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For discussion at the AAE Professionalism Committee meeting in Vienna on 11th October 2019

To: **AAE Professionalism Committee**

From: **MRA Task Force – Yvonne Lynch (Chairperson), Birgit Kaiser, Suzie Lyons**

Date: **19th September 2019**

Consultation on MRA and Heubeck letter: responding to comments received

1. Eight associations responded to the Professionalism Committee's consultation on an updated MRA and Heubeck letter. We have drafted changes to the MRA and Heubeck letter to take on board some of the comments received.

2. The Board has decided to include the revised MRA on the agenda of the General Assembly meeting on 11th October, for approval, and to also include the revised Heubeck letter (there will not be a vote on the letter – as it is non-binding, approval by the General Assembly is not necessary). They can be withdrawn, if the Professionalism Committee is not satisfied with them, but the Board hopes that they will be supported by the Professionalism Committee and that it will therefore be possible to conclude them in Vienna, if all delegates to the General Assembly are also supportive.

MRA

3. One of the views expressed was that the term "fully-qualified actuary" should be discontinued. Some associations have a class of members who are regarded by the association as qualified actuaries (having met at least the requirements of the IAA Education Syllabus) but who have not covered all aspects of the AAE Core Syllabus and are not eligible for mutual recognition under the MRA. Consequently, using the term "fully-qualified actuary" in the MRA is of limited assistance.

   (a) In drafting changes to the MRA to take this on board, we were careful not to change its intent, 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.

   (b) Under the current MRA, associations must designate the class(es) of member "*to be regarded as "fully qualified actuaries" (in the context of the Core Syllabus . . .) for the purpose of this Agreement*". Under the draft that we now propose, this is replaced by a requirement to designate the classe(es) of member "*to be regarded as qualifying for mutual recognition under this Agreement – referred to in this Agreement as "Qualifying Actuaries*". Also, associations must ensure that "*members who are deemed to be Qualifying Actuaries have completed the association's education/qualification requirements and in doing so have successfully completed all aspects of the Core Syllabus . . .* ".

(c) We believe that the new language clarifies the intent set out at (a) above more clearly than the previous language. This approach usefully separates the question of *whether completing the IAA Education Syllabus, or the AAE Core Syllabus, means that one may be regarded as a qualified actuary* (a question for individual associations to decide for themselves) from the question of *whether a person is eligible for mutual recognition under the AAE MRA.* However, it remains the case that the MRA applies in respect of actuaries who have met their home association's education/qualification requirements and in doing so have covered the AAE Core Syllabus.

4. We have also added a new paragraph 2 to the MRA, explaining the term "home association". The definition takes into account the fact that some associations award qualification as an actuary on the basis of completion of another association's education/qualification requirements - for example, though most or all Student members of the Society of Actuaries in Ireland live and work in Ireland and would consider the Society to be their "home association", they qualify as actuaries by completing the qualification requirements of the Institute and Faculty of Actuaries exams, which the Society accredits.

5. Paragraph 3.b.i., on some of the circumstances in which an adaptation period or aptitude test might be applied, includes a reference to differences in the practical work experience requirements within different associations' qualification requirements. This was included in the "tracked changes" version of the exposure draft of the MRA issued to member associations but it was inadvertently omitted from the "changes incorporated" version – we apologise for this oversight.

6. Other edits in paragraph 3 follow on from the edits at paragraphs 1 and 2.

Heubeck letter

7. The edits that we have made to the exposure draft of the Heubeck letter are mainly for consistency with the revised draft of the MRA. We have also added some text towards the end of the section on "Context of the Mutual Recognition Agreement", for greater clarity.

Responses to associations

8. The comments received from associations are set out below.

9. As mentioned, the Board has included revised versions of the MRA and Heubeck letter in the agenda for the General Assembly meeting on 11th October. Therefore, so that associations are aware of whether and if so how the documents have been edited to reflect their comments, we have asked Monique Shuilenberg to send responses from the MRA Task Force to the associations that submitted comments, as set out below.

Feedback beyond Task Force scope

10. Note that the response to the Institute and Faculty of Actuaries indicates that we have referred some of their comments to the Professionalism Committee for consideration. These comments relate to:

    (a) The process required of member associations to deal with applications made under the MRA *(paragraphs 4.b. and 5 of the IFoA letter)*;

    (b) "Adaptation steps" *(paragraph 4.c.; this paragraph states that the IFoA agrees with "the MRA TF view that the MRA is not an appropriate document to amplify what "adaptation" steps may be required" – note, however, that the TF did not express any view on this);* and

    (c) Collation of diversity data *(paragraph 4.g.)*.

    The suggestions from the IFoA on these topics were beyond the scope of the Task Force's work. We suggest that the Professionalism Committee consider them at the Vienna meeting or schedule them for discussion at a later date.

IA|BE	Belgium

[Association name was misspelt.]

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

Our apologies for misspelling the association name in the list of Qualifying Associations; we have corrected this in a revised version that will be considered by the General Assembly on 11th October (see enclosures).

Magyar Aktuárius Társaság	Hungary

Comments received

[Association name was misspelt. Also:]

In our opinion AAE should consider to centrally administer the qualified members or at least the qualified members based on MRA.

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

The MRA Task Force has reviewed all the comments submitted, on behalf of the Professionalism Committee, and the following is our response to your comments.

Our apologies for misspelling the association name in the list of Qualifying Associations; we have corrected this in a revised version that will be considered by the General Assembly on 11th October (see enclosures).

Regarding your suggestion about a central register of qualified members: a similar suggestion has been discussed previously, including at the meeting of the Standards, Freedoms and Professionalism Committee held in Reykjavik in May 2017. There were divided views on the matter and a decision was made not to take further action. This position is unlikely to change in the near-term.

Society of Actuaries in Ireland	Ireland

Comments received

"home association"

The term "home association" is not defined in the MRA. As it is a fundamental term, we believe that it should be defined.

Q&A no. 9 of the Heubeck letter refers to the home association as "*being the association that awarded the original substantive qualification as a fully qualified actuary (and being a Qualifying Association)*". However, some actuaries are awarded qualification as an actuary by more than one actuarial association, and the association that awarded the "original" qualification is not necessarily the most logical to designate as the "home association". For example, Fellows of the Society of

Actuaries in Ireland (other than those who joined the Society under mutual recognition agreements) gain their qualification by completing the exams and other qualification requirements of the Institute and Faculty of Actuaries (IFoA), which the Society accredits. Therefore, the "original" qualification as a fully qualified actuary is in fact awarded by the IFoA, and then the actuary also becomes a Fellow of the Society. Thus, under the Heubeck letter definition, the home association would be the IFoA. However, not all members continue their membership of the IFoA – most live and work in Ireland, and some choose to retain membership only of the Society. This should not lead to their exclusion from the benefits of the MRA.

Litigation risk

We are conscious of recent legal actions against at least one other association in relation to matters that concern equivalency of qualifications. This suggests that there may be the potential for legal disputes in relation to the MRA. We are aware that the AAE has established a Litigation Risk Review Task Force and we look forward to considering their report

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

A revised MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures). These include edits which we hope address the point that you raised about defining "home association".

Associations will receive a separate report from the Litigation Review Task Force at a later date.

Lietuvos aktuarų draugija	Lithuania

Comments received

Heubeck letter

I am not very familiar with such kind of documents, but in my opinion the initial version of this letter can be called "Heubeck letter", however, as we are moving forward, I do not think it is appropriate to have a reviewed version of it and still with the same name. I would consider reviewing the design of this document and create a document with a clear legal status, not just "a letter".

"11. Can an association make any stipulations about the language skills of an Applicant?"

Does the answer to this question impose, that there might arise a situation where an actuary who is fluently speaking English (or the other business language in host country, but not the local one), is required to speak fluent local language? I mean that it is just upon local association's decision to require local language or not? It might become a biased option, I would say. I like the previous version of the answer better.

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

A revised MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures). In the meantime, the MRA Task Force has reviewed all the comments submitted, on behalf of the Professionalism Committee, and the following is our response to your comments.

Name / status: Prior to carrying out the review of the MRA and Heubeck letter, the Professionalism Committee sought feedback from member associations regarding the operation of the MRA and the guidance set out in the Heubeck letter. Responses were largely positive and indicated that significant changes, including the replacement of the Heubeck letter with a legally-binding document or renaming of the document, were not required. The review was carried out in that context and, based on the consultation responses received, it seems reasonable to retain the name and status of the Heubeck letter, at least for now. However, your comments might be taken on board when the MRA and Heubeck letter are reviewed again at a future date.

Q&A no. 11: The Heubeck letter does not impose any requirements - it is non-binding and it is not mandatory for associations to adopt the suggestions set out in the questions and answers. Therefore, it is up to the host association to decide what language skills, if any, to require (subject to the provisions of Article 53 of Directive 2005/35/EC (as amended), in the case of associations that are directly subject to the Directive).

The answer to question 11 in the current Heubeck letter says that "*We believe that [making stipulations about the language skills of an applicant] would be against the spirit of the European Union*". However, Article 53 of the Directive 2005/36/EC states that "*Professionals benefiting from the recognition of professional qualifications shall have a knowledge of languages necessary for practising the profession in the host Member State*" and it sets out provisions relating to controls that may be applied in this regard.

On the question of requiring an applicant for membership to have knowledge of the local language, one consideration for the host association to bear in mind is that the applicant will need a good command of the language routinely used by the host association, in order to understand communications from the association, including communications about the professional obligations and responsibilities that apply to members.

Instituto de Actuarios Españoles	**Spain**

Comments received: see attachment.

Response:

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

The MRA Task Force has referred your note to the AAE Task Force on Recognition of the Actuarial Profession.

A revised version of the MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures). Footnote 2 to the proposed Heubeck letter has been edited to include Sweden in the list of European countries in which the actuarial profession is a regulated profession for the purposes of Directive 2005/36/EC; thank you for making us aware of this omission.

Svenska Aktuarieföreningen	Sweden

Comments received

- There is quite strong focus on Directive 2013/55/EU. This may cause confusion in countries where legal requirements for practicing as an actuary (for example as an "actuarial function holder" under Solvency II) have no connection to the Qualifying Association (and therefore not to the MRA). One suggestion is to include a clarification to the ED with respect to this perspective, by amending the Heubeck letter point 1 with:

  > "It should be noted that in some countries, legal requirements for practicing as an actuary (for example as an "actuarial function holder" under Solvency II) have no connection to the Qualifying Association (and therefore not to the MRA), while in others there is a strong such connection. As a consequence, in the former countries there is no direct connection between the MRA and the Directive 2013/55/EU."

- In the Heubeck letter page 1 reference 2, Sweden is missing in the list of regulated countries.

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

A revised MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures).

The opening section of the proposed Heubeck letter, on "Context of the Mutual Recognition Agreement", explains that:

- The MRA relates to the recognition by each participating actuarial association – i.e. each "Qualifying Association" - of members of the other participating associations.
- In preparing the MRA, the AAE had regard to the principles implied by Directive 2005/36/EC on the recognition of professional qualification. The Qualifying Associations support the purpose and objectives of the Directive and have entered into the Agreement to reflect their support for the spirit and goals of the Directive. However, it is not the purpose or intent of the Agreement to bring into effect any way the provisions of the Directive. Qualifying Associations in countries where the actuarial profession is a regulated profession may be subject to obligations under the Directive that extend beyond their obligations under the Agreement.

Thus, there is no direct connection between the Directive and the MRA for any association or in any country. We have extended the last paragraph on "Context of the Mutual Recognition Agreement" and this paragraph now reads:

> "It should be noted that it is not the purpose or intent of the Agreement to bring into effect in any way the provisions of the Directive. Thus:
>
> - There is no direct connection between the Agreement and the Directive.
> - The Agreement relates to applications for membership from members of Qualifying Associations. In some countries, there are legal requirements for practising as an actuary and in some cases, these do not include a requirement to be a member of an

actuarial association. If an applicant for membership is not a member of a Qualifying Association (or is a member of his or her "home" Qualifying Association but is not a "Qualifying Actuary", as described in Article 1 of the Agreement), the Agreement does not apply. Qualifying Associations must separately decide whether and if so how to process such applications (subject always to relevant laws, if applicable).

- Qualifying Associations in countries where the actuarial profession is a regulated profession[2] may be subject to obligations under the Directive that extend beyond their obligations under the Agreement. It is beyond the scope of the following Questions & Answers to provide help in interpreting and complying with legislation that implements the Directive."

We have also edited footnote 2 to the proposed Heubeck letter to include Sweden in the list of European countries in which the actuarial profession is a regulated profession for the purposes of the Directive; thank you for making us aware of this omission.

Association Suisse des Actuaires	Switzerland

Commens received

We have two general remarks:

- A question is central when recognising the actuaries from other associations: how is it ensured that the basic education is equivalent and that the level is maintained if there is no equivalent continuing education system? We believe that this is what the CPD Task Force is currently trying to solve, but we are missing the link with the MRA."
- It would be beneficial if the AAE would get and consolidate statistics to understand the "flows" of actuaries: how many actuaries from which country do ask for recognition in which countries? Do they use the MRA? Do they get recognition? What are the reasons for not getting it? Etc."

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

A revised MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures). In the meantime, the MRA Task Force has reviewed all the comments submitted, on behalf of the Professionalism Committee, and the following is our response to your comments.

Basic education / CPD:

All Qualifying Associations must designate the class(es) of member to be regarded as qualifying for mutual recognition under the Agreement - referred to in the attached revised draft of the Agreement as "Qualifying Actuaries" – and each association must ensure that, through completion of the association's education/qualification requirements, Qualifying Actuaries have successfully completed all aspects of the AAE's Core Syllabus for Actuarial Training in Europe. The AAE Education Committee reviews associations' education/qualification requirements from time to time to ensure that they at least meet the requirements of the Core Syllabus. How this is achieved differs from association to association. An association may require an actuary joining under the MRA to complete an adaptation period (up to 3 years) or pass an aptitude test, if the actuary's education and training and/or practical

work experience differ substantially from those covered by the home association's education/qualification requirements.

The AAE does not require member associations to set CPD requirements or guidelines for their members and therefore the MRA does not address CPD. The EU Directive on the recognition of professional qualifications does not address CPD either.

The MRA Task Force has, however, referred your comments to the AAE Joint CPD Task Force of the Professionalism and Education Committees.

Statistics on "flows" of actuaries: The question of whether the AAE should gather and collate data on actuaries' usage of the MRA has been discussed previously, including at the meeting of the Standards, Freedoms and Professionalism Committee held in Reykjavik in May 2017. There were divided views on the question and a decision was made not to take further action. This position is unlikely to change in the near-term.

Institute and Faculty of Actuaries	**UK**

Comments received: see attachment.

Response

Thank you for responding to the recent consultation on a revised Mutual Recognition Agreement and Heubeck letter.

A revised MRA and Heubeck letter will be considered by the General Assembly on 11th October (see enclosures). In the meantime, the MRA Task Force has reviewed all the comments submitted, on behalf of the Professionalism Committee, and the following is our response to your comments.

"fully-qualified actuary":

Under the Guidelines for the AAE's Core Syllabus for Actuarial Training in Europe, "*It is the responsibility of member associations to ensure that those admitted to the level of membership relevant for mutual recognition have successfully completed all aspects of the core syllabus*". However, the Guidelines and Syllabus do not use the term "fully-qualified actuary". To simplify and clarify what is meant (but without changing the original intent), we have edited the proposed MRA such that, rather than designate class(es) of members "to be regarded as "fully-qualified actuaries"", Qualifying Associations shall designate class(es) of members "to be regarded as qualifying for mutual recognition under this Agreement" – called "Qualifying Actuaries". We have also made corresponding edits to the Heubeck letter.

The revised draft of the MRA goes on to say that Qualifying Actuaries must have completed the association's education/qualification requirements and in doing so they must have successfully completed all aspects of the Core Syllabus.

- Thus, taking the IFoA as an example: although Associates have completed the IAA education requirements and are regarded as actuaries in the UK, the IFoA should not deem them to qualify for the MRA. Fellows will qualify for the MRA, since Fellows have completed all aspects of the Core Syllabus.

- All applicants for mutual recognition must, as a minimum, have met the requirements of the AAE Core Syllabus. We believe that it would be very confusing if some other minimum was introduced. The AAE Education Committee periodically reviews associations'

education/accreditation/examination programmes to ensure that the Core Syllabus requirements are met.

AAE Statutes, Article 6: We have referred your comments on Article 6, and on the process for adding associations to or removing associations from the MRA, to the AAE Board.

Process required of member associations to deal with applications made under the MRA: We have referred your comments to the Professionalism Committee for consideration.

Adaptation period: We do not agree that the wording in paragraph 2.b. of the draft of the MRA issued for consultation is ambiguous. Also, we do not agree that "may" should be changed to "should". We consider that the AAE should not (through the MRA) state that a host association "should" apply an adaptation period or aptitude test. Rather, the host association "may" do so, and is free to make its decision in that regard itself, having regard always to 2.b.i. and 2.b.ii. (3.b.i. and 3.b.ii. of the revised draft attached).

We have referred your comments "adaptation steps" to the Professionalism Committee as part of its discussion about whether the MRA should provide detail about processes for dealing with applications. (Your comments suggest that the MRA Task Force has expressed a view on including "adaptation steps" in the MRA but actually it has not done so).

Statement referencing protected characteristics / collation of diversity data: It is our understanding that the variance in local laws and obligations for member associations would inhibit the AAE's ability to collect this data in a standardised, consistent and meaningful manner. Therefore, we have not made the suggested edits to the MRA. We have, however, asked the Professionalism Committee to debate the merits of collecting such data where this is permissible and feasible, and this may lead to voluntary collection of data by some associations.

Requirements applicable to Applicants: The MRA states that "*The host association shall in no case impose stronger conditions or require more of an Applicant than is permitted by the law applicable to the host association*". A host association might wish to require an adaptation period, in a situation where the host association's education requirements are different to those of the home association and, as a result, para. 3.b.i. of the attached revised draft applies. However, if the host association does not require a period of practical work experience as part of its education/qualification requirements, requiring an adaptation period might be problematic if, as you suggested, the sentence above from the MRA is extended to include "*and as is required of actuaries of the host association"*. Therefore, we did not include your suggested edit in the revised draft of the MRA.

Article 3 of exposure draft of MRA: As suggested, we have deleted the words "either by inclusion in its Code of Conduct or otherwise".

Heubeck letter:

We note your comment that the value of any FAQ would be significantly improved by a fuller, comprehensive review. Prior to carrying out the review of the MRA and Heubeck letter, the Professionalism Committee sought feedback from member associations regarding the operation of the MRA and the guidance set out in the Heubeck letter. Responses were largely positive and indicated that significant changes, including the replacement of the Heubeck letter with a more comprehensive and perhaps legally-binding document, were not required. The review was carried out in that context and, based on the consultation responses received, it seems appropriate to proceed with a Heubeck letter that is similar to the consultation version (some edits have been

made in the revised draft, to take on board comments received). Of course, that does not preclude a more comprehensive review at a future date.

Re your comment about "substantial differences in education and training", note that this is covered at paragraph 2.b.i. of the exposure draft of the MRA (paragraph 3.b.i. of the attached revised draft).

END

Instituto de
Actuarios Españoles
COLEGIO PROFESIONAL

INSTITUTO DE ACTUARIOS ESPAÑOLES POSITION PAPER: EXPOSURE DRAFT OF MUTUAL RECOGNITION AGREEMENT

The European Commission has an official regulated professions database in its website in order to facilitate the free movement of professionals, providing practical information on EU legislation governing the recognition of professional experience in the European Union (EU), the European Economic Area (EEA) and Switzerland [32 countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the UK].

This legal regime is recognized by the European Union [see: http://ec.europa.eu/growth/tools-databases/regprof/index.cfm]. It's necessary to stand out that this Database has to be updated.

According to that Database, Actuary is a regulated profession with reserve of activity which represents around 70% of the actuaries in Europe. [See: Goossens, K.; Mendinhos, J.; Sáez de Jáuregui, L.M.(2019): «Legal and Political Recognition: Fundamentals for the Profession» 3th European Congress of Actuaries. Lisbon.].

Solvency II Directive requires actuaries to provided Information for supervisory purposes and to exchange information with other authorities. Therefore, actuaries have an explicit mandate which means a reserve of activity in this Directive.

Due to the development of Solvency II regulation at local level, in the last years, reserve of activity has increased in EU countries with new functions as, for instance, 'the appointed Actuary' or 'the responsible Actuary' in Germany, UK, Ireland, Portugal, Spain, Italy, Sweden, Denmark, Poland and Slovakia.

The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) contains the word actuary:

> *Article 35. Information to be provided for supervisory purposes:*
>
> *(c) to require information from external experts, such as auditors and actuaries.*

Article 68. Exchange of information with other authorities:

(c) independent actuaries of insurance undertakings or reinsurance undertakings carrying out legal supervision of those undertakings and the bodies responsible for overseeing such actuaries.

Actuaries not only perform its function in Solvency II. There are three big areas in the scope of the actuaries: (i) Insurance under Solvency II; (ii) Employee Benefits and Pension Schemes; (iii) Actuarial valuation on victims on traffic accidents.

Types of actuaries:

- Attending to the type of business or task, there are 3 types of actuaries:
  - Insurance Actuary: Life / Non Life Actuary.
  - Employee Benefits Actuary.
  - Actuary for valuation on victims on traffic accidents.
- Attending to number of line of defense, there are 3 types of actuaries:
  - Pricing / Reserving Actuary (1st line of defense).
  - Actuarial Function Actuary (2nd line of defense / independent from the operational functions).
  - Independent Actuary (SII Review Report / fully Independent reports).

According to both Directives in force: (i) the Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications; and (ii) the Directive 2013/55/EU of the European Parliament and of the Council of 20 November 2013 amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation'):

(16) In order to promote the free movement of professionals, while ensuring an adequate level of qualification, various professional associations and organisations or Member States should be able to propose common platforms at European level.

Conclusions:

i. Directive 2005/36/EC and Directive 2013/55/EU consolidated a system of mutual recognition of professional qualifications which was initially based on 15 Directives.
ii. EU has a database, that has to be updated, which contains lists of regulated professions in the Member States, EEA countries and Switzerland covered by both Directives.
iii. A regulated profession is a professional activity access to which is subject by virtue of legislative, regulatory or administrative provisions to the possession of specific professional qualifications and whose purpose is to grant a reserve of activity.
iv. According to that Database, Actuary is a regulated profession with reserve of activity in at least seven European Countries (Spain, UK, Italy, Sweden, Denmark, Poland and Slovakia). This's around 70% of the actuaries in Europe.
v. Solvency II Directive requires actuaries to provided Information for supervisory purposes and to exchange information with other authorities. Therefore, actuaries have an explicit mandate which means a reserve of activity in this Directive.
vi. Due to the development of Solvency II regulation at local level, in the last years, reserve of activity has increased in EU countries with new functions as, for instance, 'the appointed Actuary' or 'the responsible Actuary' in Germany, UK, Ireland, Portugal or Spain.
vii. Local legislations determine the legal framework.
viii. As a result, this means that, within the EU framework, the legal status of the Actuary, in itself, necessarily needs to be contemplated as a Regulated Profession and a title with the right to Reserves of Activity.
ix. The current Mutual Recognition Agreement (MRA) of the AAE, in force since January 1, 2011, aims to facilitate the achievement of the objectives of the Directive 2005/36/EC, amended by the Directive 2013/55/EU.

Institute and Faculty of Actuaries

Yvonne Lynch
Convenor, MRA Task Force
1 Place du Samedi
B-1000 Brussels
Belgium

5 August 2019

Dear Yvonne,

Re: IFoA response to Exposure Draft of Mutual Recognition Agreement and associated letter.

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Exposure Draft of the Mutual Recognition Agreement (MRA) and associated letter on "Mutual Recognition Agreement: Context and Questions & Answers" ("Heubeck letter").

General Comments

2. The IFoA is supportive of the AAE's approach to a regular review of this Mutual Recognition Agreement. The reasoning for the review seems to be well founded and the proposal, in the main, appears to be sensible, proportionate and reflective of our understanding of the aim and purpose of the MRA.

3. In both the MRA and the Heubeck letter, the term "fully qualified actuary" is used. Our view is that this term should be discontinued and a clearer benchmark adopted, such as IFoA Fellowship status. This is because we consider the current terminology to be of limited assistance to member associations. From an educational perspective, the IFoA view is that our associate qualification affords IFoA members with "qualified actuary" status (benchmarked against the IAA education syllabus). However, the IFoA considers our fellowship membership status to have reciprocal equivalence to the bar set by the AAE MRA mutual recognition process and the AAE core syllabus. We propose that the AAE considers whether it should discontinue the term "fully qualified actuary" and replace that term with a more precisely defined benchmark, such as IFoA Fellowship status. This would, in our view, improve the transparency and clarity of what is meant, the simplicity of the process for application under the MRA, and ensure a consistency of approach by member associations. Wording to record the benchmarking approach could be inserted into the MRA.

The Mutual Recognition Agreement

4. We have some particular observations on the MRA:

    a. We note the evolution of the membership of the AAE since the MRA was originally drafted, and the resulting impact of Article 6 (AAE Statutes) on the signatory list to the MRA. We urge the AAE Council to consider this point as soon as possible so that any ambiguity can be resolved. It would also aid clarity if the AAE Council could consider the transparency and consistency of process for adding and removing member associations to the MRA.

    b. The MRA does not provide detail about the underlying process required of member associations to deal with individual applications arising from the MRA. It is our view that it would enhance transparency and consistency if that process was agreed and defined by

the AAE. We consider that the AAE Education Committee has the most appropriate skills and expertise to develop the process, recognising the proximity of this work to the AAE education syllabus.

c. Related to the above point, we agree with the MRA TF view that the MRA is not an appropriate document to amplify what "adaptation" steps may be required to complete the process. We further agree that the AAE Education Committee has the appropriate skills and experience to address the point. However, we find the language in the MRA in Article 2(b) ambiguous. We suggest that the AAE replaces the word "may" with "should" (this is consistent with terminology elsewhere in the MRA).

d. In Article 2, the statement of principle might be enhanced by the addition of the following: "*Each Qualifying Association (the "host" association) shall make provision to admit as an ~~fully-qualified~~ actuary, any actuary irrespective of a protected characteristic, such as racial or ethnic origin who*…."

e. In Article 2 (b), the MRA states that the host association shall in no case impose stronger conditions or require more of an Applicant than is permitted by law. We agree that this wording is appropriate and further suggest that it be expanded to add *"….and as is required of actuaries of the host association*". This addition will ensure that the rights and obligations of an individual, given mutual recognition status, are consistent.

f. At Article 3, we consider that the following words do not add to the meaning of this section and should be deleted: "*Each Qualifying Association should ~~either by inclusion in its code of conduct or otherwise~~ encourage those of its actuaries who are employed or established in another qualifying country, or provide actuarial services on a regular basis in another qualifying country, to apply to the association or one of the associations for admission in accordance with Article 2(a) of this Agreement.*"

g. At Article 6, the provisions relating to the review of this MRA could be enhanced by the (voluntary) collation of diversity data such as age, gender, ethnicity etc. The following could be inserted at the end of this section: "*Each association should include in the report anonymised data of protected characteristics, such as the race and ethnic origin of the successful and unsuccessful applying actuaries, recognising that the gathering of the data depends upon the consent of the individual applying actuary."*

The 'Heubeck Letter'

5. We consider the updates to the Heubeck letter to be sensible and note its information status as an "FAQ document". We consider that the value of any FAQ would be significantly improved by a fuller, comprehensive review. However, if the AAE is minded to accept our observation above for a centralised process document to underpin the MRA, the need for this FAQ may fall away entirely.

h. We note as a small observation in Q&A 4, an error, where reference to the MRA suggests that adaptation periods are appropriate where "substantial differences in education and training" are identified. The MRA is silent on this point and so we suggest that these words are deleted.

Should you want to discuss any of the points raised please contact Michael Williams, Public Affairs Manager at Michael.williams@actuaries.org.uk or on +44 (0) 20 7632 1466 in the first instance.

Yours sincerely,

Charles Cowling
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