

## MUTUAL RECOGNITION AGREEMENT & HEUBECK LETTER

### Background information for General Assembly meeting to be held in Vienna on 11<sup>th</sup> October 2019

#### Review of Mutual Recognition Agreement (MRA) and Heubeck letter

1. The AAE Professionalism Committee has completed a review of the [Mutual Recognition Agreement](#) (MRA) and the associated “[Heubeck letter](#)” on the application of the MRA. **The General Assembly is now invited to approve the updated MRA.** The Heubeck letter is non-binding and therefore does not require approval but is submitted to the General Assembly for information.

#### Origin of MRA

2. The MRA was originally implemented in 2011 in recognition that it is good for actuaries, and good for the actuarial profession, if actuaries who hold valid actuarial credentials in one country can practice in another country, if they wish to do so. The MRA created a framework for mutual recognition of actuarial qualifications among participating associations.
3. Under Article 6 of the AAE Statutes, AAE Full Member Associations must sign the MRA if they are situated in a European State which is a signatory to the European Economic Area Agreement of May 1992 or which has otherwise entered into a treaty or other agreement with the EU which extends to that state the benefits of the EC Directives on recognition of professional qualifications. Observer Member Associations cannot be party to the MRA, though they may enter into a parallel bilateral agreement on the mutual recognition of qualifications.

#### Rationale for Review

4. The current MRA came into force in 2011. At the May 2017 Professionalism Committee meeting, the Chair, David Martin, presented conclusions from the first 5-year review of the operation of the MRA. It was generally agreed that the MRA was working well. However, it was suggested that the MRA should be reviewed and updated in light of Directive 2013/55/EC, which amended Directive 2005/36/EC on the recognition of professional qualifications, and that the Heubeck letter should also be updated in light of experience of implementing the MRA.

5. The review of the MRA has been carried out on the basis that an updated MRA should continue to reflect the spirit of Directive 2005/36/EC (as amended) but should not necessarily seek to bring into effect the detailed provisions of the Directive<sup>1</sup>.

## Consultation

6. Proposed changes to the MRA were issued for consultation on 6<sup>th</sup> May 2019. Proposed changes to the Heubeck letter followed on 8<sup>th</sup> May 2019. The consultation on the MRA and Heubeck letter closed on 5<sup>th</sup> August 2019. Eight Full Member Associations submitted comments.

## Proposed changes to the MRA

7. Many of the proposed changes to the MRA are tidy-ups (e.g. to update references to Directives) or clarifications.
8. Having regard to consultation feedback, the term “fully-qualified actuary” has been removed, as it can be interpreted in different ways – in particular, some associations deem members who meet the requirements of the IAA Education Syllabus (but not the AAE Core Syllabus) to be fully-qualified actuaries. Care has been taken, however, not to change the intent of the MRA, which is that a member of one Qualifying Association who has met that association’s education/qualification requirements (and in doing so has covered the AAE Core Syllabus), and who wants to take up work in another country, may apply to become a member of the Qualifying Association in that country (the “host” association). The updated MRA uses the term “Qualifying Actuary” to refer to members of associations who are regarded as qualifying for mutual recognition. When an actuary becomes a member of a host association, the actuary will not be able to use that derived membership to gain membership of a third association but will otherwise have the same rights, duties and obligations as Qualifying Actuaries of the host association.
9. A new paragraph 2 has been added, defining “home association”. This is in response to consultation feedback on the need for a definition.
10. The MRA allows a host association to require an applicant to complete an adaptation period or aptitude test. Under the new MRA, the host association, rather than the applicant, will be allowed to choose between an adaptation period and an aptitude test. However, some Associations must by law offer a choice (if they are subject to Directive 2005/36/EC and no derogation applies (Article 14(2) of the Directive)). Q&A no. 4 of the proposed new Heubeck letter draws attention to this, and encourages other associations to offer a choice where practicable. This is an example of how the MRA reflects the spirit of the Directive without imposing all its provisions on Qualifying Associations.

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<sup>1</sup> The Directive applies in respect of “regulated professions”, as defined in the Directive. Currently, “The EU Single Market Regulated professions database” lists the actuarial profession as a regulated profession in Denmark, Italy, Poland, Slovakia, Spain, Sweden and the United Kingdom. Compliance with the MRA will not necessarily constitute compliance with the Directive. Associations that are subject to the Directive will need to satisfy themselves that they comply with its provisions and with relevant domestic legal obligations.

11. On the basis that it is not the function of the MRA to set down specific experience requirements for qualification as an actuary, a reference within the provisions on adaptation periods to 3 years' practical experience has been removed. However, where associations' qualification requirements differ in respect of work experience, that may be a valid reason for applying an adaptation period, and this is reflected in an amendment at paragraph 3.b.i. of the updated MRA.
12. A statement on certain matters to be addressed in an association's Code of Conduct has been removed from paragraph 4. of the updated MRA as this is covered under the AAE Statutes and Code of Professional Conduct and belongs more correctly there.

### **Proposed changes to the Heubeck letter**

13. Introductory paragraphs have been moved to an appendix and have been brought up to date. In their place, the proposed Heubeck letter includes a new section on the context of the (updated) MRA. This clarifies that:
  - (i) The authority for the MRA lies in Article 6 of the Statutes.
  - (ii) In preparing the MRA, the AAE had regard to the principles of Directive 2005/36/EC, and the signatories have entered into the MRA to reflect their support for the spirit and goals of the Directive.
  - (iii) It is not the purpose or intent of the MRA to bring into effect in any way the provisions of the Directive and there is no direct connection between the MRA and the Directive. Participating associations in countries where the actuarial profession is a regulated profession (as defined in the Directive) may be subject to obligations beyond those of the MRA.
  - (iv) The MRA relates to applications for membership from members of participating associations. If an applicant for membership of a host association is not a member of the association in his or her home country, the MRA does not apply; associations must separately decide whether and if so how to process such applications.
  - (v) The Questions and Answers set out are intended to provide practical help to participating associations in interpreting and operating the MRA. They are provided as a support and with a view to encourage a harmonised application of the MRA. However, the letter is non-binding and adopting any of the suggestions set out is not mandatory.
14. Elsewhere, text has been amended for improved clarity / conciseness and for consistency with the updated MRA. Details of changes were summarised in the consultation transmittal letter issued to member associations.

**END**