



Institute
and Faculty
of Actuaries

Applying Standards

Guide on APS X1: Applying standards
to actuarial work



by the Regulation Board

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1. Introduction

- 1.1 It is important that Members of the Institute and Faculty of Actuaries (IFoA) are able to identify the regulatory standards which apply to their work, taking into account the type of work they are carrying out and the regulatory environment in which it will be delivered or used.
- 1.2 The IFoA's Actuarial Profession Standard (APS), APS X1 - Applying Standards to Actuarial Work provides Members with a framework and approach for clarifying which standards to apply to their work.
- 1.3 The IFoA recognises that determining which standards should apply in particular circumstances is not always straightforward, especially where Members are involved in work overseas and might be subject to the rules and requirements of another professional body. For that reason, the IFoA has produced this non-mandatory Guide to help Members understand the requirements of APS X1, provide them with practical examples and assist them in making decisions about the appropriate standards to apply.
- 1.4 Members must at all times remember the obligations imposed on them by the Actuaries' Code (the Code).
- 1.5 This Guide imposes no obligation upon Members over and above those embodied in the Code and APS X1.
- 1.6 This Guide does not constitute legal advice. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA will not accept any legal liability in relation to its contents.
- 1.7 While the Guide may be referred to and considered in the course of disciplinary proceedings it will not necessarily provide a defence to allegations of misconduct.
- 1.8 The defined terms used in APS X1 apply to this Guide.

2. APS X1: Key Provisions and Principles

Background

2.1 The requirements of APS X1 are intended to set out:

- How IFoA standards (the Actuaries' Code and APSs), the International Standards of Actuarial Practice (ISAPs), including ISAP 1, European Standards of Actuarial Practice (ESAPs) issued by the Actuarial Association of Europe (AAE), the Financial Reporting Council's (FRC) Technical Actuarial Standards (TASs) and other Recognised Standards apply to our Members and their work; and
- How Members carrying out overseas work should determine which standards should apply and, in particular, how other 'local' standards might be applied in addition to, or instead of, IFoA standards.

2.2 APS X1 has a number of particular aims:

- To protect the public and users of actuarial work in terms of ensuring our Members are applying appropriate standards to their work;

- To be proportionate and balance the need for public protection against the requirement not to apply an overly onerous burden on our Members, allowing sufficient and appropriate flexibility;
- To avoid regulatory duplication and take account of other standards and requirements not issued by the IFoA, but which may still be relevant;
- To achieve consistency in terms of the standards we expect our Members to meet regardless of the environment where, or for which, their work is carried out;
- To adopt and implement a coherent policy for the regulation of all our Members on the basis of the 'equivalence principle' (as set out in our **Regulatory Strategy**¹); and
- To recognise the importance of international actuarial standards and of our role as a Full Member Association of both the IAA and AAE.

2.3 The approach taken in APS X1 recognises that the IFoA has Members carrying out work all over the world, that almost half of its Members are

¹ <https://www.actuaries.org.uk/documents/refreshed-regulatory-policy-statement-september-2016>

based outside the UK and that it is part of an international actuarial community, with Members often holding dual membership of actuarial associations. It also recognises the IFoA's commitment to supporting the aims of the IAA and AAE in relation to the production of international model standards.

provisions for situations where standards are issued by bodies with a particular status or authority (principally IAA Full Member Associations or their equivalent).

Scope and application of APS X1

2.4 APS X1 applies to all Members, including those Members who are partially regulated². However, the requirements reflect the fact that Members carrying out work within UK Geographic Scope must apply the FRC's Technical Actuarial Standards whereas those carrying out work which is outside UK Geographic Scope are not obliged to do so.

2.5 Where Members are carrying out work which has an international dimension, there will also often be local standards that might be relevant to the work.

2.6 Members carrying out work in or for a particular geographic or regulatory environment are, rightly, usually expected to have regard to local standards that are in place and, where appropriate, to apply those standards.

2.7 APS X1 also introduces specific

Compliance with legal requirements, the Code and APSs

2.8 The starting point for Members is that they must comply with the law that applies to the work they are undertaking³. This means directly applying legislative requirements, as well as other regulatory requirements, which are enforceable under national or local law.

2.9 Unless there are legal requirements which provide otherwise, APS X1 provides that all Members are also required at all times to comply with the Actuaries' Code, regardless of where they are located or where the work is being carried out or delivered.

2.10 Members must comply with any APSs published by the IFoA to the extent that they are applicable to the work in question. Special provision is made for those carrying out work outside UK Geographic Scope to apply Recognised Standards instead of APSs in particular circumstances. This is explained further at 2.25 below.

² Members can apply to be 'partially regulated' where they meet certain criteria. On being granted partial regulation status those members are entitled to a reduced rate subscription and may apply the CPD requirements of their 'primary' regulator (subject to completing the IFoA's professional skills training requirements). However, those Members are still bound by the Actuaries' Code and must comply with any relevant APSs.

³ This is not set out explicitly in APS X1 as it is already a requirement of the Actuaries' Code, principle 4 'Compliance' which provides that "Members will comply with all relevant legal, regulatory and professional requirements".

2.11 APS X1 also provides explicit confirmation of the requirement that, where Members are carrying out work which is within UK Geographic Scope, they must (in addition to the requirements to apply the Actuaries' Code and applicable APSs) comply with technical standards issued by the FRC.

Compliance with ISAP 1

2.12 Paragraph 2.1 of APS X1 introduces a requirement for Members to ensure that work is carried out in a way that is substantially consistent with the IAA international model standard:

ISAP 1 - on general actuarial practice⁴.

2.13 There is a range of ways in which Members may comply with this principle. They may do this by applying either ISAP 1 itself, or some appropriate combination of standards which, collectively, are considered to be substantially consistent with ISAP 1. The assessment of whether the combination of standards is substantially consistent with ISAP 1 is for the individual Member to determine but they must do so objectively and so must consider what would be a reasonable assessment of whether substantial consistency is achieved. Further guidance on making that assessment is set out at 2.23-2.25 below.

2.14 Accordingly all IFoA Members are subject to the same minimum level of

standards (the requirements of ISAP 1) regardless of their practice area or the geographic location into which their work is being delivered.

2.15 The IAA approved ISAP 1 on 18 November 2012. It is a general standard intended to apply to all actuarial services performed by an actuary, except for those elements that are explicitly superseded by another standard, such as a practice-specific standard or bye-law. The purpose of ISAP 1 is to provide guidance to actuaries so that the intended users of actuarial services will have confidence that:

- i. Actuarial services are carried out professionally and with due care;
- ii. Results are relevant to their needs, are presented clearly and understandably, and are complete; and
- iii. Assumptions and methodology employed (including, but not limited to, models and modelling techniques) are disclosed appropriately.

2.16 The IAA also produces other model standards on specific topics, as does the AAE. Like ISAP1, those are 'model' standards that only have effect where an IAA or AAE member association (or another body) decides to apply them in some way, for example where they adopt those standards or incorporate them into their existing standards.

⁴ http://www.actuaries.org/CTTEES_ASC/Documents/ReformattedISAPIFINALOCTOBER_correctedJan2014.pdf

Individual Members are not expected to apply model standards unless they are required to do so by their actuarial association (or another body that adopts those model standards).

Deemed compliance with paragraph 2.1

2.17 APS X1 sets out circumstances where Members will be deemed to have met the requirements of paragraph 2.1 (in other words, where they can safely assume that the standards they are applying mean that they are carrying out the Actuarial Work in a way that is substantially consistent with ISAP 1).

2.18 Those circumstances are where, in addition to meeting the other requirements of APS X1, they are complying with:

- i. Relevant TASs
 - a) For Members carrying out Actuarial Work within UK Geographic Scope this means, in effect, all TASs with which they are required to comply in accordance with paragraph 3.1 of APS X1.
 - b) For Members working outside UK Geographic Scope, substantial consistency will, in practice, be achieved if they are compliant with TAS 100 in addition to the Actuaries' Code and APS X2 (or alternative Recognised Standard).

This reflects the jointly agreed position of the IFoA and FRC that they consider that the framework of UK actuarial standards (Actuaries' Code, APSs (in particular APS X2), TASs (specifically TAS 100) and supporting non-mandatory guidance), collectively achieve substantial consistency with ISAP 1.

- ii. The Recognised Standards of a Relevant Authority included in a list provided by the IFoA.

It is intended that the IFoA will maintain on its website a (non-exhaustive) list of Relevant Authorities that have indicated that their standards are, as a minimum, substantially consistent with ISAP 1. Members will therefore be able to refer to that list and know that if they are applying that body's standards, they are deemed to meet the paragraph 2.1 requirement.

- iii. Another Recognised Standard, or combination of Recognised Standards, which they reasonably judge to achieve substantial consistency with ISAP 1.

Not all IAA Full Member Associations or other Regulatory Authorities who have made a public declaration to the effect that their standards framework is 'substantially consistent' with ISAP 1 will necessarily appear on

the list referred to in section 2.18 above. Members are encouraged to check the websites and other publications of their local body to see whether they have announced or communicated a position in relation to ISAP 1. Equally, there may be IAA Full Member Associations or other Regulatory Authorities that are included in the list but have not made a public declaration.

There is not a requirement for such a declaration to exist in order for a set of standards to be substantially consistent but where one does exist, Members will have the benefit of a strong steer that they are meeting the requirements in paragraph 2.1 of APS X1.

However, unless the body is included on the IFoA list referred to at section 2.18 above, the existence of such a statement does not of itself necessarily mean the requirements of paragraph 2.1 are met. The member is still required to use their reasonable judgement as a professional to consider whether there is a need to check that the standards are, in fact, substantially consistent. While situations where there is such a statement but standards are not substantially consistent are expected to be rare, Members cannot automatically assume that there is no need for any further consideration or inquiry.

Recognised Standards issued by Relevant Authorities (for work outside UK Geographic Scope)

2.19 Where a Member is carrying on work which is outside UK Geographic Scope (so outside the scope of the FRC's TASs) and there is a requirement to apply 'Recognised Standards' (so standards issued by a full IAA Member Body) then APS X1 provides that they should apply those standards.

2.20 This will, in many cases, be most relevant where a Member has dual membership of the IFoA and another Relevant Authority, and so is required to apply that Relevant Authority's standards. For example, if an IFoA Member is carrying out Canadian work and is also a member of the Canadian Institute of Actuaries (a full IAA member body) then in terms of APS X1 there is a presumption that they should apply any relevant Recognised Standards that they are required to apply by virtue of their membership of the Canadian body.

2.21 APS X1 then goes further to say that where there is a relevant Recognised Standard that applies in the geographic area where a Member is carrying out work but the Member isn't (otherwise) under any obligation to apply it (so, for example, where there is no legal requirement and they don't hold membership of that local Relevant Authority so are not required to apply its standards) the Member should still apply that

Recognised Standard to the extent (if any) it would be 'appropriate and proportionate' to do so.

2.22 In essence, this means that, even where a Member is not a member of a Relevant Authority, or otherwise subject to its jurisdiction, (so that the Recognised Standard would not be directly applicable) but the Recognised Standard is relevant in terms of subject matter (i.e. it covers the work in question) and geography (it is a 'local' standard in relation to the work in question), the Member should apply it to the extent 'appropriate and proportionate'⁵. In determining whether it is appropriate and proportionate to apply any or all of the standard, Members are asked to consider the 'relevant circumstances', including those listed in paragraph 7.1 of APS XI. These are:

- i. The context in which the Actuarial Work is being provided and its purpose;
- ii. The scope of any Recognised Standards already applied and whether they cover all aspects of the Actuarial Work in question;
- iii. The requirement for substantial consistency with ISAP 1 in 2.1;
- iv. The reasonable expectations of Users;
- v. Relevant market expectations and norms in the context in question; and

vi. The regulatory and/or public interest objectives of the Recognised Standards or relevant standards in question.

2.23 To illustrate:

- i. If a Member (physically located anywhere in the world) is instructed by a South African company to provide actuarial advice in relation to products for sale in South Africa and there is a relevant Recognised Standard issued by the Actuarial Society of South Africa that applies to members of that body, the Member should apply that Recognised Standard if they have dual membership of that Body or compliance is required by South African law. Even if they are not a member of that body and there is no other requirement to apply the standard, there would also be a presumption that the Member would consider to what extent (if any) it would be appropriate and proportionate to apply that standard, and then apply it accordingly.
- ii. However, the standard would not be applied where a Member is instructed to provide actuarial advice to a UK insurer in relation to UK products which have no connection at all to any other country and happens to type up their report while working out of their employer's Cape Town office.

⁵ For the avoidance of doubt, paragraph 4.3 of the APS does not seek to alter the status of non-binding resource materials issued by Relevant Authorities.

Recognised Standards applying worldwide

2.24 In general, it is not expected that standards which are issued by a Relevant Authority based in one country but which apply in respect of a different country (because they have a 'worldwide' application) would be applied under paragraph 4.3 of APS X1 as this would not normally be 'appropriate and proportionate'. So for example, if a Relevant Authority in Country X issues a standard which regulates all pensions work everywhere in the world, in most cases, it is not anticipated that someone (who is not also a member of that Relevant Authority and is not under any legal or other obligation to apply the standard) carrying out work in Country Y would have to apply that standard by virtue of APS X1. The sort of situation where it might nevertheless be deemed to be appropriate to apply such a standard is where, for example, there is a particularly close relationship between countries X and Y.

Recognised Standards that are substantively similar to APSs

2.25 Where one or more Recognised Standards are being applied under paragraph 4.2 and/or 4.3 of APS X1 but there is also a substantively similar APS that applies, APS X1 provides that a Member may,

where appropriate, apply that other Recognised Standard(s) (or part of it) in preference to equivalent or similar provisions in the APS. This requires the exercise of judgement and the member must have regard to all the relevant circumstances in which the work is undertaken. Paragraph 7.1 provides some assistance on the relevant circumstances that should be taken into account in exercising that judgement. So, taking the example in 2.20 above, if the Canadian Institute of Actuaries had in place a standard that was substantively similar to one of the IFoA's APSs then that Member with dual membership might, having taken into account all the relevant circumstances, not need to apply the APS as well as that Canadian standard.

2.26 It is important to note that Members are still required to comply with the principles set out in the Actuaries' Code, even if another Recognised Standard is applied instead of an APS. There is no scope for any Recognised Standard to be applied in place of the Actuaries' Code.

Recognised standards broader than ISAP 1

2.27 Where a Recognised Standard to be applied under APS X1 includes requirements which go beyond those in ISAP 1, these should be applied in addition to those in ISAP 1.

Inconsistent Recognised Standards

- 2.28 If there is any inconsistency between Recognised Standards that might apply, Members would be expected to use reasonable judgement to determine which to apply.
- 2.29 If the Member is required to apply one of the ‘competing’ Recognised Standards (for example, due to membership of the ‘local’ Relevant Authority) but is not subject to any requirement to apply the other Recognised Standard (other than by virtue of paragraph 4.3 of APS X1) then this might steer the Member towards applying the first standard. However, there may be circumstances in which the Member might judge it “appropriate and proportionate” to apply the second standard (from 4.3) in preference to the first (from 4.2).
- 2.30 A relevant consideration may be the potential implications of non-compliance (such as another body’s disciplinary scheme) and a Member in that situation may wish to consult that other body about the possible consequences. That Member might also seek advice from the body, or bodies, responsible for the inconsistent standards, particularly where they are proposing to take the potentially serious decision not to follow a standard which they might otherwise be expected to apply. In practice, it is anticipated that such

situations will arise infrequently, if at all.

Other relevant standards

- 2.31 In addition to the general duty in relation to compliance with ISAP 1 and the specific requirements in relation to relevant Recognised Standards, APS X1 also provides that, where Members are carrying out work outside UK Geographic Scope, Members should exercise ‘reasonable judgement’ to consider whether there are other relevant standards that they should be applying.
- 2.32 These might include, for example, local standards that do not fall within the definition of Recognised Standards as they are issued by a body that is not an IAA Full Member Association.
- 2.33 In using their reasonable judgement to consider which standards exist that might be relevant, Members should consider all the relevant circumstances, including the factors and considerations set out at paragraph 7.1.

Communication with Users

- 2.34 Members are reminded of their general duties in terms of open and effective communication under the Actuaries’ Code (principle 5). These are reflected in the provisions of APS X1, in terms of which Members have two specific duties:

- i. Where necessary to avoid possible misunderstanding on the part of Users, to set out in writing the standards that have or have not been applied to a piece of work; and
- ii. To be able to justify the standards applied (or not applied), if reasonably called upon to do so.

2.35 The requirement to set out in writing the standards applied where misunderstanding is possible, is intended to ensure there is transparency and clarity for those required to consider a piece of work. It is not intended to introduce a 'compliance statement' requirement for all work but is simply requiring something to be communicated in writing where there is a risk that those using the work may misunderstand which standards have been applied.

2.36 In some cases, simply stating which standards are applied may not be particularly meaningful to Users so Members are also encouraged to consider whether there are ways in which they can set that information out in a user friendly format.

2.37 Where it is deemed necessary to set this out in writing, Members are left with the flexibility to determine the level of detail that is appropriate in the circumstances. However, it is expected that, in the majority of cases where it has been deemed necessary to identify in writing the standards applied, this will not involve more than a few lines describing those standards.

2.38 Members must also be able to explain and justify the approach they have taken to the application of standards, and the judgement they have exercised, when reasonably called upon to do so. This may be a request from a User or it may be from others, for example, the IFoA or another regulator.

3. Summary of steps

3.1 APS X1 calls for the exercise of professional judgement, having regard to the principles set out in the standard.

It does not seek to prescribe exhaustively the professional standards which must be applied, particularly in relation to work outside UK Geographic Scope. Rather, it provides a structured framework within which that important decision should be made and provides an underpinning of the internationally recognised model standard ISAP 1 to ensure that there is a minimum level applicable equally to all Members.

Summary for those carrying out work within UK Geographic Scope:

- i. Subject to the Code
- ii. Subject to relevant APSs and FRC Technical Actuarial Standards (TASs)
- iii. Subject to UK legal requirements
- iv. Deemed to be meeting the paragraph 2.1 requirements (because subject to the TASs).

Summary for those working outside UK Geographic Scope:

- i. Subject to the Code
- ii. Subject to relevant APSs (except where applying other Recognised Standard(s) instead)
- iii. Subject to the legal requirements of the jurisdiction in which they are working
- iv. Should ensure work carried out in a way that is substantially consistent with ISAP 1
- v. Should apply 'Recognised Standards' if under an obligation to do so; or apply them to the extent appropriate and proportionate where they relate to the geographic area of the work and cover the work in question
- vi. Should use reasonable judgement to consider whether any other relevant standards to be applied.

- 3.2 If you are a Member carrying out work outside UK Geographic Scope then the sort of steps that you might consider taking are:
- i. Checking whether there are local standards which fall within the definition of Recognised Standards (i.e. have they been issued by a Relevant Authority).
 - ii. If there are relevant Recognised Standards, and those directly apply to the work (or would apply if the Member were a member of the Relevant Authority issuing them or otherwise subject to its jurisdiction), checking (1) whether the body issuing the standards is on the list provided by the IFoA and described in paragraph 2.2.2 of APS X1; and (2) if the body is not in that list, whether there is a statement which declares that the standards are 'substantially consistent' with ISAP 1;
 - iii. If the body issuing the Recognised Standards is not included in the list produced by the IFoA:
 - a. considering the content of the Recognised Standards and the requirements of ISAP 1 and determining whether they would be carrying out their work in a way which is substantially consistent with ISAP 1 if they applied those standards, or
 - b. alternatively, as appropriate, applying the requirements of ISAP 1.
 - iv. Thinking about whether there are other standards that are relevant and, if so, considering whether or not they should be applied.

4. Worked examples

4.1 Set out below are some worked examples designed to illustrate the practical application of APS X1.

Those reading the Guide will note that these scenarios are based on the position as at December 2016, and use the terminology current at that date. This includes the names and status of particular membership organisations and the names and content of any standards including APSs (with the exception of references to the TASs, which reflect the new TASs published in December 2016 and due to come into force on 1 July 2017).

4.2 The requirements described in each scenario would apply regardless of the particular Member's category

of Membership. So it would be the same outcome for Student, Associate, Fellow, or Certified Actuarial Analyst (recognising, of course, that it will not necessarily be appropriate for each of the roles described to be undertaken by members of each of these membership categories).

4.3 In all of the scenarios the Member is required, in terms of APS X1, to apply the Actuaries' Code and is subject to the requirements relating to communication about and justification of the standards that have been applied in terms of section 8 of APS X1.

4.4. Scenario 1

A Scheme Actuary, who is a Member of the IFoA and a practising certificate holder, is carrying out funding work in respect of a UK pension scheme.

In terms of APS X1, this Member is required to apply the Actuaries' Code and any relevant APSs (which in this case is likely to include APS P1), subject to anything that is contained in the

legal requirements that would apply, for example any requirements of UK pensions legislation.

As this is work which is being carried out which is within UK Geographic Scope, the Member will also have to apply the relevant TASs, which are likely to include the TAS 100 and TAS 300 (pensions TAS).

4.5. Scenario 2

An insurance pool in which a French Insurance company is a significant participant and for which it oversees the management is written in the London Market. A Member of the IFoA is asked to value the liabilities of the pool.

Although this work is being carried out for a company which is not a UK company and which is based in a country where there are Recognised Standards, this may still involve work that is within 'UK Geographic Scope' as it is work which relates to a UK insurance operation that is not necessarily solely for the benefit of the French insurer.

The test for determining whether something would be within UK Geographic Scope when it does not involve the UK operation of an entity is whether it is an "overseas operation(s) which report[s] into the UK, within the context of UK law or regulation" (APS X1 – definitions).

Circumstances where that might be the case for this scenario include where the pool has a reporting obligation to UK regulators or the pool reports its results under UK GAAP.

In such circumstances it would mean that the member applies the Actuaries' Code, any relevant APSs, and any relevant TAs to the work. There is no scope under APS X1 in this context (UK Geographic Scope) to apply other Recognised Standards as an alternative to any APSs that apply. These may however be applied in addition if not in conflict with required standards.

If the Member carrying out the work also held membership of another Relevant Authority, for example l'Institut des Actuaires (a French Relevant Authority) then they may be required to apply that body's codes and standards, if applicable, as well in terms of that membership.

4.6. Scenario 3

An IFoA Member is employed by an Australian insurance company to work in-house valuing liabilities in relation to Australian life insurance products. The Member is also a full member of the Actuaries Institute of Australia.

In this scenario the work in question is being carried out outside UK Geographic Scope, so the Member is required to apply the Actuaries' Code and any relevant APSs as well as considering the requirements under section 2 in

relation to ISAP 1 and whether there are any Recognised Standards and/or other relevant standards that might be relevant.

In terms of applicable APSs, if there are Recognised Standards issued by a Relevant Authority, such as the Actuaries Institute of Australia (a full IAA member organisation) and those Recognised Standards are substantively similar to relevant APSs, there is scope in terms of paragraphs 5.2 and 5.3 for the Member to apply those other Recognised Standards as an alternative to the APSs. While it seems unlikely that any of the existing life assurance APSs would apply to this example (given their particular scope and their focus on UK activities) it may be that APSs introduced in the future might fall within the scope of that provision.

The Member is also under a requirement in terms of paragraph 2.1 of APS X1 to ensure that the work is carried out in a way that is substantially consistent with ISAP 1. If the Actuaries Institute of Australia has a framework

of Recognised Standards which, when considered collectively, achieves substantial consistency with ISAP 1, or the Actuaries Institute of Australia is on the list of Relevant Authorities produced by the IFoA, then if the Member is applying that framework of standards they will be deemed to have met the requirements of paragraph 2.1 (by virtue of paragraphs 2.2.2 or 2.2.3). The Member could conclude that they have met the requirement of 2.1 either if the Actuaries Institute of Australia is on a list published by the IFoA or because they have satisfied themselves that their standards are substantially consistent, taking into account the fact that this body has made a declaration of substantial consistency with ISAP 1.

As the Member is also a member of the Actuaries Institute of Australia they should apply (in terms of paragraph 4.2) any Recognised Standards of the Actuaries Institute of Australia. They should also exercise reasonable judgement to consider whether there are any other relevant standards that ought to be applied.

4.7. Scenario 4

An IFoA Member is also a member of an actuarial association of another country which is a Relevant Authority and is carrying out work in relation to a

reinsurer based in and regulated by the country covered by that association. The association has not set any standards itself. In practice, the standards

of the Canadian Institute of Actuaries or American Academy of Actuaries are applied to that work.

The Member will be required to apply the Actuaries' Code and any relevant APSs.

The association is a Relevant Authority but does not (currently) have a framework of Recognised Standards which is substantially consistent with ISAP 1. Therefore the Member will need to meet the requirement that work is carried out in a way that complies with ISAP 1, either by applying ISAP 1 or by applying alternative appropriate standards which are substantially consistent with ISAP 1. The Member can do so by applying a combination of

standards, as long as the work is carried out in a way that complies with ISAP 1.

If there is a practice of applying the standards of another Relevant Authority which, when considered collectively, are substantially consistent with ISAP 1, then it may be that applying those standards will mean that the Member is deemed, in terms of paragraph 2.2 of APS X1, to meet the requirement to carry out work in a way that is substantially consistent with ISAP 1. The Canadian Institute of Actuaries (CIA) has stated⁶ that it has adapted ISAP 1 into its standards with the exception of peer review requirements. So it might be reasonable in terms of compliance with section 2.1, for example, to apply the CIA's standards along with APS X2.

⁶ <http://www.cia-ica.ca/docs/default-source/2014/214128e.pdf?sfvrsn=0>

4.8. Scenario 5

A Member of the IFoA is preparing advice for an entity in Country A (which is outside UK Geographic Scope). In Country B (also outside UK Geographic Scope) there is a Relevant Authority which has issued a generic technical standard with unlimited geographic scope requiring its members to benchmark discount rates used in any actuarial advice against stipulated government bond yields. The Member is not a member of that Relevant

Authority based in Country B but, if they were to be a member of that body, they would be under a duty to apply that technical standard to the work in question, in terms of its membership requirements.

The Member is required to apply the Actuaries' Code and any relevant APSs (subject to the scope for applying any substantively similar Recognised Standards as an alternative in terms of

paragraphs 5.2 and 5.3 of APS X1).

For the purposes of the Member's judgement on the application of Recognised Standards under paragraph 4.3, it is intended that there should be a direct connection between the country in which the work is being carried out and the Relevant Authority issuing the Recognised Standard. This means that the Member would not generally be expected to apply an extra-territorial standard such as that issued by the Relevant Authority in Country B in this scenario unless the particular circumstances meant it was reasonable to conclude it was appropriate and proportionate to apply the Recognised

Standard. This might arise where, for example, there was a particularly relevant relationship between Country A and Country B.

The Member would nevertheless still be subject to the requirement to carry out work in a way that is substantially consistent with ISAP 1, to comply with the requirements of paragraphs 4.2 or 4.3 where other relevant Recognised Standards exist, and to exercise reasonable judgement to consider whether there are any other relevant standards (not Recognised Standards) that they ought to apply in terms of section 6.

4.9. Scenario 6

An IFoA Member is advising an international pension scheme regulated by the Isle of Man on funding matters. It is assumed for the purposes of this scenario that it is custom and practice in the Isle of Man for IFoA Members to apply UK actuarial standards, including the FRC's TASs, to work carried on in that Crown Dependency. This is despite that work not technically being within the scope of the TASs. There is no standards setting Relevant Authority based in the Isle of Man (the Manx Actuarial Society does not issue standards and its members are all IFoA

members), and therefore no Recognised Standards.

The Member will be under a duty to apply the Actuaries' Code and any relevant APSs.

Although it may be custom and practice to apply the TASs to this work, as it does not fall within UK Geographic Scope, the provisions in section 3 of APS X1 do not apply.

There would be no requirement to apply the TASs in terms of paragraphs 4.2 or 4.3 as, although the FRC is a Relevant Authority and the TASs would be deemed

Recognised Standards, the TASs are not directly applicable and there is no geographically relevant body that requires them to be applied.

However, if the Member decides that it is appropriate to apply the TASs (and in particular TAS 100), following usual custom and practice, then in terms of section 2.2.1, they will be deemed to be meeting the requirements of paragraph 2.1 and carrying out work in a way that is substantially consistent with ISAP

1. This is because the UK framework of standards (the IFoA's Code and standards along with the FRC's TAS framework) has been assessed as being substantially consistent with ISAP 1.

The Member should also exercise reasonable judgement to consider whether there are any other relevant standards which ought to be applied, taking into account all of the circumstances including, in particular, those in paragraph 7.1.

4.10. Scenario 7

A government actuary, who is also an IFoA Member, is tasked with setting up the actuarial function in relation to the first state pension scheme in a country where there is no Relevant Authority and where there is no adoption of another Relevant Authority's standards. There are also no other local standards that could apply.

The Member will be under a duty to apply the Actuaries' Code and any relevant APSS.

In terms of paragraph 2.1 of APS X1, the work should be carried out in a way that is substantially consistent with ISAP 1. So the Member is under a duty to ensure that this requirement is met in carrying out the work. The Member might determine that it is appropriate

to apply the provisions of ISAP 1 itself in order to fulfil the requirements or to apply another set of standards.

Section 6 of APS X1 requires the Member to exercise reasonable judgement to consider whether there are any relevant standards that they ought to apply. In exercising this judgement there are a number of relevant circumstances (set out in paragraph 7.1) to which the Member should have regard.

They might consider it appropriate to apply some or all of the TASs or any other set of standards that they are aware of in another country that is reasonably comparable to the country to which the work relates.

4.11. Scenario 8

A member of the IFoA is carrying out work in a country (outside UK Geographic Scope) where there is a Relevant Authority which has issued a large body of Recognised Standards but they are only partially consistent with ISAP 1, as there are a number of gaps in that body's standards in terms of ISAP 1's requirements. The Member is not a member of that Relevant Authority (i.e. he does not have dual membership).

The Member will be under a duty to apply the Actuaries' Code and any relevant APSS.

Paragraph 2.1 also requires that the Member carries out their work in a way that is substantially consistent with ISAP 1. If the body of standards being applied by the Member would

not allow him or her to meet that requirement (because those standards are not substantially consistent with ISAP 1), the Member will need to apply other standards that make up that 'gap'. This can be achieved in a number of ways, including by applying ISAP 1 itself.

The Member is left to determine the most appropriate way to achieve that requirement, subject to the provisions in section 4 on applying the Recognised Standards of the geographically-relevant Relevant Authority (to the extent judged appropriate and proportionate, where there is no legal or other obligation to apply them) and in section 6 requiring the Member to exercise reasonable judgement in considering what other relevant standards they ought to apply.

4.12. Scenario 9

A Member lives part of the year in the south of France but continues to work remotely while there advising UK organisations on UK matters.

The Member will be under a duty to apply the Actuaries' Code and any relevant APSS.

As the work relates to UK operations, and UK matters, it falls within UK

Geographic Scope. This means that the Member is under a duty to apply the TASs in terms of section 3 of APS X1. The fact that the Member happens to be located outside the UK when carrying out this work is not relevant for these purposes.

4.13. Scenario 10

An IFoA member has been engaged to advise on the production of consolidated pension figures for the purpose of a parent company's financial statements. The parent company is multi-national, established in Ireland but with subsidiaries in dozens of countries across the world. The IFoA member has been chosen for this work because of his or her general expertise in international accounting work and will use work done by actuaries appointed locally by these various subsidiaries as the basis for his or her consolidated figures. Some of the figures produced for the consolidation may be expected to find their way back into local management accounts for some of the individual country subsidiaries.

The Member will be under a duty to apply the Actuaries' Code and relevant APSS.

Assuming that the Member is not also a member of an IAA Full Member Association other than the IFoA, paragraph 4.2 does not impose any requirements. However, paragraphs 4.3 and 6.2 do require the Member to exercise reasonable judgement to consider if there are non-UK standards which it would be appropriate and proportionate to apply. In particular, given that reporting is into Ireland (rather than the UK), under paragraph

4.3 the case should be considered for applying Irish actuarial standards such as would apply to an Irish actuary performing the same work.

A relevant factor to consider might be the fact that the Member has been chosen for this work as a person with international accounting expertise, rather than someone with an expertise in relation to a particular country (so there might be a reasonable expectation on the part of the user about the standards being applied) as would the associated market expectations and norms. It might therefore be reasonable, in all of the circumstances, for the Member to judge that Irish standards need not be applied despite the fact that the company is established in Ireland.

On the basis that the output of the work might also come to be used in various other countries, there might also be a theoretical case (under paragraph 4.3) for additionally applying the standards of those countries, but in these circumstances this would be very unlikely to be considered "appropriate and proportionate".

Therefore, mindful of the overarching requirement of section 2, the Member may well conclude that in this case the appropriate and proportionate approach is either to apply ISAP 1 directly or to apply the TASS.

5. Contact us

- 5.1 The content of this guide will be kept under review and for that reason we would be pleased to receive any comments you may wish to offer on it. Any comments should be directed to:

Regulation Team (Ref: APS X1)

The Institute and Faculty of Actuaries

Level 2, Exchange Crescent

7 Conference Square

Edinburgh

EH3 8RA

or

regulation@actuaries.org.uk

- 5.2 Members may also use the IFoA's Professional Support Service (PSS), which is a free guidance service that can assist with any professional or technical actuarial matters including queries about the appropriate standards to apply to a piece of work. Queries can be submitted through the IFoA's website using the PSS form⁷.

⁷ <https://www.actuaries.org.uk/upholding-standards/professional-support-service/submit-query-professional-support-service>

Appendix 1

APS X1: Applying standards to actuarial work

Version: 1.0, effective from 1 July 2017

Purpose: This APS sets out how to determine which standards are applicable to actuarial work

1. Actuaries' Code and APSs

1.1 Subject to relevant Legal Requirements and the provisions in paragraph 5.2, all Members must comply with:-

- 1.1.1 the Actuaries' Code; and
- 1.1.2 relevant APSs.

2. Substantial consistency with ISAP 1

2.1 Members should ensure that their Actuarial Work is carried out in a way that is substantially consistent with ISAP 1.

2.2 Members will be deemed to have met the requirements of paragraph 2.1 if they are:

- 2.2.1 Applying all relevant TASs;
- 2.2.2 Applying the Recognised Standards of a Relevant Authority included in a non-exhaustive list of such Relevant Authorities as may be published from time to time by the IFoA; or
- 2.2.3 Applying to that work Recognised

Standards which, when considered collectively, the Member reasonably judges to achieve substantial consistency with ISAP 1.

3. Applying TASs

3.1 Members must apply relevant TASs to work which is within UK Geographic Scope. They may additionally apply other standards which are appropriate in the circumstances, provided that any such other standards, to the extent applied, are consistent with the TASs.

4. Applying Recognised Standards

4.1 This section applies only to Members undertaking Actuarial Work which is outside UK Geographic Scope.

4.2 Where a Member is required (for example, through a Legal Requirement or membership of an IAA Full Member Association) to apply a Recognised Standard, the Member should apply that Recognised Standard.

4.3 To the extent appropriate and proportionate, the Member should also apply any other relevant Recognised Standard that is applicable in the geographic area where the Member is carrying out work but which the Member is not under an obligation to apply.

5. Additional provisions on applying Recognised Standards

5.1 This section applies only to Members undertaking Actuarial Work which is outside UK Geographic Scope.

5.2 Where the subject matter of a Recognised Standard applied by a Member 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 (or part of the APS).

5.3 To the extent that a Recognised Standard is applied as an alternative, the requirement under paragraph 1.1.2 does not apply.

6. Considering any other relevant standards

6.1 This section applies only to Members undertaking Actuarial Work which is outside UK Geographic Scope.

6.2 In addition to the requirements in Section 4 above, Members should also exercise reasonable judgement to consider whether there are other

relevant standards (not being relevant Recognised Standards) that they ought to apply.

7. Relevant circumstances to consider

7.1 In exercising judgement for the purposes of sections 4, 5 and 6 Members should take into account all relevant circumstances including:

7.1.1 the context in which the Actuarial Work is being provided and its purpose;

7.1.2 the scope of any Recognised Standards applied under section 4 and whether they cover all aspects of the Actuarial Work in question;

7.1.3 the requirement of paragraph 2.1;

7.1.4 the reasonable expectations of User(s);

7.1.5 relevant market expectations and norms in the context in question; and

7.1.6 the regulatory and/or public interest objectives of the Recognised Standards or relevant standards in question.

8. Communication and justification of the standards applied

8.1 Where necessary to avoid possible misunderstanding on the part of the User(s), Members should set out in writing the standards that have and/or have not been applied to their Actuarial Work.

8.2 Members must be able to justify the standards applied (and/or not applied) to their Actuarial Work, if reasonably called upon to do so.

9. Interpretation and application

9.1 A failure to comply with this APS may result in a finding of misconduct in terms of the IFoA's Disciplinary Scheme.

9.2 This APS uses the word “must” to mean a specific mandatory requirement. It uses the word “should” to indicate that, while the presumption is that Members will comply with the provision in question, there may be some circumstances in which Members are able to justify non-compliance.

9.3 In the event of any inconsistency between this APS and the Actuaries' Code, the Actuaries' Code prevails.

Glossary

Term	Definition
Actuarial Work	Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions.
Actuaries' Code	The ethical professional code for Members issued by the Institute and Faculty of Actuaries.
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
IAA	The International Actuarial Association.
IFoA	The Institute and Faculty of Actuaries.
IFoA's Disciplinary Scheme	The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.
ISAP 1	The first International Standard of Actuarial Practice issued by the IAA, as may be amended from time to time.
Legal Requirement	A requirement of law or regulation, imposed by a body of lawful jurisdiction and directly enforceable by reason of national or local law.

Member	A member of the Institute and Faculty of Actuaries.
Recognised Standard	Professional standard, written practice or 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.
Relevant Authority	An IAA Full Member Association (as defined by the IAA) or other regulatory entity with equivalent authority to impose standards in relation to actuarial work (for the avoidance of doubt this does not include the IAA or the Actuarial Association of Europe).
TAS	Technical Actuarial Standard produced by the Financial Reporting Council.
UK Geographic Scope	Refers to work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (regardless of the location or domicile of the person carrying out the work).
User	The person, including a corporate entity, for whom the actuarial work is produced.



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