Institute and Faculty of Actuaries

The Rt Hon Kwasi Kwarteng MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

29 June 2021

Dear Mr Kwarteng,

Restoring Trust in Audit and Corporate Governance: IFoA response

I am pleased to submit this response on behalf of the Institute and Faculty of Actuaries (IFoA) to the Government's consultation on 'Restoring Trust in Audit and Corporate Governance'.

As the UK Royal Charter professional body for actuaries, and being directly affected by the proposals in the White Paper, our response naturally focuses on the proposals relating to the regulation of the UK actuarial profession.

As you will see from our detailed response, we generally support the high level principles in the consultation regarding the regulation of UK actuaries; however, we do have a number of concerns that we believe need to be addressed in order for the proposed system to work effectively in practice.

While we have some reservations about the extent to which the unique aspects of the actuarial profession will be properly reflected by a body that is primarily focused on audit and financial reporting, we accept that there is not an obvious alternative option and are content that the role currently carried out by the Financial Reporting Council (FRC) should move to the proposed new Audit Reporting and Governance Authority (ARGA).

We also support greater clarity around the respective roles of the IFoA and ARGA.

We do, however, have some significant concerns about the absence of detail around those proposals, and about the risks that might arise depending on how they are given effect and implemented in practice.

In summary, our concerns relate to:

1. The lack of clarity on the extent of the scope of ARGA's technical standards regulatory role:

    a. Who and what they will regulate (recognising the difficulties of defining actuarial work)?

    b. How will those subject to ARGA regulation (including the proposed new monitoring and enforcement) be identified to allow it to work in practice?

    c. How will the system ensure that *anyone* carrying out work within the scope of ARGA's regulation is required to comply with its requirements (recognising the risk of regulatory arbitrage if it applies only to IFoA members without a related requirement to be a member to do that work, and the fact that there are currently individuals in UK senior actuarial roles that are not IFoA members, for example)?

d. The disproportionate nature and practical challenges of introducing a full system of actuarial entity regulation, as opposed to introducing some specific powers to support a system based on regulating identified individuals.

e. The potential poor public interest outcomes and inefficiencies from continuing to operate two substantially similar actuarial disciplinary schemes.

These concerns are elaborated upon further in our response.

The response also sets out a possible way forward to address the concerns we raise, with suggestions for how the overall proposals could work in practice in a way that also meets the actuarial regulation principles set out in the White Paper. Our suggestions set out a system that would involve:

1. ARGA providing clearly defined, effective, independent oversight of the IFoA's UK regulation of actuaries, with published expectations for how the IFoA will carry out its regulatory role.

2. ARGA carrying out an enhanced technical standards role (extending to monitoring), but setting out the scope of that role by reference to published lists of actuarial work which is identified as being key actuarial work/activity for which there is a public interest in this additional regulation.

3. A requirement being introduced that those carrying out the actuarial work identified in those lists must have an appropriate actuarial qualification (such as that offered by the IFoA) and also be subject to the regulation of the IFoA (or, potentially, another equivalent professional regulator that operates a disciplinary scheme, sets ethical standards and submits to ARGA's oversight). Without such a requirement, the technical standards regulation system will, we argue, be practically unenforceable.

4. Introduction of a requirement for identification and registration of key actuarial role holders, responsible for the main public interest actuarial functions (which would also be identified through a defined list). Those individuals would be the key focus for ARGA monitoring activities. The registration system could be operated by ARGA, or the IFoA could operate it under delegated authority. Appointment of key role holders would need to be a legal requirement in order to carry out that work.

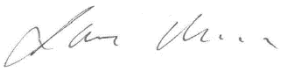
5. No actuarial entity regulation system, but instead powers given to ARGA to support its technical standards role that allow it to compel cooperation, including information sharing, from organisations employing key actuarial role holders.

6. A single disciplinary scheme, operated by the IFoA, subject to enhanced oversight by ARGA. That enhanced oversight could extend to powers to appeal (to an independent appeal body) 'unduly lenient' decisions of the IFoA where that is justified in the public interest.

We hope that the response is helpful. We would be very happy to discuss any aspects of it further.

Yours sincerely,

Louise Pryor
President
Institute and Faculty of Actuaries



Stephen Mann
CEO
Institute and Faculty of Actuaries

	Question	Response
74	Do you agree with the proposed general objective for ARGA?	1) It is important that the general objective for ARGA is sufficiently broad to reflect its role in relation to actuarial regulation. 2) The current proposal is focused on 'investors' and 'users of corporate reporting' which, while relevant to some actuarial work, is not an obvious fit with a significant amount of public interest actuarial work. 3) A re-ordering of the stakeholders in the general objective, so that the 'wider public interest' comes first might help to clarify ARGA's broader remit. It may also be appropriate to include some additional wording around protecting consumers/users of actuarial work (or products/services that rely upon actuarial work).
75	Do you agree that ARGA should have regard to these regulatory principles when carrying out its policy-making functions? Are there any other regulatory principles which should be included?	4) The IFoA is supportive of these principles, although observes that they do not seem to relate specifically to ARGA's proposed actuarial functions. For example, the principles around 'promoting innovation' and being 'forward looking' do not seem positioned so as to apply to actuarial matters. It would be helpful if the wording ensured the actuarial functions are covered. 5) It would also be helpful to understand the relationship between these regulatory principles and the regulatory principles set out in the section of the White Paper detailing the proposals for actuarial regulation (the IFoA being supportive of the latter). 6) The IFoA would suggest that the actuarial principles could take precedence when ARGA is acting in its capacity as a regulator of actuaries or as oversight body for the IFoA – although this would need to be made explicit in the legislation to avoid confusion.
80	Is ARGA the most appropriate body to undertake oversight and regulation of the actuarial profession?	7) The IFoA has previously flagged concerns about actuarial regulation and oversight being carried out by a body where actuarial matters are not its key focus and where expertise and knowledge of actuarial practice are limited. This is an issue which has impeded the current regulatory arrangements (as reflected in the conclusions of Sir John Kingman). 8) However, the IFoA also accepts that the relatively small size of the UK actuarial profession combined with the existing industry-focused statutory regulation that applies already to large swathes of actuarial work (particularly around insurance and

pensions), would make it disproportionate and expensive to establish a dedicated body for the regulation and oversight of those carrying out actuarial work. It also accepts that of the other possible existing bodies that could assume those responsibilities (such as the PRA, identified by Sir John Kingman, and other statutory regulators in relevant industries), there is no perfect solution, with each having a specific, and different, focus to which actuarial regulation would be an 'add on'.

9) The IFoA has previously advocated that the optimum solution to meet the public interest objectives of actuarial regulation in a way that is efficient and cost effective, would be for the IFoA to regulate the actuarial profession in the UK (including setting technical standards), subject to independent oversight of those activities. However, this solution does not appear to be considered in the White Paper and the proposals are based on an approach such that the IFoA and ARGA will continue to 'split' responsibilities for standards (broadly placing the current arrangements on a statutory basis, maintaining the distinction between 'technical' and 'ethical' standards, with ARGA's technical standards setting role extending to monitoring/enforcement).

10) On the basis that the Government proposes to continue with the same broad split of responsibilities, and in the absence of another obvious existing body that would appropriately take on the current regulatory and/or oversight roles of the FRC, the IFoA is supportive of ARGA being the body to take on those responsibilities as being the most practical solution.

11) However, if ARGA is to assume that role, it is important to learn from the experience over the last 15 years, that this function is recognised as a distinct part of ARGA's remit and that it is given appropriate resource and attention, including ensuring that appropriate actuarial knowledge and expertise are available at all levels of ARGA's structure, including within its Board and senior leadership.

12) This will help to ensure that specifically actuarial issues are accorded appropriate recognition and consideration by ARGA in carrying out its role. There is a risk otherwise that actuarial issues, and their resolution, are inappropriately assumed to be akin to other matters within scope of ARGA's role, such as those arising in audit and accountancy.

13) Effective arrangements for the regulation of actuarial work and oversight of the IFoA need to reflect the particular nuances of the actuarial profession and its own specific risks, otherwise the new system will not lead to the most positive outcomes for the public interest.

81	Should the regime for overseeing and regulating the actuarial profession be placed on a strengthened and statutory basis?	14) The IFoA has for a number of years advocated for greater clarity around the scope and nature of the FRC's oversight role and therefore welcomes this proposal. It will be important, however, to ensure that there is clarity around the two separate roles proposed for ARGA: (1) oversight of the IFoA in its regulatory role; and (2) direct regulation of actuarial work through its technical standards role. It will be helpful to recognise that they are distinct and that the legislation needs to consider and address each. 15) The IFoA is also comfortable with ARGA's UK actuarial regulation roles being placed upon a statutory footing, as long as that legislation sets out a balanced, proportionate system which is capable of protecting the public interest effectively in relation to actuarial matters. 16) However, we should note that the IFoA and the actuarial profession are not synonymous: not all people working as actuaries in the UK are members of the IFoA and not all members of the IFoA are actuaries working in the UK. The statutory arrangements should cover all of those in public interest actuarial roles in the UK. 17) The current informal arrangements for actuarial regulation and oversight have also suffered from uncertainty around the geographic scope of the FRC's remit. The placing of the system on a statutory footing may present an opportunity to introduce clarity in this regard. We would be happy to elaborate on the specific issues, and possible solutions.
82	Do respondents support the proposed principles for the regulation of the actuarial profession? Respondents are invited to suggest additional principles.	18) The IFoA is very supportive of the five proposed principles for regulation of the actuarial profession, particularly those around proportionality, cost effectiveness and avoiding duplication. 19) Adhering to those principles will be key to ensuring that the actuarial regulation arrangements do not lead to a system that disincentivises businesses and individuals from employing or engaging the services of UK actuaries. Such an outcome would be to the detriment of not only the actuarial profession and its ability to remain competitive in the international marketplace, but also the public that benefit from their insight and skills. 20) The IFoA also views it as important that those principles are applied to the decisions about the structure of the regulatory regime as well as to its operation. For example, in relation to the scope of ARGA's actuarial standards setting role. In this regard, the IFoA is particularly supportive of Principle 1 (proportionality of resource relative to risk) and believes that the detailed design and implementation of the new arrangements should be risk based and targeted at areas of most significant public interest risk.

83	Are the proposed statutory roles and responsibilities for the regulator appropriate? Are any additional roles or responsibilities appropriate for the regulator?	21) The IFoA supports the overall proposal that ARGA has roles in providing independent oversight of the regulation of the UK actuarial profession and that it has a strengthened role in setting technical standards. 22) However, we have significant concerns about how that standards setting role will work in practice if it is to be placed on a statutory footing, particularly if it is to extend to monitoring and enforcement activities (expanded upon below). 23) We also have concerns about the proposed disciplinary role (expanded upon below). 24) The IFoA believes that in order to ensure the new arrangements are effective, proportionate and practically deliverable, and in order for ARGA to have a genuinely strengthened and effective regulatory role, the scope of its regulatory remit must be more focused, identifying specific areas of high-risk activity and targeting regulation there. 25) Not doing so risks creating a disproportionate system which is inconsistent, results in regulatory arbitrage and is ineffective in driving public interest outcomes. 26) This regulation should apply to all actuaries carrying out this high-risk activity, so cannot simply be a statutory arrangement applying only to the IFoA and its members, unless there is also a statutory requirement that all actuaries involved in this activity are also members of the IFoA. 27) It would also be helpful for the legislation to formalise, and introduce enhanced powers for the sharing of information amongst all of the regulators that form the Joint Forum on Actuarial Regulation (JFAR) (current members are the PRA, FCA, TPR, IFoA and FRC). This would include, for example, clear powers for statutory regulators to share information with the IFoA so that it may pursue individual disciplinary proceedings, where appropriate, or take appropriate steps in relation to the setting of ethical standards). That should create a more joined-up and effective overall framework of UK actuarial regulation. 28) More formal arrangements for JFAR might also allow for arrangements to be put in place to avoid duplication of regulation, particularly for those actuaries in key regulated roles that are already subject to rigorous scrutiny and monitoring through other regulatory activities (for example, those holding actuarial roles within scope of the Senior Managers and Certification Regime (SMCR)). But also, importantly, it would allow the regulators to identify areas where there are gaps

		across their respective remits and to work together to address them. 29) It would also be helpful if the legislation could clarify ARGA's powers to obtain information from the IFoA in its oversight capacity, which we would expect to be limited to information relevant to the IFoA's regulatory functions insofar as those are within scope of ARGA's oversight remit.
84	Should the regulator continue to be responsible for setting technical standards? Should these standards be legally binding? Should the regulator be responsible for setting technical standards only?	30) If ARGA is to have a role in relation to setting standards, then the IFoA can see value in that role being enhanced and put on a statutory basis. 31) However, we have significant concerns about how that will be achieved in practice and that, without some further specific measures, this proposal will not achieve the aims of creating a modern, robust and effective regulatory framework and that it will not be in line with the actuarial regulatory principles set out in the White Paper. 32) We believe it will be critical to be able to identify those actuaries (or entities) subject to standards/monitoring/enforcement; and to ensure that the scope of the standards/monitoring/enforcement is appropriately focused on public interest risk to use ARGA's resources to best effect. 33) While the IFoA has worked with the FRC to make the current MoU arrangements work in practice, those arrangements will not be easily translated into a statutory regulatory system that extends to monitoring and enforcement. Therefore a different approach needs to be considered in order to deliver the more effective, strengthened, risk based regulation that the Government is seeking to achieve. 34) The IFoA believes that this could be achieved by a more focused technical standards role for ARGA, that clearly sets out the key types of actuarial work/roles which are of most significant risk to the public interest, and gives them powers to carry out a more rigorous technical standards role in relation to that work and those individuals responsible for it (including compliance monitoring). **<u>(i) Who/what is regulated?</u>** 35) In order to be able to carry out its regulatory role, particularly to give effect to a monitoring/enforcement system it will be important for ARGA, and the wider public, to understand what is within scope of its remit.

36) It will also be essential, for the practical implementation of that regulatory role, that the 'group' of individuals (and/or entities) within its remit are identifiable. Without being able to identify those within scope, it will be almost impossible to carry out monitoring or to ensure that those subject to the requirements are clear as to their regulatory accountability, and what is expected of them.

37) The proposals are silent on the scope of the technical standards role of ARGA and on how those subject to it will be identified.

38) In our view, there appear to be three broad approaches that could be taken to determining who or what is regulated: (1) by reference to IFoA membership; (2) by reference to a general category of 'actuarial activity' or 'actuarial work'; or (3) by identifying specific work/roles that are within scope.

39) In our opinion there are material problems in applying regulation, particularly statutory regulation, by reference to a general definition of 'actuarial activity' or IFoA membership.

40) Applying standards to 'actuarial activity' in general is likely to fail for want of clarity and enforceability because of the fundamental difficulty in defining 'actuarial work'. Like accountants, actuaries work and practice in a very wide range of areas and sectors, mostly doing work which is not specifically or uniquely 'actuarial'. The result is that attempting to define 'actuarial work' becomes ultimately either impossible or very circular in that it needs to reference back to either the people doing it or to the professional body of which they are members. This is borne out by the well-intentioned, but ultimately unsuccessful, attempts over the years to define 'actuarial work', by both the FRC and IFoA.

41) Applying technical standards (and related powers of monitoring and enforcement) to all members of the IFoA, as a proxy for 'actuaries', will also, by itself, not be effective. This will create a regulatory gap, because non-members will not be regulated when they are doing work which is regulated for IFoA members, unless it is also accompanied by a requirement for those doing this work to be an IFoA member.

42) In this situation, members might also be encouraged to resign in order to avoid ARGA regulation (particularly if monitoring and/or enforcement activities are to be introduced). We know that there are already examples of actuaries in (non-reserved) senior actuarial roles with significant potential public interest consequences (such as Chief Actuaries employed by PRA regulated insurance companies) resigning their membership to avoid IFoA and FRC regulation, and of businesses indicating that they will avoid employing actuaries given the regulation that

this will entail. There is a real concern that this would become far more frequent if the regulatory activities involve statutory monitoring and enforcement activities.

43) This would be a profoundly negative outcome from a public interest perspective and might also, if the wrong arrangements are put in place, undermine the ambition to make the UK a desirable place to do business, making the UK actuarial market less competitive, including when compared to the situation in other countries.

Proposed Solution:

44) This could be addressed by the remit of ARGA's technical standards role being defined by reference to specific work type/roles and for the legislation to require that anyone doing this has an appropriate actuarial qualification, either the IFoA's or that of an equivalent body, and is required to submit to ethical professional regulation (ethical standards, CPD, etc) as is provided by the IFoA and overseen by ARGA's oversight function.

45) That would be consistent with the proposed approach to statutory audit, whereby individuals will be required to hold a suitable qualification either from a new audit professional body or, as is currently the case, from one of the existing Recognised Supervisory Bodies.

(ii) How would regulated work/roles be identified?

46) Legislation could enable ARGA to maintain a list, which is updated from time to time (subject to appropriate consultation). It could also set out clear criteria for what should be included (and what should not). That should balance the need for certainty around what is within scope (or not), including by the public, while allowing scope for adapting to significant changes in actuarial practices over time.

47) We would expect the criteria to ensure that work identified is clearly 'actuarial' but also of significant public interest risk/importance. This approach should also ensure that there is not duplication with the regulation of other regulators in the various industries in which actuaries work.

48) The sort of work that we would expect to be included here may be broadly similar to the work identified as being within scope of the FRC's current specific TASs (TAS 200, TAS 300, and TAS 400).

49) This approach is not only proportionate, targeted and risk based, but compares appropriately to the approach taken to the

accountancy professions, where technical standards and regulation are focused on specific types of work or activity, with a particular focus on audit work.

50) The IFoA recently responded to the FRC's Call for Feedback on their TAS framework and TAS 100, where it identified issues with the breadth of scope of the TAS 100 (which is the FRC's technical standard of general application) and suggested that a more focused, risk based approach to setting the scope of the FRC's standards would be appropriate and more effective, allowing a more focused but more rigorous and effective approach overall. The IFoA would maintain a broad framework of professional standards, underpinning its Code of Conduct (the Actuaries' Code), which would continue to apply to all of its members, including those outside scope of ARGA regulation.

(iii) How would this work in practice?

51) Firstly, we propose that the statutory technical standards will apply to all work on this list (broadly the work currently subject to the specific TASs). Secondly, monitoring and enforcement will need to be focused on key responsible individuals.

52) For this to work, ARGA will need to identify the 'group' of individuals/entities with whom they must engage to be able to regulate them.

53) In order to identify the 'group', ARGA would require to maintain a registration/authorisation regime for those who have overall responsibility for those listed areas of work. It would be necessary to identify and define those regulated actuarial roles with overall responsibility for the relevant function or activity.

54) We would propose that it delegates this registration/authorisation function to the IFoA subject to ARGA oversight (and conceivably other authorised bodies if they are also subject to ARGA oversight and maintain a comparable ethical regulatory framework). This could easily be given effect through an expanded Practising Certificates Scheme, with other roles added to account for those with overall responsibility (e.g. those responsible for one-off pieces of actuarial work of significant public interest).

55) The IFoA would expect that, in order to give effect to the Government's proposals, everybody responsible for this work (i.e. everybody in an 'authorised role') would be required to be registered and authorised by the IFoA (or, potentially, another authorising body, if there are suitable other bodies). Everybody registered/authorised would be required to have an appropriate actuarial qualification.

		56) Although those identified as having responsibility for the work would be a smaller group than everyone involved in or carrying out the work, this would still cover all of the identified areas and, if combined with statutory powers to require employers of registered/authorised individuals to cooperate, should lead to a system of regulation focused on ensuring accountability of appropriately qualified individuals who are responsible for the key public interest areas of actuarial work, but in a way that is practically deliverable by ARGA. 57) In addition, members of the IFoA would be required to comply with applicable standards (both technical, where applicable, and ethical) in relation to their individual work and be personally professionally accountable under the IFoA's disciplinary scheme.
85	Should the regulator be responsible for monitoring compliance with technical standards? Should it also consider compliance with ethical standards if necessary?	58) The IFoA would be supportive, in principle, of ARGA broadening its standards role to include some monitoring of compliance with its standards, but has concerns about potential duplication with the activities of the IFoA and other regulators, and also about how this would be implemented in practice. 59) In particular, any monitoring ought to complement and not duplicate the work of the newly established IFoA Actuarial Monitoring Scheme (AMS). 60) It ought also avoid duplication with the supervision work of the PRA and FCA (which covers the outputs of actuarial work and the work of those in senior actuarial roles), the work of TPR in relation to DB pensions schemes and the Audit Quality Review (AQR) work that will be carried out by ARGA and which currently extends to review of actuarial work. 61) There is a real concern that, given the different lenses through which each of the relevant regulators are looking, the same work and individuals may be subject to scrutiny and, ultimately sanctions, from multiple regulators for the same events. 62) By way of illustration, a Chief Actuary to an insurer authorised under SMCR might well find themselves answerable to the PRA, IFoA and ARGA, as well as their employer, for a failure to carry out a piece of work to required standards. This seems a disproportionate outcome, risks inconsistency and suggests that the resources of the regulators could, if there was better coordination, perhaps through a more formal JFAR, be used more effectively. 63) The approach described above (Q84) will, however, support a practical and effective monitoring and enforcement regime focused on a known 'group' of responsible individuals. In the

		absence of an identifiable group, this will be difficult to implement effectively. 64) We would propose that the monitoring is focused on the same defined work and roles as described above.
86	Should the regulator have the power to request that individuals provide their work in response to a formal request - and to compel them to do so if necessary?	65) It is important if there is to be a mandatory monitoring system introduced that there is also a clear statutory power to obtain relevant information, and one which is explicit about the implications for existing agreements. This is essential, not only for the effective operation of that system, but also to avoid putting actuaries and their employers in difficult situations relating to client confidentiality.
87	Should the regulator have the power to take appropriate action if work falls below the requirements of the technical standards? What powers should be available to the regulator in these instances?	66) If enforcement powers are to be introduced as part of a technical standards and monitoring system, then it is important that those powers complement existing enforcement systems, particularly the IFoA's disciplinary processes that are currently engaged where there are breaches of the technical standards, but also the systems of other statutory regulators, such as the PRA. 67) It would also seem likely in many cases that it would be difficult to enforce only against a 'technical breach' without also considering wider issues, including ethical issues. That would seem potentially problematic in terms of its duplication with the IFoA's role. 68) The IFoA would be supportive of a system whereby ARGA referred such cases for further investigation through the IFoA's disciplinary process (which would be subject to ARGA oversight). Some powers, for example, to require changes to work, might also be appropriate as long as those are reasonable and apply to the specific activities within scope.
88	Do respondents agree with the proposed scope for independent oversight of the IFoA? In which ways, if any, should the scope be amended?	69) The IFoA supports the proposed scope for independent oversight. It is important, however, that the scope of that oversight is made clear, both in terms of how it will be carried out and the standards/framework/principles against which the IFoA will be measured for the purposes of oversight. 70) It will be important to strike the right balance between ensuring clarity of the oversight role of ARGA (in legislation) and not inhibiting future improvements and developments in the way that the IFoA carries out its regulation, or innovation of the profession, by being overly prescriptive. 71) To that end, it may be helpful to have a high-level statutory responsibility for oversight with more detail around how that will operate in practice in a Memorandum of Understanding.

		That would also seem to align with proposals around ARGA oversight of other professions within the White Paper. 72) In order to ensure that this oversight is fair and effective, the IFoA also sees it as important that the legislation requires clear oversight principles to be set by ARGA, setting out, at an appropriate level, its expectations for how regulation will be carried out by the IFoA and other bodies that it oversees. Those principles should be subject to public consultation, benchmarked against other statutory oversight bodies and published. 73) If the IFoA is to be subject to a statutory duty to comply with oversight recommendations from ARGA, then those recommendations should be limited to significant public interest risks, recognising that there are often a range of 'schools of thought' on regulatory matters and that there may be legitimate differences in view between the oversight body and the IFoA's regulatory function about the appropriate approach to specific aspects of regulation. This will also ensure that ARGA is clearly carrying out a risk based oversight role, rather than directly regulating, where this is the role of the IFoA, thereby avoiding duplication of regulation. 74) The proposal in the White Paper for a 'comply or explain' approach to that power would also seem to support the principle of ensuring that oversight is focused on ensuring that the IFoA operates in a way that is in line with public interest protection, while not disproportionately interfering in its regulatory function. 75) It will also be important to ensure that any such recommendations are clearly within the scope of the oversight remit and to allow a route for raising concerns if they are not.
89	Should the regulator's oversight of the IFoA be placed on a statutory basis? What, if any, powers does the regulator require to effectively fulfil this role?	76) The IFoA is supportive of the introduction of clarity around ARGA's oversight role and would be comfortable with that being placed on a statutory basis. 77) ARGA should, however, be required to publish guidance in relation to how it will carry out that oversight role; it is reasonable to expect that it can only oversee to the extent that it has published principles for the bodies subject to its oversight (such principles having been subject to consultation).
90	Does the current investigation and discipline regime remain appropriate? Should it be placed on a statutory basis? What, if	78) The IFoA does have concerns about the current investigation and discipline regime in relation to public interest cases, which is duplicative and inefficient, leading to unnecessary delay. 79) Very few actuarial cases have been considered under the FRC's Actuarial Disciplinary Scheme since its creation following the

	any, additional powers does the regulator require to fulfil this role?	Morris Review[1]. The vast majority of actuarial disciplinary cases are considered under the IFoA Disciplinary Scheme, subject to FRC oversight. Those cases which have been considered under the FRC Scheme have tended to suffer from significant delay[2] and a lack of clarity of communication with external stakeholders. 80) In short, we do not consider that maintaining two separate but very similar disciplinary arrangements has served the public interest well in relation to actuarial matters, particularly given the very low volume of cases involved. Maintaining two separate schemes is, in the circumstances, unnecessarily costly and disproportionate. 81) A potential alternative approach, that might avoid these issues, is that instead of a separate disciplinary scheme for allegations identified as 'public interest' cases, there is only one scheme, operated by the IFoA, and subject to ARGA oversight. 82) This could also be accompanied by ARGA having a power to 'step in' and appeal an IFoA disciplinary decision if it is deemed to be unduly lenient and therefore in the public interest to do so. Such interventions in the process would only be after their conclusion, not at an earlier stage. There are examples of this approach in other statutory professional oversight bodies in the UK, for example in relation to the oversight of the healthcare professions by the Professional Standards Authority for Health and Social Care.
91	Do respondents think that the regulator's remit should be extended to actuarial work undertaken by entities? What would be the appropriate features of such a regime, including the appropriate enforcement powers for the regulator?	83) The IFoA sees some value in ARGA being given powers to support its technical standards regulation and for some of those powers to relate to entities. However, it does not see any basis for introducing a wider entity based system of regulation. **Powers applying to entities to support regulation of individuals** 84) The IFoA could see value in introducing powers to compel entities to cooperate with ARGA, for example to provide information or documents in relation to monitoring and any disciplinary or enforcement processes, if it is to take on such roles. Often individuals are subject to restrictions on sharing information as a result of their employment situation, therefore this change could help with their ability to engage with the regulator's processes.

[1] The FRC has investigated (with outcomes published) a total of 5 actuarial cases since the arrangements were put into place in 2008. Only 2 of those cases were under the Actuarial Scheme, the others were joint investigations under the Actuarial and Accountancy schemes.

[2] In the last 5 years 3 actuarial cases have been concluded: (1) investigation opened 2012, concluded 2017; (2) opened 2015, concluded 2017; and (3) opened 2016, concluded 2021.

85) That power to compel might also be given some 'teeth' with different sanctions available to ARGA for a failure to cooperate. Although, it would be expected that those sanctions would be applied only in rare circumstances, where reasonable opportunity has been given to the entity to comply.

86) It may also be appropriate for the IFoA to be given some statutory powers to compel entities to provide information in relation to its own regulatory role, including its disciplinary processes and its actuarial monitoring scheme. The use of those powers would, of course, be subject to ARGA oversight.

87) There may also be some value in entities that carry out actuarial work (as defined in a list – see Q84 above) being required to ensure that those key actuarial role holders (see Q84 above) are able to carry out their roles effectively.

Wider actuarial entity regulation system

88) The IFoA has not, however, seen any evidence that suggests there is a public interest need for introduction of wider actuarial entity regulation. It is therefore unclear what public interest issue the proposal is seeking to address and consequently difficult to respond to whether such a proposal would be appropriate.

89) Fundamentally, it is unclear to the IFoA what is meant by 'actuarial entities' and how those would be defined. Similar issues to defining 'actuarial work' described above (in Q84) in relation to the scope of the technical standards role would apply equally here, too. The concept of an 'actuarial firm' does not exist in the same way as an 'audit firm' does.

90) Actuaries work for a broad range of types of organisations across a number of industries (including many outside financial services, such as healthcare providers, supermarkets and the armed forces). It would seem inconsistent with the regulatory principles and a targeted, risk based approach to regulation to extend this to any organisation that happens to employ an actuary. Such an approach would simply serve to make the employment of actuaries an unattractive proposition for UK businesses and lead to regulatory arbitrage, with the recruitment of actuaries being discouraged and individuals encouraged to resign their actuarial membership to avoid the scope of this regulation.

91) The remit could be defined in relation to entities undertaking (or employing those undertaking) regulated work/roles but that would seem very likely to lead to duplication with other entity-based statutory regulation. The nature of regulated actuarial work also typically involves an individual appointment (such as a

		Scheme Actuary or Chief Actuary with responsibility for the actuarial function). This is different to the audit situation, where the audit firm is usually responsible for the work. 92) The IFoA has particular concerns about how such a system would avoid duplication of regulation of the entities that undertake actuarial work given the existing regulation that applies to many of them already. 93) The main categories of organisations carrying out actuarial work are insurance product providers and reinsurers, actuarial consultancies, accountancy firms, pensions consultancies and investment firms. All of those are already subject to regulation and scrutiny, in different combinations and to different extents, by the PRA, FCA, TPR and FRC/ARGA. 94) The UK financial services regulators (which would include ARGA) are also significant employers of actuaries that undertake actuarial work which has significant potential public interest implications. Should entity regulation be introduced, it would arguably be appropriate for such regulation to extend to these entities too. 95) Substantive entity-based regulation might also risk duplication with the IFoA's established Quality Assurance Scheme (QAS) for actuarial employers or its Designated Professional Bodies (DPB) licensing regime (which it operates under oversight of the FCA). 96) This proposal would also raise further questions around how ARGA would be able to identify the entities that are within its scope in order to practically implement such a system. 97) There seems also to be a risk that if entity based regulation was introduced, this might result in the unintended consequence of encouraging organisations to ring fence the regulated part of their business. That may, in turn, undermine the effectiveness of the overall regulatory system.
92	Should the regulator's independent investigation and discipline regime for matters that affect the public interest also apply to entities that undertake actuarial work? Should the features of the regime differ for Public Interest Entities?	98) As explained above, the IFoA believes that a separate disciplinary scheme in the public interest (as it is currently operated) is problematic and leads to poor outcomes for the public. 99) We consider that a proportionate and practical solution would be to provide for obligations on employers of those individuals undertaking authorised roles to cooperate with the exercise of the new monitoring and enforcement powers. 100) For the reasons described above (Q91), we do not see the basis for a more extensive or substantive regime of entity

		based regulation, or how this would operate appropriately and proportionately in practice. 101) If regulation of entities undertaking actuarial work were to be introduced then the features of that regime should be determined by risk factors relevant to actuarial advice and how it is used within an organisation, not by concepts that are related specifically to the regulation of audit and financial reporting.
93	Does the regulator require any further powers in relation to its regulation and oversight of the actuarial profession?	102) Overall, the previous regulation and oversight arrangements were working effectively in relation to the actuarial profession. No specific issues had been identified, nor is there any evidence to suggest that additional powers would have been useful (or, in practice, used) in the context of the FRC's oversight role. 103) On that basis, the IFoA does not consider that ARGA would require any further powers (beyond those already addressed in the White Paper) in relation to its regulation and oversight of the actuarial profession.