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Director of Actuarial Policy
Financial Reporting Council

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Via email to: APT@frc.org.uk

Dear Vanessa

POST IMPLEMENTATION REVIEW OF THE TASs – CALL FOR FEEDBACK

I write to set out the response of the Institute and Faculty of Actuaries' (IFOA) to the FRC's Call for Feedback in relation to their post implementation review of the TASs.

We are very grateful for the opportunity to provide feedback.

This response is provided by the IFoA in its capacity as a body with Royal Charter responsibilities for regulating the actuarial profession in the public interest and as the body currently responsible for enforcing the FRC's TASs. It therefore focuses on issues relating to that role.

We understand that the FRC has also obtained direct input and feedback from our Members in relation to their experiences of the TAS framework, through discussions with our Practice Boards and Working Parties.

We have also had the benefit of the publication of the UK Government's White Paper setting out proposals for future arrangements for UK actuarial regulation¹ and have been able to take those into account in preparing this response. In particular, we have had regard to the proposed 'principles to underpin an effective risk – and cost – based regime for overseeing and regulating the actuarial profession'² (**the Principles**).

For ease of reference those are:

- Proportionality of resource relative to risk
- Cost effectiveness, to ensure resource is used efficiently and the cost of regulation is not overly burdensome
- Confidentiality, to ensure that commercial sensitivity of actuarial activity is respected
- Avoidance of duplication or 'gold plating' to ensure that regulation does not replicate other activities
- Oversight and regulation in the public interest, to ensure appropriate focus

The response focuses on questions 5 and 6 of the Call for Feedback document.

We are content that this response is published and it is not confidential.

¹ <https://www.gov.uk/government/consultations/restoring-trust-in-audit-and-corporate-governance-proposals-on-reforms>

² Set out at section 11.2.15 (p201) of the 'Restoring trust in audit and corporate governance' White Paper, March 2021

A The TAS Framework

1. The IFoA is supportive of there being a set of mandatory technical standards that apply to specific areas of actuarial work, where there are particular risks to consumers and the public interest that justify specific requirements of a technical nature. This complements the IFoA's own framework of core professional, ethical standards, which apply to all members, including in situations where they are not carrying out actuarial work.
2. Therefore the IFoA is supportive of the FRC's framework of specific technical standards (currently comprising TASs 200, 300 and 400), which identify particular types of actuarial work and set out specific requirements when carrying those out. The IFoA also continues to support the FRC's principles-based approach to its standards framework.
3. However, there are some concerns about the TAS 100 (first introduced in 2016) and whether its scope and requirements are disproportionate, lead to duplication of regulation and may, for reasons expanded upon below, have the unintended consequence of driving individuals outside the scope of the UK actuarial regulatory system.
4. The IFoA believes that a more focused, risk-based TAS framework, which identifies particular areas of high-risk work and sets out appropriate requirements in specific TASs only, would be appropriate and more in line with the Principles. More specifically, it believes that the TAS 100 is duplicative and unnecessary and ought therefore to be removed.

B Scope of the TAS 100: definition of Technical Actuarial Work

5. One of the principal aspects of the TAS 100 that has been identified as problematic is the broad and open nature of the definition of Technical Actuarial Work³.
6. The nature of the definition means that it is not always clear whether work falls within the scope of TAS 100 or not. So there is a degree of uncertainty about whether the requirements apply to the work that Members are doing. This has come up frequently with Members involved in wider fields work and those appointed to roles that are not directly actuarial, such as Non-Executive Directors.
7. The IFoA has attempted to help Members with understanding this definition through guidance⁴ and its professional support service, but there remains a great deal of uncertainty over the scope of this standard.
8. This poses some issues from a regulatory perspective, where those subject to standards need to be reasonably able to understand what is required of them and to know whether a standard applies to them or not. This is important as the public will also expect that those subject to standards are absolutely clear on what is required of them.
9. The definition also appears to capture work that is often carried out by both actuaries and non-actuaries (the definition specifically indicates that the work may not be carried out by actuaries). This means that there can be a disincentive for organisations to appoint actuaries to those roles other than where they are 'reserved'⁵ and/or that members may decide to resign their membership and therefore take themselves entirely outside the scope of the actuarial regulatory regime. We have already seen examples of this in particular fields and expect that this would become even more of an issue if the scope of the TAS framework was extended

³ The definition provides: "Technical actuarial work is work performed for a user: 1) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or 2) which the user may reasonably regard as technical actuarial work by virtue of the manner of its presentation. Technical actuarial work is not limited to work undertaken by an actuary."

⁴ Including 'Guidance on the application of Technical Actuarial Standard 100', published January 2018 and specific sections in 'Acting as Non-Executive Directors: a guide for members', 2019.

⁵ A limited number of UK actuarial roles are 'reserved' in legislation or regulations to be carried out by IFoA Members or members of other actuarial bodies.

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further, as we understand is being considered, into new, non-traditional areas where actuaries have started to work. From a public interest perspective, this is particularly concerning, as members of the public are not likely to be aware of the qualifications or status of the actuary involved in work that ultimately affects them as consumer.

10. The FRC's remit is to set 'technical' standards for UK actuarial work, while the IFoA sets ethical (non-technical) standards. However there are questions around whether all of the TAS 100 requirements are technical, in terms of relating to technical aspects of actuarial advice, or whether they are more related to ethical, professional conduct matters. This results in overlap and duplication with the IFoA's ethical standards framework, for example there are 'communication' principles in both the TAS 100 and the Actuaries' Code. There are also aspects of the TAS 100, such as judgment, which does not appear to relate strictly to technical actuarial matters and is a matter of ethical/professional conduct.
11. This points, in our view to the TAS 100 being duplicative and unnecessary and would suggest that the TAS 100 should be dropped and that, instead, the FRC's technical standards focus on the specific standards applying to specific identified work and roles, with some modification to those specific TASs to incorporate some aspects of the TAS 100, if necessary. This change would, in our view, be very much in line with the Principles.

C International Perspective and geographic scope

12. Another area where the IFoA has concerns, is in relation to the geographic scope of the TAS framework.
13. Currently there is a definition of 'Geographic Scope' of the TASs set out in the Framework for FRC Actuarial Standards document⁶.
14. There are concerns that the definition is insufficiently clear to give appropriate certainty to members in more complex geographic work situations about whether or not they are subject to the TAS framework. This has been reflected in questions to the IFoA's regulatory inbox and to its Professional Support Service.
15. This has been compounded by the introduction of the broadly defined TAS 100 scope, as there is a potentially much broader scope of Members and work that need to consider the geographic scope of the TASs. The previous TAS framework, which focused on specific work, was more clearly aligned with UK regulated actuarial work and, therefore, much clearer in its geographic scope.
16. A further issue in relation to the geographic scope of the TAS framework is its inconsistency with the geographic remit of other aspects of the FRC's role in actuarial regulation, in particular the geographic scope of its actuarial discipline scheme. Currently the geographic scope set out in the Actuarial Scheme is entirely different to the geographic scope definition set out for the TAS Framework⁷. In practice this has meant, for example, that some IFoA members based outside the UK have fallen within the scope of the FRC's disciplinary scheme while they are unlikely to be required to comply with the TASs.
17. As a result of the differing definitions of geographic scope, there has been some confusion amongst members as to whether they are within scope of the TAS framework or not. This uncertainty has, in some cases, led to Members based outside the UK resigning their membership with the IFoA to ensure that they are not unknowingly caught within the TAS Framework.

⁶ The definition provides: "The intended geographic scope of the TASs is limited to technical actuarial 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. This definition of scope applies regardless of the location or domicile of the person carrying out the work."

⁷ There is no geographic scope definition provided of the FRC's oversight function

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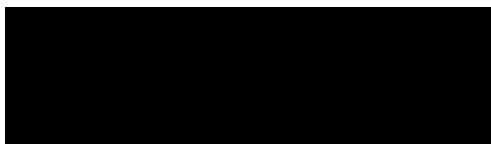
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18. There are also some specific drafting aspects of the definition of geographic scope that have caused uncertainty and which have been shared separately with the FRC.
19. The IFoA believes that the current approach to setting out the geographic scope is not working and that a clearer, single definition of the geographic scope of the FRC's UK actuarial regulatory functions (including its oversight and disciplinary roles as well as its technical standards setting) would be more effective and help to resolve these issues.

We hope that this is helpful feedback and would be happy to meet with the FRC to discuss any aspect of it further.

Yours sincerely



**Chair of Regulation Board
Institute and Faculty of Actuaries**