by applying a framework of Recognised Standards which when taken together is substantially consistent with ISAP 1) (paragraphs 3.2 and 3.3).
- apply Recognised Standards which are (i) directly applicable, or (ii) relevant in respect of both geography and subject matter and would be applicable if the member were subject to the jurisdiction of the body that imposed the Recognised Standard; and are not inconsistent with ISAP1 (paragraph 3.4.1) with special provision for situations where the subject matter of a Recognised Standard is substantively similar to part or all of an applicable APS (paragraph 3.4.2) and any situations where there are 'inconsistent' standards (paragraph 3.4.5).
- exercise reasonable judgement to consider whether there are other relevant standards that they ought to apply having regard to all of the relevant circumstances including a number of listed factors (paragraphs 3.4.3 and 3.4.4).
- A further general requirement that all members must be open with the users of their work as to the standards applied and, if necessary, should set that out in writing.

As stated in the consultation paper, it was hoped that APS X1 would provide a clear framework when determining the standards that should be applied to particular pieces of work.

Draft Guide

Comments were also sought on a draft Guide which was prepared to assist members with understanding and applying APS X1 and with making decisions as to which standards they should be applying.

The draft Guide incorporated an updated version of the Standards Decision Tree and also included some examples of potential scenarios that members might face in order to illustrate how to address potentially complex situations.

The Consultation Process

The consultation was published on 21 May 2014 and closed on 21 August 2014. Members were invited to respond to an online questionnaire or to submit written comments to the IFoA. The consultation package was also sent to key stakeholders with an interest in this area, who were invited to comment on the proposals.

Members and interested stakeholders were also invited to attend a consultation meeting on 23 June 2014 at Staple Inn to discuss the proposals and provide feedback. You can view a video of the consultation meeting on the IFoA's website¹. The consultation meeting scheduled to take place in Edinburgh on 5 June 2014 was cancelled due to insufficient interest.

A summary of the key issues arising from the responses is set out in section 3 below.

¹ <http://openchannel.multichanneltv.com/the-actuarial-profession/aps-x1-consultation-meeting/platform.php?noCPD>

3. SUMMARY OF RESPONSES

A total of 36 respondents completed the online questionnaire with an additional 3 responses were provided by email or letter. Where respondents have indicated that they are happy for their comments to be published, these have been included at Appendix 2 (online questionnaire) and Appendix 3 (responses by email or letter). Feedback was also provided by attendees during the course of the consultation meeting held on 23 June 2014.

While the majority of the responses were provided by those located within the UK or by UK based organisations, some responses were received from members that appear to be based in or are connected to an organisation in other parts of the world. As the key objective of the standard is to provide clarity regarding the application of standards to international members, we are especially keen to hear further from those based outside the UK.

From the comments provided, the following key themes have been identified.

Scope and framework of APS X1

A significant majority of respondents (89%) agreed that it was appropriate to introduce a standard with the objective of clarifying the extent to which standards are applicable to members. In addition, a majority of respondents (77%) considered that APS X1 achieves that objective.

A number of respondents expressed support for the proposals and their rationale, commenting that they represented a 'logical framework' and that they provided clarity.

Some respondents felt that the current regulatory framework is sufficiently clear for those working within UK geographic scope, but recognised that the proposals would be of assistance to those operating outside the UK. In particular, it was recognised that actuaries are becoming increasingly involved in cross border work where the standards of more than one professional body are applicable, and that further clarification as to the application of those standards would be appreciated.

Other respondents expressed concern about the practical implications of the requirements. Those comments ranged from general expressions of concern to more specific issues, for example the global coordination of accounting information.

A number of respondents indicated that they felt that APS X1 would impose additional requirements upon members and that it was not correct to say that it simply clarified the existing position.

A number of comments related to the TASs or to other issues connected to the FRC and their standards, for example, the definition of 'UK Geographic Scope' used in APS X1. Some respondents also expressed concerns that the proposals may result in the scope of the TASs being extended.

It was suggested by some respondents that the requirement in paragraph 3.3 of APS X1 to carry out work in a way that complies with ISAP 1 should be extended to all members, including where the work is within UK Geographic scope.

Concerns were expressed that APS X1 imposed quite onerous requirements on members. Specific concerns were raised about other international standards to which they might be expected to have regard. This related particularly to (i) members involved in occasional non-UK work; and (ii) members acting in a 'broader capacity', for example advising on numerous countries or in relation to non-UK work but in conjunction with local actuaries. One respondent suggested that there might be an exception to the requirements introduced for members in those latter situations.

There were a range of views expressed in relation to the appropriateness of members being required to apply local standards and the extent to which APS X1 should require them to do so. It was also suggested that members should be allowed to agree with the user which standards would apply.

ISAP 1

A significant majority of respondents (86%) agreed that the overarching requirement for those carrying out work outside the UK geographic scope to comply with ISAP 1 is appropriate. A number of respondents commented that ISAP 1 represents a sensible statement of good actuarial practice, whereas others commented that it was more appropriate to defer to the local regulator rather than rely on ISAP 1.

Some respondents were concerned that ISAP 1 is wider in scope than the UK standard (i.e. those issued by the FRC and IFoA) and that this would mean members carrying out work outside UK geographic scope were subject to more onerous requirements. Particular issues raised were work on post retirement medical plans (which respondents indicated don't currently fall within the scope of the TASs) and the use of the term 'actuarial services' rather than 'actuarial work' in ISAP 1. Other apparent practical anomalies were raised such as advice to a UK pensions scheme sponsor on benefit design which, within the UK, wouldn't be covered by the TASs but, if outside UK geographic scope, would be subject to the requirements of paragraph 3.2.

Requirement to be open about the standards that are applicable

A majority of respondents (85%) agreed that it is reasonable and proportionate to introduce a requirement to be open with users about the standards that are applicable to a piece of work. Many respondents commented that the practical application of such a requirement should be sufficiently flexible to ensure that it does not become overly onerous or result in over-reporting with the potential to cause confusion to the user.

Potential implications of the proposals

The majority of respondents felt that there would be practical or resource implications caused by the introduction of the proposals. Respondents highlighted that additional resource may be required to identify the local standards that apply. It was suggested that the IFoA may wish to consider assisting members with this by providing online resources or a helpline. In addition, if open communication of the standards being applied is required, members may need to update templates and/ or client materials.

Timing of the proposals

A number of respondents commented on the timing of implementation of the proposals, and in particular in relation to the coordination of APS X1 with the FRC's review of the technical actuarial standards framework and the need to allow an adequate period for other IAA members to take steps in relation to ISAP 1.

Presentation and drafting

We received some detailed drafting comments on the APS which will be taken in to account as this is revised. In particular, some respondents highlighted that the term "actuarial work" has not been defined in APS X1. A particular concern was raised that this may cause the APS to apply more widely than it should. It was also suggested that the application of the standard to those working in the UK should be made clearer.

A significant percentage of respondents found the worked examples in the guide to be helpful and indicated that further case studies should be included. The working party is keen to receive suggestions for further practical examples that may be included in the Guide.

While respondents found the revised decision tree helpful, many commented that it would be helpful if this could be simplified, although it was recognised that it may be difficult to do so.

Some of the comments were directed, more generally, at the form of the proposed measures and the use of an APS and Guide. For example, one respondent suggested that there should simply be an APS and that there was no need for additional guidance.

4. CONCLUSIONS AND NEXT STEPS

The Cross Practice Working Party is in the process of carrying out a thorough review of the proposals in light of the comments received. However, as indicated in the responses to the consultation, the timing of the implementation of the proposals is particularly important.

The responses to the consultation indicate that there is a firm basis upon which to proceed with the proposal to introduce APS X1 and an accompanying Guide, and the IFoA is keen to maintain the momentum in doing so. However, the IFoA is also cognisant of the wider regulatory landscape and ensuring coherence with both UK and international regulatory developments, in particular the Financial Reporting Council's review of the technical actuarial standards and the expectation that the framework for standards for IFoA members will be confirmed as substantially consistent with ISAP 1.

In addition, and as recognised in the consultation package, ISAP 1 is a relatively new international standard, therefore the working party consider that it is appropriate to afford more time to IAA member bodies to determine their own positions on ISAP 1 and to implement any changes to their own standards that may result from it.

It is therefore considered prudent to postpone publication of the final proposals until ISAP 1 has had a further opportunity to embed and there is greater certainty regarding the UK technical actuarial standards framework. As such, we hope to be able to publish the revised APS and Guide in mid 2016 with a view to them coming into effect shortly afterwards.

If you would like to be kept up to date with the progress of the proposals or would like to share further comments on the APS or Guide with the Cross Practice Working Party, please contact us using the details noted below. We would also be grateful for any comments or suggestions in relation to case studies that may be included in the Guide.

Cross Practice Working Party – Applying Standards
The Institute and Faculty of Actuaries
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EH3 8RA

Regulation@actuaries.org.uk

LIST OF RESPONDENTS TO THE CONSULTATION*

Individual respondents to the consultation

Stephen Ainsworth	Jan Harrington
Mark Atkinson	Helen Jenkins
Chris Barnard	Mike Kipling
Brian Burnell	Albena Levy
Simon Carne	Rod Marshall
Mark Cockroft	Andrew Newman
Joubert Ferreira	Andreas Stylianou
Nigel Finlay	

Organisations which responded to the consultation

The Society of Pension Professionals	Association of Consulting Actuaries
Lane Clark & Peacock LLP	Punter Southall Ltd
Hymans Robertson LLP	Towers Watson Ltd
AON Hewitt	
Mercer Ltd	

Other

Society of Actuaries in Ireland

* *Only those who indicated that they did not wish to keep their name, organisation or comments confidential are listed*

RESPONSES TO THE ONLINE QUESTIONNAIRE

The following is a breakdown of the responses provided using the online questionnaire. As noted above, the IFoA also received 3 written responses by email or letter. Where the respondent has not indicated that they wish to keep their name, organisation or comments confidential, details of their comments have been included below.

Question 1: About you

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Name	100	36
Position Held	100	36
Answered Question		36

Question 2: Are you a member?

Answered: 35 / Skipped: 1

Answer Options	Percent	Response Count
Yes	94.29	33
No	5.71	2
Answered Question		35

Question 3: If yes, which category of membership do you hold?

Answered: 35 / Skipped: 1

Answer Options	Percent	Response Count
Student	8.57	3
Affiliate	0	0
Associate	0	0
Fellow	91.43	32
Honorary Fellow	0	0
Answered Question		35

Question 4: What is your practice area? (Answer one option only)

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Life Assurance	27.78	10

General Insurance	19.44	7
Pensions	33.33	12
Finance and Investment	5.56	2
Enterprise Risk Management	2.78	1
Health and Care	0	0
Education	2.78	1
Retired	0	0
Other	8.33	3
Answered Question		36

Question 5: Name of your organisation

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Name	100	36
Answered Question		36

Question 6: Type of organisation (Answer on option only)

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Consultancy	30.56	11
Insurance / Reinsurance Company	44.44	16
Bank	0	0
Investment and Asset Management Firm	5.56	2
Other	19.44	7
Answered Questions		36

Question 7: Size of organisation

Answered: 35 / Skipped: 1

Answer Options	Percent	Response Count
Sole practitioner	8.57	3
2-10 Fellows or Associates	28.57	10
11-25 Fellows or Associates	11.43	4
26-40 Fellows or Associates	2.86	1
40+ Fellows or Associates	48.57	17

Answered Questions		35
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Question 8: Do you want your name to remain confidential?

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Yes	38.89	14
No	61.11	22
Answered Question		36

Question 9: Do you want the name of your organisation to remain confidential?

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Yes	52.78	19
No	47.22	17
Answered Question		36

Question 10: Do you want your comments to remain confidential?

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Yes	22.22	8
No	77.78	28
Answered Question		36

Question 11: Do these comments represent your own personal views or your organisation's views?

Answered: 36 / Skipped: 0

Answer Options	Percent	Response Count
Personal views	77.78	28
Organisation's views	8.33	3
Both personal and organisation's views	13.89	5
Answered question		36

Question 12: Do you agree that it is appropriate to introduce a standard with the objective of clarifying the extent to which standards are applicable to members, including those who carry out work outside the UK?

Answered: 35 / Skipped: 1

Answer Options		Percent	Response Count
Yes		88.57	31
No		11.43	4
Answered Question			35
Agree	Comment		
Y	In principle, yes. However, one type of work which our commentators have highlighted as giving rise to practical concerns is global coordination of accounting information in relation to pension schemes and in particular coordination in the context of United States Generally Accepted Accounting Principles. It can in practice be difficult to ascertain in these coordination exercises all the local standards, which might apply, particularly when they are not published in English. This general comment is reflected in our answers to some of the later questions. We also note that work in connection with accounting for post-retirement medical expenses is covered neither in the material relating to APS X1 or in TASs.		
Y	Yes, although we observe that, at least for actuaries in some situations, APS X1 is not so much "clarifying" existing requirements, which are already reasonably clear, as introducing new ones.		
Y	It should be noted, however, that many members, particularly those whose existing work is substantially within UK Geographic Scope, may perceive this as the imposition of standards that are not currently in place.		
Y	We understand what the Regulation Board is aiming to do, and agree that it is helpful to give guidance to members on what they should do to decide which standard to use. However, we believe that it needs to be made clearer how this concept applies to someone working only in the UK. We would also question the timing of this consultation - a more appropriate starting point might be to obtain the confirmation noted in 2.16 that 'the existing framework of IFoA standards, including the FRC's Technical Actuarial Standards, is substantially consistent with ISAP 1.' and then consider how those working across geographical scope should apply.		
-	Since the scope of the standards issued by the IFoA (the Actuaries' Code and the APSs) and by the FRC (the TASs) is clear, members can already determine relatively easily which standards apply to the work they do. Introducing APS X1 only seems necessary if the IFoA wishes to bring other standards into scope, or to widen the scope of those standards that currently only apply to work done in the UK. We do agree that it seems reasonable for the IFoA to consider whether and, if so, how it should extend its regulatory responsibilities to non-UK based members.		
Y	Although in principle we would welcome the introduction of a standard, we have considerable concerns as to the practical implications of the standard as currently drafted.		
Y	Yes in principle, but see comments below.		
Y	I believe that there should be no perception that members working overseas are beyond regulatory powers.		
N	I think it should be taken as read that members are subject to the same standards regardless of their geographic location.		
Y	It should be common sense, but it is useful to introduce a standard to remove any risk of ambiguity.		
N	Working outside the UK should just mean you have to work to the local standards, ie the law in the country and/or the local actuarial requirements.		
Y	This provides clarity around standard application.		
N	I am far from convinced it is necessary, but accept that it may be helpful for members doing work outside UK Geographical Scope. Thus I am certainly not going to voice any objection to such a		

	standard being introduced.
N	It is not for the Institute to regulate other members of the IAA. Regional organisations who are members of the IAA are in the best position to determine how the IAA guidance should be applied within their country allowing for state and federal laws.

Question 13: Do you consider that APS X1 achieves that objective?

Answered: 33 / Skipped: 3

Answer Options		Percent	Response Count
Yes		78.79	26
No		21.21	7
Answered Question			33
Agree	Comment		
-	Largely yes, subject to our comments under question 12.		
-	APS X1 gives a detailed, rules-based set of instructions on determining the standards to be followed, with limited room for the exercise of judgement. As illustrated in Appendix 2, the rules might mean that similar types of work could be subject to different standards because of technicalities. Simpler requirements could be both clearer and work better, particularly if they are integrated with the FRC's work on reviewing the UK Technical Actuarial Standards.		
No	[NB There is no 'partially' option for me to tick, which would be my preferred answer] Whilst those Members working overseas on work outside UK Geographic Scope should already have, or will quickly build up an understanding of how to apply APS X1, the standard, guidance and examples are collectively somewhat lengthy for occasional browsers of the documents who are trying to work out what they need to do, without identifying the most common scenarios (e.g. US GAAP pension costs). This is before the effort needed to read and understand ISAP1 and other relevant ISAPs (awareness of which is currently very limited); compare these with any applicable Recognised Standards; and to find and digest 'other relevant standards' (the last category also presents the challenge of knowing when to stop looking for something that may or may not exist). Those doing non-UK work only occasionally are likely to need further educational help, either from employers or the IFoA. This may discourage Members working for smaller UK firms from getting involved in such work.		
No	We are concerned that imposing ISAP1 to all non-UK work could be used by FRC as a justification for extending TASs from just Reserved Work plus specifically identified work wider so that it covers all actuarial work. Any expansion of the scope of TASs should be considered as a separate matter. (We do however note that work is ongoing in this area and that FRC proposes to introduce high-level principles applicable to all actuarial work.) ISAP 1 (like TASs) is designed for the scenario of an actuary preparing written reports containing all the advice and then meeting the client to talk through the existing report. It does not necessarily cope with giving advice in the form of interactive discussion and analysis of computerised scenarios. If ISAP 1 or TASs are applied more widely, there is a possibility that clients could go elsewhere, and get the advice they want from someone who is not constrained by actuarial standards. If applied to UK actuaries, APS X1 should apply ISAP 1 only to restricted classes of work (as currently for TASs), not to all actuarial work.		
No	Rather than clarifying the scope of existing standards, APS X1 will bring other standards into scope.		
Y	Yes - but not to the optimal degree - see areas of concern in principle and practice below.		

N	We have significant concerns (both practical and in principle) about certain aspects of the proposals, as elaborated below. Further the document does not appear to be aligned with the TAS standards in terms of its definition of UK Geographic Scope, which will we think lead to unintended consequences in terms of which standards should apply.
Y	It is a well thought through document with a logical framework.
Y	Yes, in conjunction with the examples and flow diagram in the guidance.
Y	Yes - it is clear and easy to follow.
N	See comment 14.
Y	Flipping the situation around, members of other bodies working in the UK may need to satisfy themselves that the UK complies with ISAP 1. They will look for a statement from the UK profession of this, along the lines of what we would look for as I&FA members to comply with paragraph 3.3 of APS X1. As a courtesy this should be pretty clear (for example, the statement of intent by the Canadian Institute does this). APS X1 could be an appropriate place to make the UK's statement.
Y	I do have a few comments on specific aspects however.
N	Any standard the Institute chooses to release on this matter should only apply to regions that do not have their own actuarial body that is a member of the IAA.

Question 14: Do you consider that the overarching requirement for those carrying out work outside the UK geographic scope to comply with ISAP 1 is appropriate?

Answered: 35 / Skipped: 1

Answer Options		Percent	Response Count
Yes		85.71	30
No		14.29	5
Answered Question			35
Agree	Comment		
Y	Yes, and we feel that it could extend to work that is within UK geographic scope but not currently subject to the TASs. For example the definition of "pension scheme" in the Pensions TAS excludes non-UK pensions schemes, but some work in relation to that pension scheme could be classed as being within UK Geographic Scope.		
Y	Yes, we welcome the reference to ISAP 1 which we believe is a pragmatic statement of good actuarial practice. However, we question whether this requirement to follow minimum actuarial standards should extend only to work outside UK Geographic Scope. If a certain level of minimum standards is appropriate to work outside the UK, it would seem reasonable that a similar level of standards should apply within the UK, particularly when the work is similar. This highlights a current potential regulatory gap. For this reason, we suggest that APS X1 is not finalised until the FRC has completed its restructuring of the UK Technical Actuarial Standards, which we expect will help address these concerns by requiring a minimum technical standard for all work, in line with ISAP 1, for work within UK Geographic Scope. We also note that ISAP 1 potentially has very broad scope, as it could be applied to any "actuarial" work.		
Y	On balance, yes, although this to some extent reruns the argument within the UK around the potential competitive disadvantage that arises from imposing TASs on work that is not solely deliverable by actuaries, where the FRC reached the opposite conclusion. We are left with the apparent anomaly that		

	advice to a UK pension scheme sponsor on benefit design is out of scope of both TASs and ISAP1, but the same work for an overseas sponsor on an identical scheme would need to comply with one or the other.
Y	The terminology about work being within UK Geographic scope or not is confusing, particularly in the consultation document and guide. All these documents suggest that 'within Geographic scope' is synonymous with being 'within scope of TASs', which is not correct because a lot of UK work is outside the scope of the TASs. A much clearer distinction between UK Geographic scope and TAS scope is required. Further, in the Appendix 2 definition of UK Geographic scope, it is not clear whether "within the context of UK legislation or regulation" applies to "in relation to UK operations of entities" as well as "in relation to non-UK operations to the extent that they report into the UK". We believe that this would be clearer if a comma were added before "within the context of UK legislation".
-	No necessarily. Although overall it is unlikely to be onerous to comply with ISAP1, its form is different from the approach taken by the IFoA and the FRC, and some of its content conflicts with UK practice. In particular: - Paragraph 1.3.3. which requires the actuary to state any departure from the ISAP, and the effect of any departure; - Paragraph 2.8.2 which requires an actuary carrying out calculations using assumptions prescribed by the principal to be explicit about his or her support for those assumptions.
Y	However, we would note that ISAP1 has a wider scope than the equivalent UK standards, thus leading to anomalies whereby non-UK work is subject to heavier requirements than the UK (e.g. post-retirement medical).
Y	We are concerned that ISAP1 has a wider scope than the equivalent UK standards. Thus an item of actuarial work in the UK might not have any applicable standards whilst similar item of actuarial work outside the UK would be subject to ISAP1.
Y	Yes, in general this strikes us as a proportionate and practical requirement, though we would note that it will lead to some situations where more specific requirements will apply to some non-UK work compared to corresponding UK work since TAS currently does not cover all work that falls under the UK Geographic Scope – for example work on post-retirement medical plans. This does seem to be somewhat of an anomaly – it is not obvious why non-UK work should require greater “protection” than the corresponding UK work. However, we understand that there will be a TAS in the new future that will apply to all actuarial work in UK Geographic Scope.
N	ISAP1 appears to apply to a much broader range of actuarial work than TASs. It applies to all "actuarial services" defined as "Services based upon actuarial considerations provided to intended users that may include the rendering of advice, recommendations, findings, or opinions." Thus the proposed standard appears to apply more onerous standards to a geographical scope outside the UK than to within the UK. Unless ISAP1 is required within the UK to all actuarial services it should not be required outside the UK.
Y	ISAP 1 provides a rigorous framework within which to operate - it appears to be in line with the principles espoused by the Standards in the UK.
Y	A minimum standard is appropriate for a member of the UK actuarial profession.
N	Local requirements should apply.
N	The overarching priority should be compliance with local laws. The natural priority order should be: 1 Compliance with Local Laws and regulations, 2 Compliance with rules issued by a local actuarial body that is an IAA member, provided such compliance does not breach 1, 3 Compliance with ISAP 1, provided such compliance does not breach 1 or 2. If a location has more than one body that is a full IAA member that issue different rules, the member should indicate which body's rule(s) the member considers to override the other body's when such conflict exists.
N	For countries with relatively developed actuarial practice it is expected that ISAP 1 will be integrated into their guidance etc and to the extent this happens there is no need for this requirement. For countries with nothing, this provision is OK as it helps inform the adoption of other guidance. However, there

	could be other ways to do this. For countries with some but less developed guidance it is a problem and puts I&FA actuaries at a potential disadvantage because they will be working to a higher standard than local practice.
Y	This is a sensible start.
Y	It is not obvious to me how anyone could reasonably answer 'no' to this question.
N	This is a matter for each of the regional associations that are members of the IAA. They would be best placed to determine how the ISAP1 should be applied in their locale bearing in mind state and federal laws.
Y	The world is getting more and more globalised so standards should apply internationally and reputation of the profession branch in UK should be maintained internationally.

Question 15: Do you consider that the requirement additionally to apply relevant local Recognised Standards in certain circumstances (paragraph 3.4.1 of APS X1) is appropriate and proportionate?

Answered: 33 / Skipped: 3

Answer Options		Percent	Response Count
Yes		84.85	28
No		15.15	5
Answered Question			33
Agree	Comment		
-	We consider that in most cases a requirement to comply with ISAP1 alone would be sufficient. We note that the nature of local standards could differ - one would expect ISAP1 to be sufficient to cover any "ethical" content of the local standards, but if there were specific "technical" content in the local standards ISAP1 would be unlikely to cover it fully. If the proposed additional requirement is maintained, it would be extremely helpful if the Institute and Faculty of Actuaries maintained a list of local Recognised Standards, to which actuaries applying paragraph 3.4.1 could refer, in order to avoid duplication of effort in researching the relevant local standards.		
-	We agree with the principle that actuaries should have regard to local actuarial standards. In many cases, we believe it may be appropriate for the actuary to have some flexibility to agree with the users of actuarial information what actuarial standards should be followed. This is particularly the case where the actuary's role is a broad international role rather than one where specific local knowledge is required. For example, consider an actuary who is carrying out similar calculations covering a number of different countries for a multinational, where each country has a similar legal regime, but where the local actuarial bodies have different actuarial standards with different requirements. We believe it would generally be reasonable for the actuary to carry out all of these similar calculations in the same way, rather than calculate them differently according to the local actuarial standards in each country. The suggestion that the actuary should follow the local standards for each calculation might bring no benefit for the user. Furthermore, in certain circumstances it may be disproportionate to expect the actuary to even consider applying the various Recognised Standards that might, in theory, be applied to the work. These standards may well, for example, be written in a number of different languages, be targeting a very different purpose, and be obtained from different sources (such as various actuarial and regulatory organisations). Navigating these different regulations may well, in practice, bring no benefit for the user. An important resource that actuaries in international roles will require is a clear indication of the actuarial standards issued by non-UK bodies to which they should have regard. For example, a single web page		

	<p>with links to the relevant actuarial standards (Recognised Standards) in each major foreign country would be a valuable starting point. The list of IAA full member organisations goes some way to helping with this, but sometimes the actuarial standards are published by a different organisation to the IAA member organisation (indeed, this is the case in the UK, where technical standards are set by the FRC rather than the IFoA). We suggest that the important requirement in such circumstances is that the actuary should agree with the user of the actuarial information what standards should be applied, and disclose that information in the actuary's report. We believe the actuary should agree with the user which standards to apply and disclose them.</p>
N	<p>We are concerned about the far reaching application of 3.4. For example, if a member of the IFoA is working in country X and providing actuarial advice about a pension scheme in country X to an entity domiciled in country X and subject to that country's legislation, we would expect that person to be aware already of the actuarial standards applied in country X by the relevant professional body, and it is reasonable to expect them to comply with those standards. However if that member is working in the UK (and the client knows this) and advising an entity in country X about a UK pension scheme, it would not be expected (either by the member or the client) for that member to know the requirements that would apply to an actuary in country X. Common examples would be a UK member advising a US purchaser of a UK company with a UK pension scheme, or advising on funding or the US GAAP pension cost for a UK pension scheme. We do not believe that an actuary working in the UK, advising a UK client about its global subsidiaries' pension arrangements, would expect to know and apply all the potentially relevant overseas standards. We would not expect such work to be impacted by the new standard – so this should be clarified. The definition of Recognised Standard is also too wide. TASs are now issued by the FRC itself (rather than as before by BAS), and this makes FRC a Relevant Authority. This means that the definition of Relevant Standard includes all the financial reporting and audit standards issued by FRC that relate to the subject matter of the actuarial work. For example, the definition includes standards such as FRS 102 (which refers to pension cost accounting). In addition, the definition does not then make clear that a Recognised Standard should only be relevant if the particular work falls within scope.</p>
-	<p>Not entirely - It seems to us unlikely to be proportionate to always expect a member of the IFoA doing work that could fall under the jurisdiction of an actuarial body other than the IFoA to consider all relevant local standards. For example, a UK scheme actuary might carry out US GAAP disclosure calculations in relation to a UK based scheme on behalf of a US parent. Under the proposed APS X1, it seems likely that at least four new pensions standards would apply (ASOPs 4, 27, 35 and 44) as well as some more general standards (ASOPs 21, 23, 41). The work being done by the UK actuary is often calculation work, rather than 'advice' and so proportionality might suggest that most of the requirements need not be met. Nonetheless, just having to be aware of the ASOPs and forming the judgement about which aspects can be set aside will not be trivial: a UK actuary's 'judgement' will be based on his or her UK experience, which might result in different decisions to those of a US based actuary. Our understanding is that members of the US profession received extensive training on its standards, which a senior US colleague has described to me as 'complex and nuanced'. Further, the ASOPs are written in English: we expect this cannot always be guaranteed and in any case it only helps English speaking members. On the other hand, where a member of the IFoA is directly doing work for a non UK client (for example, the US parent in the example in the earlier paragraph) that would normally be expected to be done by a local actuary subject to the standards of his or her 'local' actuarial profession, then it does seem appropriate and proportionate that the IFoA member should be required to take local practice and standards into account. Perhaps this could be addressed by replacing 'should apply' in paragraph 3.4.1 with 'should consider whether it would be appropriate to apply'. The guidance could then make clear the distinction between operating as though you are a local adviser (or otherwise working 'locally') and providing information to a local adviser or client where it is reasonable for them to assume that the information is likely to be provided by someone who is not subject to 'local' regulation.</p>

<p>Y</p>	<p>Yes, where the actuary is acting as a local expert then clearly local Recognised Standards should apply. However, where the actuary is acting in a broader capacity (perhaps advising on numerous countries or co-ordinating with local actuaries) we believe this should not be a prescriptive requirement, we would therefore suggest that this requirement be subject to the exercise of professional judgement reflecting the nature of the role being undertaken and its scope. Such a requirement to apply local Required Standards requires a co-ordinating actuary to be aware of the existence and nature of all such local standards. This is clearly impractical, for language reasons alone, when an actuary is undertaking a cross-border exercise (for instance in a multi-country M&A or an accounting co-ordination) involving potentially dozens of different countries (this is a fairly common situation when advising multinational companies).</p>
<p>N</p>	<p>We agree that where an actuary is essentially fulfilling the role of a local country expert, it is appropriate and proportionate that the actuary should follow relevant local Recognised Standards in that country, even if the actuary is not also a member of the Relevant Authority of that country. We believe that where an actuary is carrying out work in country X that has been commissioned by a User in country Y, that the actuary should follow relevant local Recognised Standards in country X, not those of country Y. For example, if a UK IFoA Member sitting in the UK is making an IAS19 evaluation of a UK pension plan that will be incorporated in the financial reporting of a French parent company, we believe that the correct principle is that the Member should follow UK standards and should not be required to in addition follow French professional standards (or indeed ISAP 1, though we are less concerned by that). We believe this would be consistent with the general expectations of the French User – they are reaching out to a UK expert for work on the UK and should expect that expert to follow UK professional standards. Scenario 11 in the “Guide on APS X1” suggests that the Member would have to consider application of French standards as well. We cannot see that this makes sense in principle, it implies a “higher duty of care” to the foreign client compared to that a UK client would receive, and poses practical issues- the Member may very well not have the language skills to understand the foreign standard. To give a different example, would a UK multinational commissioning a valuation of a property on Paris from a French surveyor have any reasonable expectation that that surveyor should follow UK professional guidelines? We think not. We believe APS X1 and the scenarios should make clear that the relevant considerations as to what standards to apply do not include the locus of the User. We believe 3.4.1 may be too prescriptive for IFoA Members that work in a broader international consulting role that coordinates the work of other “in-country” actuaries. We think it essential to practically accommodate situations where IFoA Members are employed by companies in relation to overseas work in a non-local capacity or broader multi-country capacity, as opposed to situations where the IFoA Members are employed in a local actuary role outside the UK. In such “co-ordination” situations we do not think it would be reasonable or indeed practical for the IFoA Member to know each country’s Relevant Standard. We recommend that the phrase “relevant in respect of both geography and subject matter” in para 3.4.1.1 is extended to say “relevant in terms of all of geography, subject matter, scope of the work and the Member’s role”. (Further related comments on this point follow below.) In addition to these specific points, given the wide range of situations that could arise in practice, we also recommend that 3.4.1 and 3.4.2 should be brought within the exercise of “reasonable judgement”, as distinct from the (admittedly rebuttable) presumption of the word “should”. We recognise that there may be a concern that some actuarial standard in the country of the entity commissioning the work could have a pseudo-regulatory role in specifying how the required calculations are to be made. On general grounds we expect that would be a rare situation, and better handled as part of the role/scoping/work requirement discussion between the Member and the client. Unless the Member is claiming to have expertise in that foreign requirement he/she should reasonably be able to rely on the client’s specification of the work required – and should be able to certify that their work meets that specification, without certifying that it meets a requirement that the Member does not claim familiarity with.</p>
<p>N</p>	<p>It should be applied instead of ISAP1, not additionally Comment on 3.4.3 (where no comment box is</p>

	included): This is disproportionately onerous to apply the requirement outside the UK when it is not required within the UK
N	There should be no circumvention of local standards by members through hiding behind UK Standards. I believe that this would be inappropriate.
Y	It avoids arbitrage whereby UK actuary can be chosen just because they do have to apply local recognised standards, thereby preventing users avoiding such standards where the local actuarial association has created them.
Y	I think it is always appropriate to take account of the standards in the territory in which you are operating.
N	As noted in comment 14, the primary compliance requirement for a member should be with local laws and regulations, followed by relevant rules set out by a local IAA member body. At no time should ISAP 1 override any rule set by any local body or override any local law or regulation.
Y	Mostly OK. However, this question should not use the word local. The paragraph is not very clear that this is additional. Also, 3.4.1.1 needs more care with logic since it is or/and/and. It seems that the last part ("would be applicable if the Member were subject to the jurisdiction of the Relevant Authority that imposed the Recognised Standard") could be its own third "or" option. Without this change, I think this paragraph is a bit lacking for working in one country outside the UK reporting under the standards of another also outside the UK. The phrase "relevant in respect of geography" is not so clear for such a case as it could be (say) the location of the business under consideration or the place to which it is to be reported under.
Y	I think care is needed that members aren't subject to too many different standards at one time. If a member is working in the UK for a multinational company which has operations in overseas territories, it would seem proportionate that only ISAP is applied (since we presumably believe this is sufficiently robust). Otherwise the member could spend an inordinate amount of time working out exactly which standards they need to comply with for each aspect of their work.
Y	But it should be in all circumstances not just in certain ones.

Question 16: Do you consider that the requirement to use reasonable judgement to consider whether there are other relevant standards that should be applied (paragraph 3.4.3 of APS X1) is appropriate and proportionate?

Answered: 36 / Skipped: 0

Answer Options		Percent	Response Count
Yes		83.33	30
No		16.67	6
Answered Question			36
Agree	Comments		
Y	<p>Yes, provided that "relevant standards" is interpreted proportionately, to standards that are clearly relevant.</p> <p>Again, it is not clear why this should necessarily only apply to work outside UK Geographic Scope. For example, a UK actuary preparing figures on a US pension scheme for the financial statements of a UK company is within UK Geographic Scope, but given the work is of US nature. US actuarial standards may be more relevant in practice than UK ones.</p>		

<p>Y</p>	<p>Yes, we agree that it is appropriate for members to exercise 'reasonable judgement' in deciding which standards to apply. However, in our view, the requirement to consider standards under 3.4.3. should not be in addition to 3.4.1. If there are relevant local standards then, under 3.4.1, they must be applied: having to consider the effect of IAA and AAE standards as well could be disproportionate and seems unlikely to result in better outcomes, unless that is also required under the local standards or the local standards are viewed as deficient in some sense. We expect 3.4.4 is intended to address this, but we are not confident that it does.</p> <p>We also consider that the last part of 3.4.4. should be re-written. Although the IFoA has a public interest duty which members have to reflect in how they carry out their work, we are not aware of any duty on them to 'safeguard the interests ... of the public' when carrying out their work. Members must carry out their work inline with the requirements in the Actuaries' Code, but this has no 'safeguarding' provisions, although there are instances where work in the scope of the TASs requires members to ensure that 'users' understand the effect of their decisions on any parties affected.</p> <p>We have a question about the use of the term 'subject matter' in paragraph 3.4.2. Is the intention that, where a recognised standard covers a similar task then it can be considered an alternative to an APS, or where it covers similar behavioural and/or other requirements?</p>
<p>Y</p>	<p>Yes, We note that ISAP 1 is only a model standard and compliance is not mandatory. To the extent that other standards do not exist we are suggesting that our members use ISAP 1. If other standards do exist then members are being required to use reasonable judgement as to whether the other standards should apply. We believe this is a suitable approach.</p> <p>However ISAP 1 envisages a professional body deciding that its standards are reasonably consistent with ISAP 1 and therefore not imposing ISAP 1 – for example this confirmation being made by the IFoA rather than relying on an individual member.</p> <p>ISAP 1 does not state that compliance with standards that are consistent with ISAP 1 meets the requirements for compliance with ISAP 1. Therefore the statement in 2.13 (that complying with standards that are (reasonably considered to be) substantially consistent with ISAP 1 is a way of meeting the ISAP principle) is the IFoA's interpretation of the position – we suggest that this ought to be confirmed with the IAA before being promoted as a suitable way forward.</p>
<p>Y</p>	<p>This seems to be somewhat of a "catch all" that could be held against an IFoA Member – for example someone could argue based on it that the Member should also consider the standards of other professions which might be tangentially relevant, which we doubt is the intent. We recommend focussing this to a requirement to exercise reasonable judgement as to whether any other relevant IAA or AAE standards should apply.</p> <p>Further, we believe 3.4.4. should also include in the list of relevant considerations the reasonable expectations of the User, and any specific agreement that has been reached with the User as to what standards to apply.</p>
<p>N</p>	<p>This seems to be somewhat of a "catch all" that could be held against an IFoA Member – for example someone could argue based on it that the Member should also consider the standards of other professions which might be tangentially relevant, which we doubt is the intent. We recommend focussing this to a requirement to exercise reasonable judgement as to whether any other relevant IAA or AAE standards should apply. Further, we believe 3.4.4 should also include in the list of relevant considerations the reasonable expectations of the User, and any specific agreement that has been reached with the User as to what standards to apply</p>

Question 17: Do you think it is reasonable and proportionate to introduce a requirement to be open with users about the standards that are applicable to a piece of work?

Answered: 34 / Skipped: 2

Answer Options		Percent	Response Count
Yes		85.29	29
No		14.71	5
Answered Question			34
Agree	Comment		
-	The requirement is reasonable in principle, but is subject to the risk that it could lead to a "box ticking", formulaic approach to meeting it, which is of limited practical value to users.		
Y	Yes, as long as there is flexibility for the member to apply judgements to how this is best done (timing, method and level of detail).		
Y	The concept is sensible (and we expect that the members involved will already be clear about what standards they are relying on), but we believe that the requirement to be open with users will just create further need for disclosures which may not be understood or appreciated by users.		
Y	Although we agreed with paragraph 4.1, we think 4.2 is likely to be onerous. - It is drafted quite widely and could be read to require the member to consider all standards that could possibly be relevant. - In any case, the broad effect of the APS is for the member to look to the local standards and apply any that are relevant, so there should be no need to give the explanation. - More specifically, since members are required to comply with the APS, necessarily if they fail to do so and are subject to a complaint, they will have to justify their actions, so including this in the standard itself seems excessive.		
-	Yes, we believe that one should be open and this is best achieved by a rebuttable presumption to list the standards that have been followed. 4.1 could be simplified accordingly to simply state that the standards followed should be specified.		
Y	Given that it is appropriate to consider what standards should apply, there is little cost to being open with clients about this.		
Y	Boilerplate approach should be avoided - no point in hammering home a list of codifications to every client about what we have applied. Openness on request.		
N	It should be in the actuary's judgment as to whether this is disclosure is applicable.		
Y	Having said this, in my experience users do tend not to know what the standards are, and question why we are "wasting time" with such a statement.		
Y	In some countries they would have no idea what you are talking about.		
Y	The member should always include, in any actuarial communication, a clear statement of (a) any potentially relevant rules that the member has ignored and the reason for ignoring such rules, and (b) any relevant rules that the member has complied with in providing the actuarial communication.		
Y	However, a requirement as proposed, just to name the standards applied or not applied, is unlikely to enable most users of actuarial work to understand the difference between applying, say, UK TAS or an overseas standard. If this disclosure is to be of value, it should require Members to explain the material differences between the standard(s) applied and the alternative(s) rejected.		
Y	This is sensible and provides relevant information to users.		
N	In my experience, clients will take it for granted that I have complied with any standards or other requirements set by the profession or elsewhere. Given what the TASs already require, I do not expect for one moment to win this argument, but I would much prefer APS X1 and other similar documents to		

	include a requirement along the lines of "Members must consider whether it would be helpful to their client to be open with [or 'specify'] the standards which have been applied to their work". In any substantial piece of work (and I accept this begs the question of what is considered 'substantial') I think it would be very difficult to justify NOT saying what standards were applied, but in some minor pieces of work I almost feel embarrassed having to include details about which TASs applied.
N	Users of work produced in a geographic region will expect work to be completed to the standards required in that region. If an actuary chooses to use a higher standard because of an absence of regional guidance they make wish to note it.

Question 18: Do you have any other comments on the requirements and provisions of the Draft APS X1?

Answered: 34 / Skipped: 2

Answer Options		Percent	Response Count
Yes		47.06	16
No		52.94	18
Answered Question			34
Agree	Comment		
-	The reference in paragraph 3.4.4 to "safeguarding the interests of the public" gives rise to the question of how those interests might be defined in any particular circumstance.		
Y	A crucial definition, of "UK Geographic Scope", is unclear. The definition in draft APS X1 states that this: "Refers to work carried out in relation to the UK operations of entities, or in relation to non-UK operations to the extent that they report into the UK within the context of UK legislation or regulation" (We note that this definition is very similar, although not identical, to the definition in the FRC's "Scope and Authority of Technical Actuarial Standards"). There are two ways that these definitions might be interpreted. These are: 1. That work for UK operations of entities is only within geographic scope to the extent they report into the UK within the context of UK legislation. This is the interpretation implied by the "Significant considerations" document to the Pensions TAS, which discusses work under US accounting standards. ¹ This wording implies that work on UK pension schemes, where the work is in the context of US regulation (US accounting standards in this case) is not within UK Geographic Scope. 2. Alternatively, that work for UK operations of entities is always within geographic scope whether or not it is in the context of UK legislation. This interpretation appears to be implied in Scenario 2 on page 8 of the draft "Guide on APS X1", which says that this work is within UK Geographic Scope on the grounds that it is work relating to the UK operations of that company. This definition is crucial to the interpretation of APS X1 and we suggest that it is clarified, perhaps through the following wording (in line with the first interpretation above): "UK Geographic Scope: Refers to work on operations within the context of UK legislation or regulation. This includes both work on UK operations, to the extent that it is within the context of UK legislation or regulation, and work on overseas operations to the extent that they report into the UK within the context of UK legislation or regulation." APS X1 also refers in a number of places to "work". We suggest that this should be restricted in some manner to "actuarial work".		
Y	Because different actuarial associations have developed differently, strictly following the standard could result in members of the IFoA having to follow different processes when delivering work to clients in different geographies. For example, the Actuaries' Code has different confidentiality requirements than the Code of Professional Conduct of the US Actuarial Standards Board (although I understand that the		

	<p>Actuaries' Code continues to apply so this is not the best example). We also have a concern about how the disciplinary process will work, for example: - Suppose UK actuaries are required by APS X1 to follow non-UK standards. Based on their UK experience of applying proportionality, the effect of an actuary exercising discretion about which parts of a standard to apply might result in different outcomes than if a local actuary had made the decision. Which standard of judgement would apply? - Has the IFoA considered the cost and complexity of applying a regulatory regime to standards over which the IFoA has no control (both in content and in number)? The process seems challenging and possibly the cost could be disproportionate compared to the benefit, and also compared to other alternatives.</p>
Y	<p>Under 3.4.4 and elsewhere the recognition of the role, locus and expectations of the User should be explicitly recognised as well as any specific agreement reached within the User as regards the standards to be applied. Para 3.4 requires IFoA members carrying out work outside UK Geographic Scope (eg. US GAAP for pension valuations) to comply with relevant Recognised Standards that would apply if the Member were subject to the jurisdiction of the Relevant Authority (i.e. to comply with relevant US actuarial professional guidance for US GAAP), which seems potentially quite onerous (e.g. would it extend to US actuarial CPD as well as relevant ASOPs?). Also under the APS X1 proposals, the rules are very different for IAS19 work for a UK company (within UK geographic scope), and a non-UK company (outside UK geographic scope). So far for IAS19 work, you could have fundamentally different professional standards applying to exactly the same work covering the same pension scheme, depending on where the company using the work is listed. This seems at odds with the Institute and Faculty's objectives, which is to have broadly equivalent treatment of UK and overseas work (their "Equivalence Principle").</p>
Y	<p>The final paragraph in 3.4.4 requires IFoA Members to have regard to relevant circumstances "subject always to safeguarding the interest of the User(s) and of the public ... ". The "interests of the public" are not necessarily the same as "the public interest", and we believe it should be replaced by some more general wording that recognises that following APS X1 contributes to furthering the public interest. There might be practical difficulties in safeguarding the interest of the public through the work in question, particularly if the public's interests (whatever those are, which may involve highly debatable questions of personal opinion) are not aligned to the Users. This risks creating irreconcilable conflicts of interest for the Member. Similarly, we believe that paragraph 4.2 should specify to whom a justification of the standards applied should be provided– ie the User(s), or perhaps also the profession. The phrase "..., if reasonably called upon to do so." might be too open to interpretation and has the potential to create responsibilities to a wider audience than the User(s), and hence could create a potential conflict of interest with and is of no benefit to the User(s). In the definitions, we note that the UK Geographic Scope has been worded slightly differently to what is stated in the BAS (now FRC) Scope and Authority of TAS and is (presumably inadvertently) much wider than what we understand to be the correct interpretation of what is an ambiguous sentence in paragraph 13 of the Scope and Authority document. Given what is stated in paragraph 5.39 of Pensions TAS "Significant Considerations" about work under FASB standards, we understand that to be in geographical scope of the TAS standards, the work must be in the context of UK legislation or regulation. It is not enough in itself sufficient for the work to relate to the UK operation of entities (or in other words, we believe the qualifier "which report into the UK within the context of UK legislation or regulation" in the TAS scope and authority para 13 qualifies work on both UK and non-UK operations, not just non-UK operations). We suggest APS X1 should use the BAS wording, ie the word "and" should be used, not "or", and ideally a clarifying comma should be inserted so that it is clear that for work to be under the UK Geographic Scope it must be within the context of UK legislation and regulation. UK Geographic Scope: Refers to work done in relation to the UK operations of entities and any overseas operations, which report into the UK within the context of UK legislation or regulation.</p>
Y	<p>Using ISAP1 as the basis of the standard is unhelpful as it is overly prescriptive for the wide range of actuarial work carried on outside the UK. It is notable that the IFoA is only seeking to require it outside</p>

	the UK and not within the UK and this is unhelpful to a profession which is seeking to extend its international reach. A more general high level standard would be more appropriate.
N	I think the burden of 3.4.3/3.4.4 is excessive. It's fine to require consideration of whether or not to apply IAA Standards and AAE Standards, a finite known set, but to require the member to trawl the world's standards to confirm there's nothing else relevant is a step too far. I understand from the guide and the covering letter that it is not intended that the member be required to trawl the world's standards and apply other organisations' global standards, but I'm not convinced that the wording of 3.4.3/3.4.4 and the sub-clauses, in particular "exercise reasonable judgement to consider whether there are other relevant standards that they ought to apply", achieves this aim.
Y	It would be good to link to the IAA website and/or include the text of ISAP1 as appendix (not just doing so in the guidance).
Y	Why do we need this? If there is a UK problem, then the UK should attend to its own issues. This is another step towards actuaries outside the UK not being an FIA.
Y	Definition of 'UK Geographic Scope': it is not clear to me what is intended by '... non-UK operations to the extent that they report into the UK within the context of UK legislation or regulation', in particular the phrase I underlined. For example, consider a UK life insurance group with a South African life insurance subsidiary. I presume when the UK group reports consolidated financial results, it reports the SA component 'within the context of UK legislation or regulation'. Is the intention to bring the financial reporting work being performed for the SA subsidiary in scope of the 'UK Geographic Scope', which brings in scope APS L1 and L2 (despite the possible existence of SA 'Recognised Standards') and TAS? If the SA subsidiary is considered to 'report into the UK within the context of UK legislation or regulation' for financial reporting purposes, should other work for the SA subsidiary, for example prudential regulatory work, now be considered to be included in 'UK Geographic Scope'? I would not think this is the intention, but it is important to get clarity. In the definitions it should be 'AAE Standards', not 'AEE Standards'.
Y	It seems that the user may reasonably have some say over the standards used. For example, in the location I am in, work is done to both local standards and the standards of the Relevant Authority where the parent company is located. For some operations in other locations of the same company they only work to the local standards. This is a decision of the user (ie the parent company). That possibility is not explicitly captured in 3.4 of APS X1, though it is probably not inconsistent with the exercise of judgement.
Y	Work in the UK geographical scope but not subject to any APS or TAS appears effectively to be excluded from the requirement to apply any standard including ISAP1. This may be seen to be treating home-based Members more favourably than overseas members. It may be that ISAP1 should be introduced as a default for those activities not within the scope of TAS or APS (unless the FRC review of TAS applies the generic TAS to all actuarial work).
Y	We should have some form of words that requires overseas actuaries working in the UK, who are not members of IFoA, to apply our standards if working here.
Y	As stated above, I think we need to be careful that there are not too many different standards applying at the same time.
-	If we feel it is necessary to make reference to the Actuaries' Code at all, why are the first eight words of 1.1 relevant to 1.1.1? The Code itself begins by saying: "The Code applies to all members of the Institute and Faculty of Actuaries." This statement is not qualified. (I would like to think all Members recognise that the Code is not above the law.) I have already commented on 4.1 in my response to 17 above. I have one reservation about 4.2 as drafted. I think it would be better to say something like "Members must be ready to justify...". If a complaint was made against a member regarding some work he or she had done, it seems to me entirely possible that the member might believe they had applied the correct standards while an investigating committee subsequently reached a different conclusion. My final comment is a fairly trivial one, but I was slightly surprised to see the definition of the Actuaries'

	Code on the final page of APS X1 refer to "The ethical code...". I seem to recall it previously being referred to as a professional code, but perhaps my recollection is wrong.
Y	It is unclear to me why the Institute is choosing to take on the role of IAA regulator and demand its members comply with IAA requirements. The local associations are best placed to determine how the IAA principles apply in their location and trying to overlay an alternate set of standards will create confusion for actuaries and users of their work.
Y	The requirements have to be set fairly and consistently (subject to well justified differences for different regions if any).

Question 19: Do you think that the case studies and examples included in the Guide at Part 3 are helpful? If not, can you suggest how those might be improved?

Answered: 34 / Skipped: 2

Answer Options		Percent	Response Count
Yes		88.24	30
No		11.76	4
Answered Question			34
Agree	Comment		
-	We suggest Scenario 2 is amended to reflect the definition of UK Geographic Scope highlighted in question 18.		
Y	I would suggest that some further examples be produced (possibly by the appropriate specialists) that consider common scenarios in the Life, Pensions and General disciplines. For example, in Pensions, US GAAP pension costs, scheme funding advice for schemes/sponsors outside UK Geographic Scope.		
Y	We believe that the case studies and examples are helpful overall. We would suggest that the scenarios are re-ordered to group solely UK work together. We would also suggest that a scenario be included for work (carried out within the UK) that is outside scope of the TASs so that members can be reassured of the current position here. We believe that scenario 6 of the actuary advising in the Isle of Man could create uncertainty and confusion if a member had previously applied the TASs (although out of scope) but then has to consider whether anything additional is then required if he continues to use the TASs.		
Y	First, some general comments on the guidance: - The definition of relevant authority in APS X1 seems wider (including any 'other regulatory body') than the way it is used in the guidance. For example, paragraph 2.1 of the guidance restricts 'relevant standards' to those issued by full members of the IAA, whereas this is not the effect of the definition in APS X1 (also see guidance paragraphs 2.6 and 2.18, which are both slightly different again). - The comment in guidance paragraph 2.14 is not correct. ISAP 1 has broader effect than the Actuaries' Code, and some members just doing UK work would not be subject to ISAP 1 (or, in some cases, including some corporate pensions advice, to an APS or a TAS). Effectively, a different minimum standard is being applied to non UK work. - A 'when in scope' qualification should be added to the statement that members 'are required to comply with APSs and the FRC's Technical Actuarial Standards' in guidance paragraph 2.17. Regarding the examples: - Scenario 6 seems a good example where there is no benefit in referring to ISAP 1, provided that, instead, relevant UK standards are followed. That is, ISAP 1 introduces unnecessary duplication and resulting inefficiencies, for no apparent benefit. - Scenario 11: in our view, what the work is in relation to should be more relevant than whom it is provided to. For example, if the advice is in relation to a UK scheme and commissioned from an actuary whose work is based in the UK, but it is delivered to a		

	<p>group of users that include a UK as well as, say, a US company (which could be the parent of the UK employer), then it seems to us appropriate to follow UK standards. In addition, having applied a set of standards that the IFoA (presumably) considers to be adequate, provided the work done in accordance with any other relevant (non-actuarial) regulation, it seems disproportionate to require the member to refer to other sets of actuarial standards. - Another scenario that might be worth considering, similar to 11, is where international consulting firms use service centres that provide work to more than one country. In that case, although work delivered externally to the firm might have to comply with any relevant local standards, it seems to us that, depending on the needs of their employer, it should be sufficient for members of the IFoA working for the service centre to ensure their work complies with UK actuarial standards and for the 'local' employees who deliver work to the client to be responsible for any local standards.</p>
Y	They are helpful, but it would be useful to have an example of where the actuary is acting in a non-local multi-country role.
N	<p>The examples are helpful as far as they go, but did not answer the main questions that arose when reading the draft standard, in terms of situations that arise in our day to day work. We believe there should be a case study that illustrates a situation where an IFoA Member is working on a multi-country context and providing coordinating advice to the HQ of a multinational. For example M&A due diligence where an IFoA Member is managing the collation and review of pension liabilities of the Users target company and is acting as an M&A specialist, not a deep specialist in any individual country. Under this situation we believe that there should be no need to for the Member to check the Relevant Standard for each country in scope given the role as an advisor to the HQ covering multiple countries. Similarly, situations where the IFoA Member is acting as a global consolidation actuary for IAS19 pension accounting advising HQ might also be useful. The coordinating actuary would be working as an IAS19 expert, not as a specialist in the pension arrangements of the individual countries (which would be the role of the local actuaries in each country from whom the IAS19 results are sourced). It would be impractical and we believe inappropriate for the IFoA Member who is working on the consolidation and with an HQ advisor role to be familiar with each country's Relevant Standard. Another example to include might be the situation where an IFoA Member is providing US GAAP numbers for a UK pension plan that eventually form part of the consolidated accounts for the US HQ. Or indeed IAS19 numbers that eventually form part of the consolidated accounts for the French HQ. As noted in our comments above we believe it should be made clear that this does not require compliance with US or French relevant standards respectively.</p>
Y	These were extremely helpful. It is always useful to put things in context. As an actuary working for an International Group, I am occasionally called in to consider aspects of business overseas and it is interesting to put myself in the shoes of the individuals in the case studies.
Y	I think these are much easier to follow than the detail. I would even add some further exec. summary clarification earlier in the pack.
Y	There are a lot of them but there needs to be something like that many to cover the ground.
Y	It is tempting to read past some examples that relate to a different line of work, and would be better if the example linked to the flow diagram after the examples.
N	I think that each case study is itself helpful, but the number of them is overkill and the point could be illustrated with fewer.
Y	They were interesting.
Y	Please provide additional examples: Please mention major relevant local guidance, for example for members working in the United States the ASOPs issued by the Actuarial Standards Board, provide a cross reference of (a) the Actuaries' Code, (b) the Code that applies to members of any North American actuarial body, and (c) the regulations of the Joint Board for the Enrolment of Actuaries. Please also give an example of a situation where conflicts currently exist between different sets of rules and provide

	guidance on how the member should apply a set of priority rules for compliance and how a member should disclose such conflict.
Y	The definition of 'Relevant Authority' includes 'other regulatory entity with equivalent authority to impose standards'. it would be useful to have an example or two of such regulatory entities. In Scenario 3 there are two references to 'Actuaries Institute of Australia'. It would be preferable to use 'Institute of Actuaries of Australia' throughout.
Y	I think the example of working on business in one country and reporting to another country's standards (eg US) would be common enough to deserve its own example. Possibly also working to the first country standards in parallel. In a couple of places the guide is a bit careless with the word "local" since the standards may be third country rather than local.
Y	It would be worth including a member working for, say, a UK insurance company on an activity explicitly excluded from the scope of the Insurance TAS and to which no specific APS are likely to apply, to explain what is (or rather is not) expected. This would clarify that the Profession was not, for example, expecting a statement in a report to say that no standards have been applied to this work!

Question 20: Do you have any suggestions for other useful issues that should be drawn out in examples contained in the Guide?

Answered: 34 / Skipped: 2

Answer Options		Percent	Response Count
Yes		23.53	8
No		76.47	26
Answered Question			34
Agree	Comment		
-	As previously commented, an example relating to coordination of global accounting information would be helpful.		
N	More common client situations for UK members advising UK companies could be considered (see the examples in question 16).		
Y	Generally, our view is that standards and guidance should be kept as brief as possible.		
Y	As noted above ISAP1 has a wider scope than the equivalent UK standards. If this is not an unintended anomaly it would be useful to have a case study of this type included in the Guide.		
Y	It would be useful to have an example of actuarial work out of scope in the UK but in scope if carried out outside UK (see comment to Q14).		
N	The examples appear to be comprehensive.		
N	Operating with countries where established standards are poor (maybe this is more a professionalism course question!)		
Y	Examples when local legislation and/or recognised standards are in conflict with ISAP1 or APS.		
Y	See comments to question 19.		

Question 21: Do you think that the revised decision tree is helpful? If the answer is no, what suggestions do you have for improving it?

Answered: 33 / Skipped: 3

Answer Options		Percent	Response Count
Yes		84.85	28
No		15.15	5
Answered Question			33
Agree	Comment		
-	The decision tree is complicated, but that is probably inevitable, given the ground which it seeks to cover.		
-	Our comments on the decision tree are as follows: - In the fourth box “substantially similar” is inconsistent with the wording in APS X1 of “substantively similar” (see our answer to Question 24 below). - “All work must be carried out in a way that complies with ISAP1” should read “all work should be carried out in a way that complies with ISAP1” - The box “Presumption that work carried out in a way that complies with ISAP1” does not have any arrows following from it, even though further requirements do apply – presumably it should lead directly to “Is there another Recognised Standard...”.		
Y	The decision tree is reasonably helpful, but needs to be made clearer that even where work is within UK geographical scope the TASs may not necessarily apply (and therefore that the same argument should be applied when carrying out the same work outside UK geographical scope).		
Y	Some minor suggestions: - The starting point needs to be made clearer. For example, an arrow from the title ('which actuarial standards do I have to use?') to the box with commentary starting 'Is the work being carried out by a member!'. - Having two 'yes' options from the first box seems off. The first 'option' is not actually a dead end, as it seems; also it is not about which standard to use, but instead about what to do having used a standard. - There are other boxes also that do not follow the 'rules' of a flow chart, but could be badged differently to avoid confusion.		
Y	Yes but the decision tree is still very complicated and could be simplified (eg there are two arrows from two boxes which lead to unintended "dead-ends" in the tree).		
N	Very cluttered.		
Y	However, the layout is poor, e.g. not clear where you start.		
N	If there is a need for such a flowchart to explain the requirements then it may suggest that the requirements are too complicated! Also, such a separate document risks paraphrasing the standard's requirements inaccurately. There should be a comment that if there are any discrepancies then the standard itself will prevail. If retained, and consistent with our comments above, we suggest that before “Is there another Recognised Standard (other than an APS)” there is another decision point: “Does the Members' role and Scope of the work require investigation into the possible existence of another Recognised Standard?”.		
N	It is only helpful in demonstrating what a complex analysis an actuary has to complete before carrying out actuarial work, especially outside the UK. It also confirms the disparity between UK work being subject to these standards only if they fall within the scope of TASs and non UK work falling within the scope of ISAP1 if it contains the rather broader "actuarial services".		
Y	Notwithstanding the yes response, I have a comment. The boxes are colour coded and it would help to point out what this means. Also, there is a requirement to be open with clients about the standards used in Every circumstance. This does not come across in the tree, but could with relatively minor changes.		
Y	I think the revised decision tree is very helpful. I would format the box that starts 'Must apply relevant TASs' the same way as the box that starts 'Subject to Legal Requirements', centred without bullets. I applaud the wording of the question 'Is the work being undertaken OUTSIDE the UK Geographic		

	Scope', so that in line with other questions a 'Yes' continues the flow while a 'No' terminates it. I would reword the final box on the page in line with my reply to question 16 and my comments to question 18.
Y	Much clearer with the decision tree (flow diagram).
Y	Please expand it to show appropriate compliance with the IFoA Actuaries' Code, the uniform code of the five US actuarial bodies, and ISAP 1.
N	The decision tree as presented does not appear to add much over reading the regulation in order, once you are outside the UK. The box including 3.3 seems like it could have a yes/no answer. Though it matters why you apply it - for example whether it is because it is relevant and applicable or because it is adopted in the absence of something else. This is also not passed if you use the "wrong" country - for example, this should not be passed if I use the Recognised Standards of company A when I should use the Recognised Standards of country B. Not clear if 3.4 is a weaker form of 3.3 (I think it is). If so, is it deemed to meet the ISAP 1 requirement? It does not seem to deal with circumstances when there are no immediately relevant Recognised Standards to apply, so it may be necessary to adopt from somewhere else's or use ISAP 1 directly.
Y	This is an absolutely trivial suggestion, but it might be helpful to highlight in some way the box where the decision tree starts.

Question 22: Do you think it would be helpful to have any further guidance (in addition to the Guide) and/or training opportunities in this particular area? If so, what should this guidance/training include?

Answered: 32 / Skipped: 4

Answer Options		Percent	Response Count
Yes		37.50	12
No		62.50	20
Answered Question			32
Agree	Comment		
-	We believe the main resource that actuaries in international roles will require is a clear indication of the actuarial standards issued by non-UK bodies that they should have regard to (as referenced in our answer to Question 15 above).		
Y	See answers to Qs 13,14,18 & 19		
Y	We believe that a fuller discussion of ISAP 1 is necessary before APS X1 is considered further.		
Y	We expect that training would be useful generally in relation to why standards exist and how they should be applied. This could be part of the professional standards training the IFoA provides.		
Y	A Q&A document in due course would be helpful.		
Y	It would be helpful if any questions raised about APS X1 and the corresponding answers were published as a "Q&A".		
Y	Real world experience sharing. Discussions with experienced actuaries who have had to apply international standards to their work on a frequent basis.		
Y	As alternative for CPD to UK-specific, especially if available online.		
Y	See comments to questions 19 and 21.		
N	I think it may be rarely used once in place and so would have to be online or easily accessible when		

	required and not course based (apart from maybe the initial one or two where there are members currently working on relevant issues).
-	It would be very helpful to have an online tool enabling a user to enter their location, the location of their employer and the territory in which the business they are pricing or valuing, and for this to then highlight which standards the member should be applying.

Question 23: Do you anticipate that there would be any practical or resource implications caused by the introduction of these proposals? If yes, what sort of implications do you anticipate?

Answered: 32 / Skipped: 4

Answer Options		Percent	Response Count
Yes		59.38	19
No		40.63	13
Answered Question			32
Agree	Comment		
-	As indicated in our response to question 15, it would be helpful if the Institute and Faculty of Actuaries maintained a list of relevant local Recognised Standards, perhaps highlighting any aspects in those Standards, which differ significantly from those in the UK.		
-	We believe that the introduction of the proposals, as drafted, could have significant resource implications, particularly for those actuaries with international roles who may do actuarial work involving a number of countries. Such actuaries may, in some cases, face a significant burden in determining what standards might in theory be relevant, even where this is of no benefit for the user. For the reasons stated in our covering letter, we urge you to introduce APS X1 alongside the introduction of the new Technical Actuarial Code. This will avoid a temporary period of undue complexity. In this way the resource implications can be considered alongside the Regulatory Impact Assessment which is presumably planned for the Technical Actuarial Code.		
Y	The resource implications would be caused by the need to explain and discuss with those possibly carrying out work outside the UK geographical scope to ensure that they have appropriately considered the application of other standards. If 'open' communication of standards is to be required this may entail updating client materials.		
Y	These should be clear from our answers to the preceding questions, but we would be happy to elaborate if useful.		
Y	We noted above that the requirement to apply local recognised standards in all circumstances would require considerable and disproportionate resources. This would add to the costs of advice without any significant advantage to the User(s) or the public interest.		
Y	Investigating whether there are any local standards, and if they have requirement in addition to ISAP1.		
Y	As well as the "in principle" concerns about some aspects of the proposals set out above, we have real practical concerns too. If an IFoA Member working on a multi-country coordination context is to make a real decision around whether or not a Recognised Standard should be applied, the Member would need to be aware of the Recognised Standard and understand it for each country. We see this as entirely impractical, apart from the fact that it is unlikely that the coordinating actuary would have the language skills to read all the potentially relevant standards, the time and research needed to keep on top of the developments and to understand the Recognised Standards for literally dozens of countries on an ongoing basis would be excessive, and we cannot foresee it bringing tangible benefit to the User(s). Also of concern, a UK IFoA Member working on UK plans for a range of clients who have		

	foreign parent companies could be forced to become familiar and maintain familiarity with the Relevant Standards of several other jurisdictions if it is not made clear that locus of the User should not be a relevant consideration. Again this would be a considerable effort, pose practical issues in terms of ability to understand standards not written in English, and we cannot foresee it bringing any real benefit to the User(s).
Y	This will significantly increase compliance costs outside the UK, in ensuring that ISAP1 is complied with. ISAP1 is unduly prescriptive - consider 2.1.1(d) for example - which goes further than is required for existing standards in the UK and seems to be required for any job however large or small. Where there is a choice of actuaries a client may well select a non IFoA member in future if that delivers a more cost effective service.
Y	Additional regulation always has resource or monetary implications. These should be relatively light here, but they will exist. This will inevitably be borne by clients.
Y	Difficult for lone IFoA members operating in non-UK territories to have a sounding board (or potentially even peer review opportunities) - Perhaps some form of buddying or online forum so that members are never isolated?
Y	I think the IFoA should maintain for the use of its members a list of actuarial standards that apply around the world.
N	The only resource implication would be were onerous documentation requirements to be introduced to evidence something which should already be happening.
Y	Trying to explain to some client in a third world country what is an ISAP1 would be interesting!
Y	You need a hot line to those responsible for compliance at the IFoA so members can seek and receive timely guidance.
Y	Please see my comment on question 18. If the definition of 'UK Geographic Scope' brings into scope standards such as APS L1 and L2 and TAS for the South African subsidiary in my example, it would place significant additional requirements on the SA subsidiary if the work is performed by a member of the IFoA and put members of the IFoA at a disadvantage relative to members of the Actuarial Society of South Africa who are not members of the IFoA. This would not be desirable.
N	Not in the UK geographic scope, unless it is decided to apply ISAP1 to activities in this scope which are not subject to TAS or APS.
Y	More time spent identifying which standards apply - unless we have access to an online tool as suggested above.
Y	It will require an actuary to cross check IAA principles and local standards on every piece of work and provide a user with a confusing disclosure. Local users are expecting work completed to local standards.
Y	Implications if there is room for interpretation of the guidelines. This should be resolved with more detailed guidance as per question 22.

Question 24: Do you have any other general comments or suggestions in relation to the proposals?

Answered: 34 / Skipped: 2

Answer Options	Percent	Response Count
Yes	23.53	8
No	76.47	26
Answered Question		34

Agree	Comment
-	<p>APS X1 paragraph 3.4.2 states that “Where the subject matter of a Recognised Standard... 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”. It is not clear what “substantively similar” is intended to mean in this context. We suggest that what may have been meant is “substantially similar”, which is the wording used in the corresponding part of the draft decision tree. Examples of similar work subject to different standards if APS X1 is applied as drafted. We believe the proposals may not fully meet the “Equivalence Principle” that overseas work should achieve equivalent regulatory outcomes to UK work. This is illustrated in the following examples: Example 1 - An actuary who values a US pension scheme for a South African company’s financial statements under International Financial Reporting Standards must, under the proposals, follow a number of detailed rules to determine what local standards apply. This may include considering what relevant local standards apply (which might mean applying US standards and/or South African standards), as well as ISAP1 or an equivalent. - The same actuary who values exactly the same US pension scheme for a UK company’s financial statements, also under International Financial Reporting Standards, is not subject to these standards. The work is not, in practice, subject to the TAS requirements (as while the work is technically in UK Geographic Scope, there are no TAS requirements applying to US pension schemes). The work is also not subject to the requirements for work outside UK Geographic Scope. The proposals therefore do not require the actuary to follow, or even consider following, any standards at all. This suggests that the regulatory regime is substantially different, even though both the work (valuing a US pension scheme) and the regulatory rules (International Financial Reporting Standards) are identical. The only difference is the technicality of where the company is listed. We believe this may not be consistent with the spirit of the Equivalence Principle. Standards required can be different even where the work and regulatory rules are identical. Example 2 (see Appendix 2).</p>
Y	<p>Many Members will not be aware of the IFoA’s Regulatory Strategy, the Equivalence Principle, the implications of the IFoA’s membership of the IAA, the intent and contents of ISAP1, etc. Without this knowledge, the immediate reaction to APS X1 may be “why bother?”, as it is in the context of these, and issues such as defending the role of the IFoA members in the UK where there is no statutory underpin, that the standard comes to life as worthwhile.</p>
Y	<p>We would be interested in seeing an impact assessment of the effect of implementing the standard, both on individual members and their firms, and also on the IFoA and its disciplinary regime. In particular, we believe there are cases (for example, where members work for a service centre providing actuarial calculation services for firms that operate internationally) where it would be reasonable for members to say that they are complying with the standards of the IFoA although they are delivering work to entities not based in the UK.</p>
Y	<p>The introduction of the exercise of professional judgement within the applicability of local recognised standards would allow the APS to be simplified considerably.</p>
Y	<p>[Comment redacted as this was a personal query rather than a comment on the consultation.]</p>
Y	<p>As commented we agree with the purpose of having APS X1 but believe the wording as presented in the current draft is too “catch all” in nature and seems unnecessarily complex. We have made some specific suggestions on particular points of concern above, but would suggest an overall simplification of the wording based on the following principles: • For work within UK Geographic Scope, follow TAS standards to the extent relevant • For work outside UK Geographic Scope, follow ISAP 1, unless there are Relevant Authority or IAA/AAE standards that (in the reasonable judgement of the Member) do not conflict with ISAP1 and are more specifically relevant (in terms of all of geography, subject matter, scope of the work and the Member’s role) in which case those standards should be followed instead.</p>
Y	<p>Q7 asked for the size of my organisation. [Redacted] is a huge insurance company, with many actuaries from many bodies. I guess there are over 25 UK actuaries in the total Group.</p>

Y	I urge the Institute to respect the status of local actuarial organisations who are members of the IAA and allow them to set standards for their geographic areas.
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To: Cross Practice Working Party – Applying Standards, The Institute and Faculty of Actuaries

From: Yvonne Lynch, Director of Professional Affairs, Society of Actuaries in Ireland

Date: 20th August 2014

Proposals for the introduction of APS X1, Applying standards to actuarial work

1. Thank you for inviting comments on proposals for the introduction of an APS on applying standards to actuarial work. Most of the members of the Society of Actuaries in Ireland are also members of the Institute and Faculty of Actuaries (IFoA) and would therefore be subject to APS X1; hence our interest in this APS. We share your goal of fostering high quality in actuarial work and we welcome the debate that this consultation creates on the professional and technical standards that should be applied in various situations.
2. The IFoA has members across the globe, and the *“aim to achieve equivalence of regulatory outcome in relation to all of its members, whether working in the UK or overseas”* is a legitimate one. Nonetheless, we feel that elements of the APS X1 proposals may be premature. The draft APS proposes that *“All work [outside UK geographic scope] should be carried out in a way that complies with ISAP1”* – notwithstanding that the IFoA and FRC are not yet in a position to confirm that the existing framework of IFoA and FRC standards applicable to work within UK geographic scope is substantially consistent with ISAP1. (Note that paragraph 2.17 of the Guide is not accurate in this regard, and contradicts paragraph 2.16). We are aware of other work in this regard, such as the ongoing work on developing an APS on peer review; perhaps it is the intention not to introduce APS X1 until the IFoA / FRC can confirm that the UK standards are substantially consistent with ISAP1, but this is not clear from the consultation package. We would consider it unreasonable to introduce an APS that places greater regulatory demands on members who perform work outside UK geographic scope than those that apply to members who perform work within UK geographic scope – particularly as, in many if not most cases, the recipients of that work will have no such expectation (and no expectation of the resulting time and cost implications).
3. That said, as indicated above, we too aim to foster high standards in actuarial work.
 - We have, over a number of years, introduced a comprehensive suite of actuarial standards of practice, in addition to a Code of Professional Conduct.

- We supported the IAA’s introduction of ISAP1 and we are currently considering how best to expand our suite of standards so as to ensure that the key principles and provisions of ISAP1 are fully captured.

Our work to date on the latter indicates that this will create additional professional responsibilities for some members and there will be a learning curve involved. Similarly, if APS X1 proceeds, and particularly if it proceeds before actuarial associations around the world have adopted or endorsed or otherwise embraced ISAP1 and educated their members on its implications, there will be a need for the IFoA to educate its members across the globe on the practical implications.

4. The purpose of APS X1 is to set out “*which standards are applicable to actuarial work*”. However, “*actuarial work*” is not defined.
5. Paragraph 3.2. of the APS says that “*All work [outside UK geographic scope] should be carried out in a way that complies with ISAP1*”. This implies that, if ISAP1 is updated by the IAA, members of the IFoA who are subject to paragraph 3.2. should immediately (or, since the paragraph uses “should” rather than “must”, within a short period) comply with the new version. We question whether this is reasonable, given that changes could be extensive and significant.
6. Paragraph 3.4.3. of the APS says that “**Members** *[who perform work outside UK geographic scope] should also exercise reasonable judgement to consider whether there are other relevant 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*”.
 - a. Paragraph 3.9 of the Guide says that “*paragraph 3.4.1.1. [relating to Recognised Standards issued by Relevant Authorities] is not intended to require members to be aware of all extra-territorial standards issued by any IAA member body anywhere in the world*”. However, there is no corresponding statement relating to the scope of paragraph 3.4.3., which (notwithstanding paragraph 3.4.4.) is potentially very wide.
 - i. Also, this limitation of the scope of paragraph 3.4.1.1. of the APS should be evident from the APS itself, rather than being buried in the Guide, particularly as it is expressly stated in the Guide that the Guide “*shall not necessarily provide a defence to allegations of misconduct*”.
 - b. Given that members who perform work within UK geographic scope are not required to consider whether they should apply IAA / AAE / other (non-UK) standards, we do not consider it reasonable to require members who perform work outside UK geographic scope to do so – particularly if the work is done in accordance with the professional framework of an IAA / AAE member association or the requirements of a supervisory body.
 - c. There seems to be an implicit presumption in paragraph 3.4.3. that IFoA / FRC standards (governing work within UK geographic scope) will always be substantially consistent with all IAA / AAE model standards. That might not prove to be the case.

- d. Note that the practical implications of 3.4.3. will increase as the IAA and AAE introduce more model standards over time. Even keeping oneself informed as to what model standards have been introduced and their content will involve a regulatory burden. As drafted, 3.4.3. requires some members to consider IAA and AAE model standards as soon as they are introduced, even though the reality is that it will take their own actuarial associations some time to consider the implications of the model standards for actuarial practice in the relevant jurisdiction and take appropriate action.
7. Paragraph 3.4.5. of the APS says that *“Where there is inconsistency between **Recognised Standards, Members must exercise judgement in determining which Recognised Standard(s) to apply**”*. It is not clear what action members should take if there is inconsistency between Recognised Standards and ISAP1. The decision tree at Appendix 1 suggests that *“Such an inconsistent **Recognised Standard** might be considered when exercising reasonable judgement to consider whether there are other relevant standards they ought to apply”*; however, it is not clear that there is some underpin for this in the APS.
8. Paragraph 4.1 of the APS says: *“**Members must be open with User(s) as to the standards which have been applied to their work. If 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.**”* This may be appropriate for formal actuarial reports, but we question whether it is proportionate and reasonable for all actuarial work.
9. Definitions - we suggest that the definition of “Recognised Standard” be changed as follows: *“Professional standard, **formal** written practice or **formal** 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”*.
10. The language of the Guide should be consistent with the language of the APS. For example, in the decision tree in Appendix 1 of the Guide, the box that says *“All work must be carried out in a way that complies with **ISAP1 (Para 3.2 APS X1)**”* should be edited to reflect the fact that paragraph 3.2 of the APS uses “should” rather than “must”. Also, the decision tree uses the expression *“substantially similar”* as a quotation, but that expression is not used in the APS.
11. Some typographical points:
- Paragraph 2.28 of the Guide: the word “If” at the start of the last sentence should be deleted.
 - Paragraph 2.38. iv. of the Guide – “Thinking about whether there are other relevant standards that are relevant”: the first “relevant” seems to be superfluous.
 - Paragraph 3.3. of the Guide – capitals are used for “Actuarial Analyst” but not for “student”, “associate” or “fellow”.
 - In the definitions in the APS, “AEE Standards” should read “AAE Standards”.
12. We are happy for our comments above to be published on your website along with other responses to the consultation. Please do not hesitate to contact me at Yvonne.Lynch@actuaries.ie if you have queries on any of these comments.

Response from Simon Carne, Simon Carne Business Consulting

Following on from the article I wrote for the March 2014 issue of *The Actuary*, there is a danger that this response will make me very unpopular with the Regulation Board (a body that I was Deputy Chairman of when it was the Professional Affairs Board), but I think my comments below need to be made.

Section 3 seems broadly sensible

Let me start with the positive. Section 3 of the draft APS, dealing with non-UK work, seems broadly sensible. I have just one comment – on the language – which I will return to below.

Sections 1 and 2 of the APS are unnecessary repetition

My disappointment with the proposed APS centres around Section 2 which requires TASs to be applied for work which falls within the relevant scope. The very best that could be said about this is that it is a repetition of pre-existing material and doesn't need to be said here. Section 1 is also a repetition and, therefore, unnecessary.

This repetition is not harmless

It might be argued that the repetition is brief – just a couple of paragraphs – so why not leave it in for completeness? The answer is that, viewed correctly, it creates extra work for thousands of UK-centric actuaries compared with a standard which omits Sections 1 and 2 and is retitled as *Applying Standards to Overseas Actuarial Work*. For actuaries whose work is in the UK, the retitled APS could be ignored. That means thousands of actuaries who need never open the document.

By including Sections 1 and 2, the IFoA has created unnecessary work for all those actuaries who will not only need to read the final APS, they ought also to read the consultation and, arguably, the Guide that goes with it – see below for more about the Guide.

Why is the IFoA writing standards about TASs at all?

The IFoA has entered into an arrangement whereby the FRC is responsible for both the content on the scope of TASs and the FRC discharges this responsibility in the TASs themselves and in its document, *Scope & Authority of Technical Standards*.

The IFoA's Disciplinary Scheme gives effect to those TASs. That is sufficient for regulatory purposes.

In terms of making sure that actuaries and others are aware of the TASs, the IFoA's website direct readers to the TASs and the IFoA's own standards (APs) typically begin with rubric reminding readers about the disciplinary relevance of the FRC's standards.

There is simply no need for the IFoA to get involved in creating an APS to address TASs. It invites the comment that the Regulation Board doesn't have enough to do so it is looking for ways to make work for itself. I suspect, however, that such an observation would be wrong. I accept, wholeheartedly, the comment made, privately, to me by a member of the board, articulating just how much work was entailed in being a board member and how much material had to be read following the publication of consultations.

The problem, it seems, is not that the board has more than enough to do but, with everything it is taking on, it doesn't understand what the appropriate boundaries are for its work.

The dangers inherent in publishing the accompanying Guide

There are real dangers in having a Guide which is written by the same authors as the APS and published at the same time.

The danger is that the authors attempt to keep the standard brief by moving as much material as possible into the Guide. The inevitable result is that the Guide is used to interpret the true meaning of the standard. In other words, the Guide becomes part of the standard – it just happens to be in a separate document..

We have been down this road before. Some years ago, the Institute and the Faculty of Actuaries (as they then were) published a Memorandum on Professional Conduct (MPC) and an associated Advice on Professional Conduct (APC). Initially, the APC was pure guidance on interpreting the MPC but, over time, the distinction became increasingly blurred and, in some respects, vanished altogether. By the time the separation was abandoned, when the MPC and APC became the unified PCS (Professional Conduct Standards), it had become clear that the APC was creating additional requirements and the two documents had to be read as one (rather confusing) whole.

By publishing both a standard and a guide, the Regulation Board is trying to straddle two mutually exclusive objectives. If the Board wishes to restrict itself to short standards (eg principles only), it should leave it to expert commentators to offer their observations on how to interpret the standards. If, alternatively, the Board wishes to provide a more detailed explanation, it should publish a single document. Publishing a short standard and a longer companion guide may fool (some) people initially, but it won't last and will only reflect poorly on the Board, in due course.

A detailed comment on the wording of Section 3

Paragraph 3.3 of the draft APS contains the rather false construction that actuaries will be deemed to have met the requirements of paragraph 3.2 if they do [a specified thing] which plainly doesn't meet the requirements of paragraph 3.2. It would be much more straightforward if those two paragraphs were re-written as one, along the following lines:

“All work to which this section applies should be carried out in a way that complies with **ISAP1** or with **Recognised Standards** which, collectively, achieve substantial consistency with ISAP 1.”

Closing

Despite my opening remark that this response is in danger of making me unpopular with the Regulation Board, I hope these comments will be seen as constructive suggestions for improvement.