

Institute and Faculty of Actuaries, **Regulatory Board**

Subject	Designated Professional Body (DPB) Board Annual Report
Meeting date	16 July (carried over item from 14 May 2024)
Previous Steer/Approval	This is an annual report
Related horizon scan code	N/A
International issues considered?	N/A
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Reviewers	Hannah MacLeod, Head of Legal Services James Smith, DPB Board Chair
Purpose	Noting

A: Executive summary

1. The following contains the DPB Board's annual report to the Regulatory Board on its activities and planning during the period May 2023 to May 2024. Board members are invited to note the following key points:
 - The DPB scheme continues to be in steady state with no major issues reported by firms during the year and with the same number of licences. The smooth running of the regime and completion of the Handbook review is heavily dependent on appropriate and consistent support in the future.
 - DPB firms have completed the 2023 Annual Return and the DPB Board is due to consider a report on the data which has been provided at its 1 May 2024 meeting. Several DPB firms have also received monitoring visits during the course of the year, as part of ongoing supervision activities.
 - The IFoA has received no complaints about DPB firms in period, however the DPB Board made a final determination on 24 May 2023 in a complaint case which had been referred to it by the independent Complaints Reviewer.
 - The DPB Board has been undertaking a review of the DPB Handbook and associated policies and procedures, during the course of the previous year and is currently consulting on policy proposals to improve authorisation, supervision and complaints handling for DPB firms.
 - IFoA continues to have regular contact and a good working relationship with the Financial Conduct Authority (FCA) liaison in relation to the DPB scheme and has submitted the FCA annual return on 30 April.

Recommendation: the Regulatory Board is invited to note the following annual report on the IFoA's DPB scheme.

B: Introduction

2. The IFoA is one of several 'designated professional bodies' (DPBs), of which FCA has oversight, under powers in the Financial Services and Markets Act (2000) (FSMA). This allows the IFoA to directly regulate firms which are controlled by actuaries and which provide certain regulated activities to clients. *The IFoA's DPB scheme continues to be run in 'steady state', with no major issues or difficulties reported by DPB firms during the course of the year and no change in the number of licences.* A list of the DPB firms are appended to this paper, which also summarises the following topics:
 - DPB Firms and monitoring
 - DPB Board
 - Complaint determination
 - DPB Handbook Review
 - Regulatory Oversight and the FCA

C: DPB Firms and monitoring/supervision

3. There are currently 13 DPB firms licenced by the IFoA. However, four of these firms have an 'Authorised Professional Firm' (APF) licence, which means they are dual regulated by the IFoA and the FCA (in respect of certain regulated activities). The APF licence means they are exempted from certain aspects of the FCA regime.
4. The IFoA has in place arrangements to monitor/supervise DPB firms as follows:
 - All DPB firms are required to complete the DPB Annual Return. The Annual Return includes data on, among other matters: firm composition and services; insurance and compliance arrangements; activities undertaken and financial reporting; complaints and disciplinary issues. The 2023 Annual Return was completed by firms by the deadline of 29 February 2024 (as with last year, firms were given an additional month due to changes to reporting process). The IFoA has a contract with the Institute of Chartered Accountants of England and Wales (ICAEW) to review the returns and report to the DPB Board any issues arising. The DPB Board is due to consider this report at its meeting on 1 May 2024 and does not anticipate any significant areas of concern.
 - DPB firms previously reported difficulties with the webform for the Annual Return, in recent years, and it is hoped these will be addressed by the introduction of a new webform which is being developed as part of the organisation-wide IT upgrades, to be in place for the 2024 Annual Return. For the 2023 Annual Return, DPB firms were asked to use an interim solution in the form of a Word-based return sent and completed via email. Although this generally worked well, it is unsuitable as a long-term solution.
 - The IFoA also has a contract with ICAEW in terms of which their Quality Assurance Directorate (QAD) carries out review and monitoring of the firms licensed by the IFoA. QAD agrees in advance with the DPB Board which firms should be inspected, based on a risk assessment framework. The risk assessment framework is informed by the annual returns submitted by firms. However, the risk criteria which QAD uses has not been updated since

2012, so the DPB Board will be reviewing this as part of its development of a more comprehensive risk framework.

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D: DPB Board

5. The DPB Board continues to govern the DPB scheme effectively and benefits from considerable depth and breadth of experience in its membership, in order to tackle its review and policy work and supervision of DPB firms. The IFoA advertised for additional actuary and non-actuary members during 2023 and subsequently made three new appointments:
 - Alison Carr (non-actuary) is a former chief executive for membership/regulatory bodies and has been actively involved with other areas of the IFoA's work, including as a member of the Quality Assurance Sub-Committee
 - Sophie Wright (non-actuary) is an experienced non-executive director and previously held senior roles in risk and conduct regulation. She also has expertise in DEI issues, including through her involvement with Women on Boards
 - Colin Mayger (actuary) is a partner at Barnett Waddingham LLP with over 35 years' corporate experience. He also acted as an independent expert in a DBP complaints case in 2018 and is familiar with the DPB regulatory framework.
6. Additionally, the DPB Board is pleased to have reappointed Andrew Allsop for an additional term. Andrew is a senior actuary with over 20 years' experience and was previously managing director of Quattro Pensions. He has been actively involved in the Board's review work.
7. Support for the DPB Board and managing the review work is currently undertaken by the DPB Manager who is on a fixed-term contract ending in July 2024; additionally there is some *ad hoc* administrative support provided from pooled Regulatory Coordinator resource across the team. The Executive will be considering ongoing resource arrangements for after the review work is completed. The smooth running of the regime and completion of the Handbook review is heavily dependent on appropriate and consistent support in the future.

E: Complaint determination

8. The IFoA has received no complaints about DPB firms in period. However, on 24 May 2023 the DPB Board made a final determination in respect of a complaint against Barker Tatham Investment Consultants Limited LLP. This complaint was originally made in October 2018 and had been referred back to the DPB Board by the independent Complaints Reviewer for further consideration as to whether compensation was due to be paid to the complainant. The Board determined not to award compensation and its full determination is publicly [available on the IFoA website](#).

F: DPB Handbook Review

9. The DPB Board has been conducting a review of the DPB Handbook and associated policies and procedures over the course of the last year and the IFoA is currently consulting on resulting policy proposals and gathering additional stakeholder feedback.
 - Review work has been carried out in tranches, according to the DPB Board's assessment of risks and priorities. The Board decided to focus its work on the three areas where DPB firms are likely to have the most contact with the IFoA in practice during the regulatory 'lifecycle', namely: the authorisation of DPB firms; supervision and monitoring arrangements; and complaints handling (by firms and by the IFoA). The DPB Board has developed proposals to make these processes easier, quicker and more effective. Regulatory Board approved these proposals at its meeting on 14 February 2024. The consultation has a deadline of 14 June and can be viewed at: <https://actuaries.org.uk/standards/regulatory-communications-and-consultations/current-consultations/proposals-for-new-dpb-rules/>.
 - Feedback has now been received in the form of consultation responses and one-to-one conversations with firms, which have highlighted several potential policy changes which the Board will be reviewing. Respondents are generally positive about the IFoA's proposals to improve the DPB scheme. However, two key themes raised by respondents are: 1) firms would benefit from clearer and more detailed guidance and examples on which services or activities are regulated under the DPB licence (and which are not regulated activities); 2) the supervisory visits to DPB firms should be refocused to concentrate more on regulated work being undertaken and file reviews in practice; rather than the current focus on prudential issues and the scrutiny of accounts.
 - Additionally, the DPB Board has reviewed the conduct rules with which DPB firms have to comply (and some equivalent principles contained in the rules for APF licenced firms, which are dual-regulated by the FCA). It has also considered regulated activities and the 'regulatory perimeter', which is largely determined by statutory provisions. The DPB Handbook was originally published in 2009 and it has not yet been updated to reflect key regulatory developments (or themes) which have been developed by the FCA and across the regulatory landscape more broadly. The DPB Board has reviewed several of these developments and to what extent they should be further reflected in the Handbook, including:
 - The IFoA's modernisation of its Disciplinary Scheme and development of the Quality Assurance Scheme
 - The six principles contained in the revised Actuaries Code 2023
 - The Equality Act 2010 and the IFoA's Diversity, Equity and Inclusion (DEI) strategy
 - The IFoA's Artificial Intelligence (AI) and Data Management Thematic Review 2024
 - The adoption of Environmental, Social and Governance (ESG) principles in investment or insurance advisory work
 - The FCA's introduction of the Consumer Duty 2023 and its possible application in pensions
 - The FCA's Senior Management & Certification Regime (SM&CR)/individual accountability
 - Anti-money laundering (AML) provisions and guidance

- Key areas of regulated advisory work, such as liability-driven investments (LDI) or pension superfunds
- The DPB Board invited feedback on some of these issues during discussion with DPB firms at a compulsory stakeholder event (webinar) held on 20 March 2024. The Board also intends to issue a short survey or consultation paper on the conduct rules and regulated activities (once its current consultation closes) to gather more detailed views and help to inform any resulting proposals.
- The DPB Board will keep the Regulatory Board apprised as it continues to develop and finalise its policy proposals, as well as any proposed amendments to the Handbook. Any new rules will also need to be approved by the Financial Conduct Authority (FCA), which supervises the DPB scheme as part of its statutory duties. The Board has asked the FCA to provide further details and a timeline for its approval process, but the Board currently expects to develop new rules during autumn 2024/early 2025.

G: Regulatory Oversight and the FCA

10. As well as reporting to the IFoA's Regulatory Board, the DPB Board is also required to report annually to the FCA and seek approval for any significant changes. The DPB Manager also holds regular catch ups with FCA liaison staff responsible for DPBs.

- The DPB Board has successfully submitted its annual report to the FCA for the period May 2023 – April 2024. There were no significant issues concerning the Board's supervision of DPB firms highlighted in the report.

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- The DPB Board also continues to review any relevant regulatory developments or topics of relevance to DPB firms and is currently devising an agenda for the DPB biennial seminar (for all DPB firms) on regulatory developments, due to be held in spring 2025.

H: Conclusions

11. The IFoA's DPB scheme is currently in steady state and continues to operate well overall. Over the coming year, it can expect to benefit from improvements to its reporting mechanisms and other procedures, rules and guidance, and a strengthened Board and relationship with the FCA as oversight regulator. The smooth running of the regime and completion of the Handbook review is heavily dependent on appropriate and consistent support in the future.

I: Appendices

- **Appendix 1**, DPB firms