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Code of Professional Conduct

~~**for Actuaries who are members of European Associations**~~
Common Principles of Ethical and Professional Behaviour accepted by the Actuarial Associations affiliated to the Actuarial Association of Europe

Commented [YL1]: The SFPC recommended that the sub-title be re-visited as the purpose of the Code is to inform member associations as to what they should include in their Codes.

DRAFT

Approved by the General Assembly of the Actuarial Association of Europe on [date]

Effective from: ***to be decided***

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Note: Words or terms in *italics* are defined in Section 2, Definitions.

Section 1. General

1.1 Purpose - This Code of Professional Conduct ("Code") sets out the minimum requirements that[1] Full Member associations of the *AAE* should include in their own Codes of Conduct.

1.1.1 This Code provides guidance on the behaviours expected of *actuaries* when performing ~~*actuarial*~~*professional* *services*, to give intended users of those services confidence that they are carried out professionally and with due care.

1.1.2 The Code also provides guidance on the behaviours expected of *actuaries* in wider contexts.

Commented [YL2]: *"actuarial services" -> "professional services"*: Some members of the SFPC felt that "actuarial services" was too narrow, and might be interpreted as meaning that, for example, risk management work was not covered.
The term "professional services" was suggested as an alternative.

1.2 Application

1.2.1 The Codes of Conduct of Full Member associations of the *AAE* should reflect paragraph 1.2.2 below or should set more extensive requirements in relation to application.

1.2.2 Through compliance with the Code(s) of Conduct of the actuarial association(s) of which they are members[2]:

(a) All *actuaries* are expected to comply with Principle A (Integrity)~~, within and outside the work place~~in the performance of their *work* and in other contexts where their conduct could reasonably be considered to reflect on the actuarial profession.

Commented [YL3]: 1.2.2(a): This edit reflects discussion at the March 2015 SFPC meeting.

~~In addition:~~

Professional ~~*Actuarial*~~ *services*

(b) All *actuaries* are expected to comply with Principles B – E (Competence and Care; Compliance; Impartiality; Effective Communication) in relation to ~~*actuarial*~~*professional* *services* that they perform (whether on a paid or unpaid basis).

[1] Subject always to the laws of the relevant jurisdiction.

[2] References to Principles in paragraph 1.2.2 should be interpreted as meaning the Principles set out at Section 3 together with the associated Amplification of Principles at Section 4.

~~Non-actuarial~~Other work

(c) In relation to ~~non-actuarial work that they perform~~work performed other than *professional services* (if any, and whether on a paid or unpaid basis), *actuaries* should exercise *professional judgement* to determine whether and, if so, to what extent it is appropriate to comply with the spirit and intent of Principles B – E (Competence and Care; Compliance; Impartiality; Effective Communication), taking into account the reasonable expectations of the intended user(s) of the work, the nature of the work, any other Code or standards that may apply to the work and any other relevant factors.

Support roles

(d) It is recognised that *actuaries* may act in a support role in which another ~~*actuary*~~person carries ultimate responsibility for the work performed. For the avoidance of doubt, *actuaries* in support roles are expected to comply with the Code (as per paragraph 1.2.2 (a), (b) and (c)), though it is reasonable to expect that any assessment of their conduct by reference to the Code would have regard to such factors as their level of responsibility in relation to the matter and the extent of their relevant work experience.

Observing the spirit and intent of the Code

(e) ~~*Actuaries*are expected to observe the spirit as well as the letter of the Code, recognising that it is not an all-encompassing description of behaviours that should be adopted or avoided.~~The Code is not an all-encompassing description of behaviours that should be adopted or avoided. *Actuaries* are expected to observe the spirit and intent of the Code, rather than interpret it only in a purely literal way, when that is necessary in order to behave in a professional manner.

Departing from the Code

(f) There may be exceptional circumstances in which it is impracticable or inappropriate to comply fully with the Code. However, *actuaries* are expected to be prepared to justify any departure (and the extent of such departure) from the Code of Conduct of the actuarial association(s) of which they are members and explain why an act or omission was appropriate and reasonable in the circumstances involved.

Section 2. Definitions

The terms below are defined for use in this Code.

2.1 **AAE** – Actuarial Association of Europe

~~2.2 **Actuarial services** – Services based upon actuarial considerations that may include the rendering of advice, recommendations, findings or opinions.~~

Commented [YL4]: The SFPC noted that the meaning of the expression "the letter of the Code" might not be clear to non-native English speakers, and the intent of this paragraph might get lost in translation.

Commented [YL5]: At the March 2015 SFPC meeting, there was much discussion about whether an actuary working as a risk manager in an insurance company is providing "Services based upon actuarial considerations". Even if he thinks that he is (at least some of the time), his colleagues might not and might put him under pressure to ignore the Code, whereas the consensus was that such work should be within scope. It's possible to think of other examples, e.g. a lot of work relating to investment management.

Indeed, given that actuaries are regarded as experts on pensions and insurance and at least very knowledgeable on investment matters and other matters relating to financial services, if an actuary does any work in these contexts, he will be expected to do it to high professional standards (maybe that won't be an explicit expectation at the time - but if anything goes wrong, the fact that he is an actuary and "should have known better" might cause it to reflect badly on the profession).

We have changed "actuarial services" to "professional services" and we have defined "professional services" in a way that takes these considerations into account.

2.~~3~~2 **Actuary** – ~~An individual member of one of the member associations of the *AAE*, including (where a member association admits part-qualified *actuaries* as members) any individual member who performs *actuarial services*, within his or her employment or otherwise, but is not yet a fully qualified *actuary*.~~ A full member of any Full Member association of the *AAE*[3]. Where an association admits part-qualified actuaries to membership, the association's Code of Conduct must apply also to part-qualified actuaries.

2.~~4~~3 **Principal** – The party who engages the provider of ~~*actuarial*~~*professional services*. The principal will usually be the client or the employer of the *actuary*.

2.~~5~~4 **Professional judgement** – The judgement of the *actuary*, based on actuarial (or other relevant) training and experience.

2.5 **Professional services** –

- All services provided by an *actuary* that relate to a pension scheme/fund, insurance/reinsurance/financial services entity or financial transaction; and
- All other services provided by an *actuary* that are based upon actuarial considerations.

Commented [YL6]: At the March SFPC meeting:
-` There was consensus that the Code should apply to part-qualified actuaries, but people felt that the definition of "Actuary" implied that part-qualified actuaries could call themselves actuaries;
- There was also discussion about whether the Code should apply to honorary members of associations.
Hence the edit to the definition and the addition of a footnote. The footnote would also be relevant where, for example, an association admits members of other professions as "affiliates".

Commented [YL7]: See comment above at deleted definition of "actuarial services".

Section 3. Principles

A. Integrity

An *actuary* shall act honestly and with the highest standards of integrity in the performance of *professional services* and in other contexts where the *actuary*'s conduct could reasonably be considered to reflect on the actuarial profession.

B. Competence and Care

An *actuary* shall perform ~~*actuarial*~~*professional services* competently and with care.

C. Compliance

An *actuary* shall comply with all ~~relevant~~ legal, regulatory and professional requirements.

D. Impartiality

An *actuary* shall not allow bias, conflict of interest or the undue influence of others to override *professional judgement*.

E. Effective Communication

An *actuary* shall communicate effectively and meet all applicable reporting standards.

[3] Associations that admit as members (whether honorary or otherwise) persons who do not hold, and are not in the process of attaining, recognised actuarial qualifications are encouraged (but not obliged) to include such members in the application of their Code of Conduct, except where the work that they perform is not actuarial in nature and is performed subject to the Code of Conduct of another professional body.

Section 4. Amplification of Principles

The following information, which forms part of the Code, is included in order to elaborate on how (subject to paragraph 1.2.2) *actuaries* are expected to interpret and apply the Principles.

This information is not exhaustive. *Actuaries* are expected to apply *professional judgement* as and when necessary to ensure that they observe the spirit and intent of the Code, rather than interpret it only in a purely literal way, when that is necessary in order to behave in a professional manner.~~as well as the letter of the Code.~~

A. Integrity

A1 An *actuary* shall perform ~~*actuarial*~~*professional services* with integrity, skill and care, shall fulfil the *actuary's* professional responsibility to the *principal* and shall not act against the public interest.

A2 An *actuary* shall act in a manner that will uphold the reputation of the actuarial profession, shall be of good character and shall, in ~~both personal and business conduct~~the performance of *professional services* and in any other context in which the *actuary*'s conduct could reasonably be considered to reflect on the actuarial profession, behave with integrity.

A3 In promoting and performing ~~*actuarial*~~*professional services*, an *actuary* shall not provide information that the *actuary* knows or ought to know is false or misleading.

A4 An *actuary* shall perform ~~*actuarial*~~*professional services* with courtesy and shall co-operate with others serving the *actuary*'s *principal*.

A5 An *actuary* shall respect the confidentiality of information received.

A6 When an *actuary* is asked to provide ~~*actuarial*~~*professional services* previously provided by another ~~*actuary*~~person, the *actuary* shall ~~consider whether it is appropriate to~~ consult with the previous provider to establish whether there might be any professional reason not to take on the new responsibility, unless particular circumstances exist that make it inappropriate to do so.

Commented [YL8]: Following discussion at the last SFPC meeting, we have strengthened this provision, and have tried to do so in a way that will not create implementation issues in some jurisdictions. (See also footnote 1).

B. Competence and Care

B1 An *actuary* shall perform ~~*actuarial*~~*professional services* carefully, thoroughly and without undue delay.

B2 An *actuary* shall perform specific *professional* ~~*actuarial*~~ services only if:

- the *actuary* is competent and appropriately experienced to do so, or
- the *actuary* is acting on the advice of an individual who has the appropriate level of relevant knowledge and skill and the *principal* is aware that this is the case, or
- the *actuary* is acting under the direct supervision of another ~~*actuary*~~person who is taking professional responsibility for the work.

B3 An *actuary* shall ensure that, in respect of ~~work~~*professional services* for which the *actuary* is responsible, appropriate quality assurance processes are in place to provide confidence regarding the accuracy and completeness of the work.

C. Compliance

C1 An *actuary* is responsible for observing applicable technical and professional standards and shall take into account any relevant standards, guidance notes and similar documents formally issued or endorsed by the actuarial association(s) of which the *actuary* is a member, having regard to their scope and status (for example mandatory, recommended practice, etc).

C2 An *actuary* is subject to the disciplinary procedures prescribed in the rules of the actuarial association(s) of which the *actuary* is a member, and, subject to the right of appeal within those rules, shall accept any judgement passed, or the decision of any appeal procedure.

D. Impartiality

D1 An *actuary* shall not perform ~~*actuarial*~~*professional services* involving an actual or potential conflict of interest, unless the *actuary*'s ability to act in an impartial manner is unimpaired and there has been full disclosure of the actual or potential conflict.

D2 An *actuary* shall disclose to the *principal*, in writing and in a timely manner, all sources of income related to any assignment carried out for the *principal*, other than income paid by that *principal*.

E. Effective Communication

E1 An *actuary* shall communicate professional analysis and advice in a timely manner and in a style and format that is appropriate to the particular circumstances, having regard to the need to convey the implications of the *actuary*'s analysis and advice in a manner that is comprehensible to the intended user.

E2 Subject to sub-paragraph (a), ~~A~~an *actuary* shall, in communicating professional analysis and advice:

- identify that the *actuary* is the source of the analysis and advice;
- state the capacity in which the *actuary* is acting;
- identify the *principal* for whom the analysis and advice is intended;
- state the scope of the work; and
- state that the *actuary* is available to provide the *principal* with supplementary information and explanation about scope, methods, data, professional judgements and conclusions.

(a) An *actuary* may deviate from the requirements of paragraph E2 (but not the requirements of E1) where the *actuary* is communicating to the *actuary*'s direct superior / manager the results of work requested by that person. However, before making a decision in this regard, the *actuary* should consider whether the *actuary*'s communication is likely to be used also by any persons other than the *actuary*'s direct superior / manager.