

**Institute and Faculty of Actuaries**  
**Regulation Board**  
**Noting report**

<b>Subject</b>	BEIS White Paper – proposals for actuarial regulation
<b>Regulation Board meeting</b>	5 May 2021
<b>Previous Board Update/Steer/Approval</b>	Board has been updated at each meeting since Kingman Report in December 2018
<b>International Issues Considered</b>	UK specific matter
<b>Author</b>	IFoA Executive
<b>Purpose</b>	Noting

**A: Executive summary**

1. Since the last meeting of the Board, the UK Government has published its White Paper on [‘Restoring Trust in Audit and Corporate Governance’](#). This includes proposals on the future arrangements for UK actuarial regulation, following the [Kingman](#) review.
2. The proposals are largely as expected, with the arrangements essentially the status quo on a statutory basis but with some increased ‘depth’ in the technical standards role of ARGA/FRC, including monitoring of work, enforcement activity and, potentially, entity regulation.
3. The IFoA’s Council Regulatory Strategy Steering Group (the Strategy Group)<sup>1</sup> has been looking at the appropriate way to respond to the White Paper and at the IFoA’s position in relation to the proposals.

**B: Summary of proposals**

4. The White Paper sets out proposals around reform of UK audit and corporate governance and plans for the introduction of a new regulator (the Audit Reporting and Governance Authority or ‘ARGA’) to replace the Financial reporting Council (‘FRC’).
5. As expected, actuarial regulation is not a key focus of the paper. There is, however, a specific section detailing those proposals (section 11.2; pp198-205).
6. The proposals are:
  - The new statutory regulator ARGA will be the body that takes on responsibility for actuarial oversight and regulation (not the PRA as originally recommended in the Kingman review).
  - That role will be on a statutory basis, with clear and defined roles and responsibilities.

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<sup>1</sup> Members of the Strategy Group are: Andy Rear (Chair and Council member), Louise Pryor (President Elect), Tan Suee Chieh (President), Neil Buckley (Regulation Board Chair), Matt Saker (Council and Regulation Board member), Jane Curtis (former President and former Regulation Board member), Ben Kemp (General Counsel and Regulation Board Member), Annette Spencer (Director of Public Affairs and Research) and Stephen Mann (CEO)

- There are five principles proposed to ensure ‘an effective risk-and-cost-based regime’. Those are:
  - i. Proportionality (resource v risk)
  - ii. Cost effectiveness
  - iii. Confidentiality (respect commercial sensitivity of actuarial work)
  - iv. Avoid duplication or ‘gold plating’ to ensure that regulation does not replicate other activities
  - v. Oversight and regulation in the public interest, to ensure appropriate focus
- The role of ARGAs will be to:
  - i. Provide independent oversight of the IFoA in relation to its regulation of members (the paper also specifically sets out the areas of the IFoA’s functions within scope of that oversight role).
  - ii. Set ‘legally binding’ technical standards. Although there is no elaboration as to whether IFoA membership will be connected to that or how those will be made ‘legally binding’. There is also no elaboration on the scope of the standards or on the definition of ‘technical’.
  - iii. Monitor compliance with technical standards (statutory monitoring system with powers to request work from individuals – suggestion that it might align with Audit Quality Review regime).
  - iv. Take action if work doesn’t meet technical standards (a range of possible options are suggested ranging from orders to correct work to imposition of disciplinary sanctions).
  - v. Continue to operate an independent ‘public interest’ actuarial disciplinary scheme (but on a statutory basis).
- The IFoA will continue to set non-technical standards (so the current technical/ethical split remains).
- The Joint Forum on Actuarial Regulation (JFAR) will continue to operate.
- There is a proposal to include a statutory provision requiring the IFoA to comply with a recommendation from ARGAs in its oversight capacity (although it doesn’t set out the proposed consequences for failure). It also proposes that this requirement might be on a ‘comply or explain’ basis.
- There is a proposal around the regulation of entities carrying out actuarial work (where a number of individuals contribute to a piece of work and it is difficult to identify the individual contributions). That would be put on a statutory footing on the same basis as for individuals and with a possible power to bring disciplinary proceedings against entities (as already exists for audit and accountancy).
- There is no mention of how the extended monitoring and enforcement role will interact with the IFoA’s own actuarial monitoring scheme or its disciplinary scheme.

7. The significant focus of the white paper is on audit and corporate governance reforms, which are far more significant in terms of the extent of proposed changes, as well as the detail provided.

8. There is a slight disconnect between the actuarial section and some of the content in the rest of the paper, which probably reflects that this section was prepared separately by HM Treasury. It could, however, mean that some of the proposals around audit and accountancy end up being applied to the actuarial arrangements when the legislation is eventually drafted.
9. There are also a number of potential implementation issues with the proposals that are not addressed in the White Paper.

#### **C: IFoA position**

10. [Redacted]
11. .

#### **D: Next steps**

12. The FRC's senior leadership team have agreed to meet with the IFoA to discuss the proposals on 27<sup>th</sup> April. An update from that meeting will be provided to the Board orally.
13. There have also been discussions with the Association of Consulting Actuaries (ACA) and Association of British Insurers (ABI). Discussions with the Government Actuary's Department (GAD), Pensions and Lifetime Savings Association (PLSA) and International Actuarial Association (IAA) are also being arranged. A 'Chatham House' rules call with organisations within the QAS is also being arranged and consideration is also being given to calls with other groups of employers/members.
14. The deadline for response is 8 July. It is anticipated that a response will have been drafted and will be shared with the Board in early June.

#### **E Discussion**

Members of the Board are invited to note the update and discuss the proposals.