

6 September 2022

## COMPLIANCE REVIEW PROCESS

### Introduction

Until 2020, the AAE relied on the review of the IAA Membership Committee on whether the AAE FMAs (Full Member Associations) fulfilled the compliance requirements. But since the new AAE Code of Professional Conduct became effective on the 1<sup>st</sup> of January 2021, a new review process was developed given that the AAE requirements are more stringent than the IAA's.

The AAE developed a compliance review process to assess whether the FMAs are compliant with:

1. The new Code of Professional Conduct;
2. Having a formal disciplinary process in place;
3. Having an appropriate promulgation process in place if standards of practice are recommended by the FMA.

The compliance review started on 23 February 2021 by sending a request to the Membres Titulaires to complete 3 surveys (on above 3 topics) by 31 May 2021.

A Task Force consisting of members of the AAE Professionalism (ProfC) and Education (EduC) committees was formed to assess the FMA responses.

Since not all FMA's provided the required information the Task Force followed up by contacting these FMA's.

The AAE Board sent a letter to the actuarial associations of Cyprus, Estonia, Latvia, Greece, Iceland, Luxembourg and Romania on 11 July 2022. As a result, the actuarial associations of Estonia, Greece and Romania still have the status of non-compliant on 1 September 2022.

With the upcoming General Assembly taking place on 7 October 2022, the AAE Board will inform the GA of the status regarding compliance. The ProfC will approve the non-compliance process and it will be presented at the GA. The GA will be informed of the opening of the consultation period and that the non-compliance process will be submitted for an electronic vote by end of March 2023.

### Governance

Article 5 of the [AAE Statutes](#) define that a Full Member Association (FMA) should be compliant to become (or remain) an FMA.

The AAE Statutes do not explicitly mention what the consequence is if an FMA is non-compliant

The [Mutual Recognition Agreement](#) (MRA) lists the FMAs that entered into this agreement and are referred to as 'Qualifying Associations'. These associations are listed in the Appendix.

If an FMA is non-compliant the AAE Board and General Assembly can decide to delete the relevant FMA from the list of 'Qualifying Associations' (to suspend their membership until compliance is reached).

## Process

The compliance review is conducted by the Task Force (described above).

If the FMA is compliant, the FMA classified as **green** and no further action is needed (other than confirming compliance to the relevant FMA).

If an FMA is not compliant:

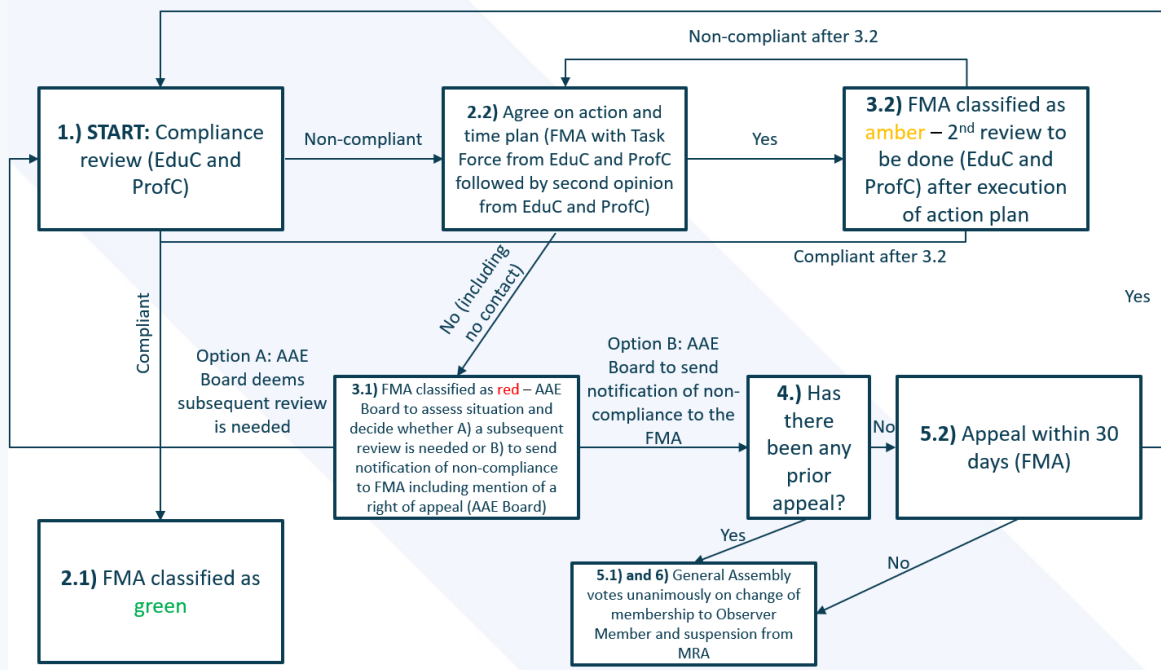
1. The FMA is classified as **amber**.
2. An action and time plan will need to be agreed upon (FMA with Task Force from EduC and ProfC followed by second opinion, if necessary, from EduC and ProfC).
3. If the FMA is classified as **green** after the 2<sup>nd</sup> review, compliance will be confirmed and no further action is needed.

Or

4. If an FMA is classified as **red (e.g. no cooperation, no contact)** the issue is sent to the Board:
5. AAE Board to assess situation and decide whether:
  - a. A subsequent review is needed, or
  - b. To send notification of non-compliance to FMA including mention of a right of appeal (AAE Board).
6. The FMA can appeal – if so, the appeal must be received by the AAE in 30 days after the notification of non-compliance is sent to the FMA:
  - a. If no prior appeal, compliance review done again starting from step 1.
  - b. If prior appeal, the General Assembly is asked to vote unanimously on change of membership to Observer Member and suspension from MRA.
  - c. If decision not to appeal, the General Assembly is asked to vote unanimously on change of membership to Observer Member and suspension from MRA.

N.B. The Board steps in – if needed – from step 3.

## Proposed process for discussion



### Timeline in case of Board action regarding non-compliance

1. The Board to send a notification of non-compliance
2. Within 30 days from sending the notification, the FMA should have appealed
3. Second review following the appeal by the Task Force

### Roles

1. Task Force from ProfC and EduC – compliance review
2. FMA – provide relevant material and keep the TF updated on progress
3. AAE Board – in case of non-compliance to assess the situation and decide whether:
  - a. A subsequent review is needed, or
  - b. To send notification of non-compliance to FMA including mention of a right of appeal (AAE Board).
4. General Assembly – in case of non-compliance vote on change of membership to Observer Member and suspension from MRA