

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

Subject	Designated Professional Body Board Annual Report
Meeting date	17 May 2023
Previous Steer/Approval	April 2022 Last Annual Report
International issues considered?	UK only matter
Author	Sam Condry, DPB Manager
Reviewer	Hannah MacLeod, Senior Regulatory Lawyer
Purpose	Noting

A: Executive summary

- The following contains the DPB Board's annual report to the Regulatory Board on its activities and planning during the period May 2022 to May 2023. 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 a small drop off in licences.
 - DPB firms have completed the 2022 Annual Return and the DPB Board will shortly be considering a report on the data which has been provided. Several DPB firms have also received monitoring visits during the course of the year (which are conducted virtually following the Covid period).
 - The IFoA has received no new complaints about DPB firms, but the DPB Board has been considering further a complaint which was referred back to it by the independent reviewer. Additionally, the Board resolved two issues which were self-referred by one of the DPB firms.
 - The DPB Board has agreed to undertake a review of the DPB Handbook and associated policies and procedures, during the course of the next year and has so far prioritised revising its complaints handling and monitoring/supervision arrangements.
 - The IFoA has established 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.
 - The DPB Board has agreed a limited programme of marketing and communications activities to help raise the profile and awareness of the DPB scheme and its availability for members.

B: Introduction

- 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. This means that to a limited extent the IFoA is therefore a regulator of firms as well as of individual professionals. *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, but with a*

small drop off in the number of licenced firms. A list of the DPB firms is appended to this paper, which also summarises the following topics:

- DPB Firms and monitoring
- Complaints
- DPB Handbook Review
- Regulatory Oversight and the FCA
- Communications and Marketing

C: DPB Firms and monitoring

3. There are currently 12 DPB firms licenced by the IFoA: eight of these have a full DPB licence and four of them have an Authorised Professional Firm (APF) licence, which means they are dual regulated by both the IFoA and the FCA (in respect of different services they provide). Two firms surrendered their licences during the course of 2022. The IFoA has in place arrangements to monitor (and supervise) DPB firms as follows:

- All DPB firms are required to complete an annual return, which is uploaded on the IFoA website. 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 2022 Annual Return was completed by firms by the deadline of 28 February 2023 (the deadline having been extended due to several technical difficulties with the webform). 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 returns are currently under review and the report is expected by the end of May.
- DPB firms have been reporting several 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 2023 Annual Return.
- 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. There were six monitoring visits completed by ICAEW during the course of 2022/2023. There were no major compliance issues arising as a result of the visits.

D: Complaints

4. The IFoA continues to receive very few complaints about DPB firms. Over the last year, the DPB Board has considered one complaint from a client of a DPB firm and has also considered two issues which were self-referred by one of the DPB firms:

- The DPB Board has given further consideration to a complaint which was originally made about Barker Tatham Investment Consultants Limited LLP, in October 2018. The initial determination by the Board was made in 2021 and is publicly available on the [DPB website](#). The complaint

was then referred to an independent reviewer, who referred it back to the DPB Board, to consider additional evidence amongst other matters. Having now obtained additional evidence, the DPB Board expects to make its final determination shortly.

The DPB Board has also considered two issues which were the subject of self-referrals by a DPB firm. These related to: difficulties in obtaining adequate professional indemnity insurance (PII) cover for a specific period; an error in informing clients of the correct regulatory arrangements of the firm in question. In each case, the DPB Board was satisfied that the relative risks to clients were minimised and that the firm had taken appropriate action.

E: DPB Handbook Review

5. The DPB Board agreed to conduct a review of the DPB Handbook and associated policies and procedures. The Board initiated this project at its meeting in December 2022. The Handbook Review was subsequently adopted in January 2023 as a workstream in the IFoA's wider Modern Regulation Programme, which operates as the programme board.
 - The DPB Handbook was originally drafted when the licensing scheme was set up in June 2009 and has since been reviewed and updated on several occasions, most recently in 2020. However, these reviews have been partial and there has been no wholesale rethink or update. The nature and approach of the IFoA has also changed significantly in intervening years, as has the broader regulatory environment, and the Handbook is no longer in step with these. The regulatory approach of the IFoA now has a greater focus on helping the membership understand and use regulation in practice, rather than simply overseeing a regime of prescriptive rules and supervision. This reflects the broader financial services regulatory environment, which has transitioned in recent years from a rules-based approach to one centred more on achieving principles or outcomes.
 - The review of the Handbook is also an opportunity to bring the DPB scheme in step with other recent IFoA standards and regulation, such as the modernisation of the Disciplinary Scheme and development of the Quality Assurance Scheme. The IFoA has also put in place a modern, and simplified code of conduct for individuals – the Actuaries Code, which is based on six principles. This is an opportunity to better align the IFoA's approach to the regulation of firms, with its regulation of individual professionals.
 - Review work is expected to be carried out in tranches, according to the DPB Board's ongoing assessment of risk and priorities. At its March 2023 meeting the DPB Board decided to focus its initial work on reviewing the complaints rules; and the supervisory and monitoring arrangements for DPB firms. The Board also agreed a set of high-level principles, which are in step with the IFoA's principles underpinning the Disciplinary Scheme. The Board will be seeking agreement on a set of policy proposals at its July meeting, with a view to consultation with relevant members/firms during autumn 2023.
 - Any new rules will need to be approved by the Financial Conduct Authority (FCA), which supervises the DPB scheme as part of its statutory duties. The DPB Board expects to introduce new rules and guidance during the course of 2024.

F: Regulatory Oversight and the FCA

6. As well as reporting to the IFoA's Regulatory Board, the DPB Board is also required to report to the FCA and seek approval for any significant changes (as above).
 - The DPB Board has successfully submitted its annual return to the FCA for the period May 2022 – April 2023. There were no significant issues highlighted in the report.
 - [REDACTED]

- The DPB Board also regularly reviews any relevant regulatory developments or topics of relevant to DPB firms – for example, the recent issues around liability-driven investments (LDI), which the Board expects to form the subject of its biennial seminar in the autumn (attended by DPB firms).

G: Communications and marketing

7. The IFoA's DPB arrangements are comparatively not well known or understood, either internally within the organisation, or externally amongst the membership and more widely. As an alternative to FCA regulation – that is cheaper and easier to comply with – the DPB scheme may be attractive to some actuaries and their firms who have not yet sought the benefit of a getting a licence. The DPB Board has therefore agreed to undertake several steps during 2023 to raise the profile of the scheme. IFoA communications and marketing colleagues will be lending their support and an integrated plan is in place, including:
 - Improvements to the DPB pages of the IFoA website
 - Articles in The Actuary and/or other trade press
 - Appropriate content or presence at IFoA conferences
 - Targeted social media
 - Surveys/interviews with actuaries/firms to gauge interest in the DPB scheme

H: Conclusions

8. The IFoA's DPB scheme continues to operate well overall and can expect to benefit from improvements to its reporting mechanisms, rules and guidance, and awareness/marketing over the coming year.

I: Appendices

- Appendix 1: DPB firms