



Policy and Planning Officer
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

15 February 2016

Dear Sir / Madam

Financial Reporting Council (FRC) Consultation on its draft plan and budget and levy proposals 2016/17

Institute and Faculty of Actuaries (IFoA) response

Thank you for the opportunity to respond to the Financial Reporting Council's (FRC's) draft plan and budget and levy proposals for 2016/17. I set out below the comments of the Institute and Faculty of Actuaries (IFoA).

General

By way of introductory comments:

1. We welcome the FRC's ongoing commitment to an effective and proportionate regulatory framework, which seeks opportunity to remove, or, where appropriate to reduce regulatory burdens, whilst retaining sufficient rigour to protect the public interest. We also share the FRC's commitment to ensure a balanced and proportionate approach which complements rather than hinders innovation, and
2. We understand the importance of the FRC's overarching mission statement, and are fully supportive of its intent to promote high quality corporate governance and reporting. There is, perhaps a question of whether this objective is sufficiently broad to capture the current FRC role in actuarial regulation?

However, we have been assured by the commitment and engagement of the FRC in relation to actuarial matters and share its view of the value of a positive and collaborative approach, to which we are similarly committed.

We look forward, in particular to working with colleagues at the FRC in developing proposal for the future of actuarial regulation in the UK, and ensuring that any future framework is proportionate and fundamentally fit for purpose, in the public interest.

We note the particular emphasis the FRC is placing upon corporate culture, the importance of which we have also recently recognised with the launch of the Quality Assurance Scheme (QAS) for employers of actuaries. We look forward to working with the FRC and other stakeholders in continuing

to reinforce this message about the importance of corporate culture in upholding and reinforcing standards and professionalism.

In the short-term we recognise the importance of the FRC's current review of the Technical Actuarial Standards (TASs). We are supportive of both this review and of the FRC's stated aspiration to allow the newly revised framework of standards (including the mechanisms for the IFoA to produce guidance) to settle for a medium-term period, without further change.

Specific Consultation questions

1. Do you have any comments on the regulatory approach which we are proposing for our new three year strategy?

We make two comments. Firstly, as already noted above we support the intention to create a period of stability for the new standards, once introduced and in particular the FRC's intention not to further change these standards for at least the duration of its 2016/19 strategy period. Like the FRC, we recognise the potential impact of what has been a rapidly changing regulatory environment and that too much change may be both disproportionate, in terms of the burden on practitioners and unlikely to serve the public interest as a result. The intended period of consolidation, once the new standards are introduced, will be assisted in part by the standards being set as a relatively high level principle and, potentially, by the proposal that any additional substantive development would be addressed in the form of guidance and SORPs sitting below the Technical Actuarial Standards. We are currently discussing how best we can support the development of such guidance material.

Secondly, in relation to the FRC's Disciplinary Schemes, we note the stated objective that disciplinary investigations should take no more than two years on average. While we recognise that some investigations can and often are complex and duration of a disciplinary investigation may not entirely be within the control of the prosecuting regulator. Nonetheless, we suggest that two years for the investigation stage to be a rather cautious target, certainly if positioned as an aspiration and recognising the further time which will inevitably be involved in the proceedings themselves and the impact that the passage of time will generally have both on those involved and on the quality of evidence which they can be expected to give or to which they are required to respond.

2. Are there areas of our work which we could reduce the regulatory cost we impose without compromising the quality of corporate governance and reporting in the UK?

We simply note at this stage the FRC's intention to consult on the independent oversight of the IFoA remains necessary and appropriate. We look forward to working with the FRC in developing a framework for actuarial regulation which is modern and efficient, complements rather than hinders innovation and commands stakeholder confidence. We believe that the core elements of that framework are already in place, not least through the introduction of forward thinking initiatives such as the Quality Assurance Scheme (QAS), and no doubt that those current arrangements can be refined to address appropriately the public interest need as it stands in the context of the current financial services and regulatory environment.

3. Do you have any comments on the FRC's proposed projects and activities in 2016/17?

We support the proposals and particularly recognise the important role which is being played by the Joint Forum on Actuarial Regulation (JFAR). We have already spoken about the proposed and ongoing developments in relation to the TASs, and our supporting principle for the development of technical guidance.

4. Are the proposed indicators helpful in assessing progress towards the FRC's objective; and are there other indicators that should also be taken into account?

We note the proposed indicator of success in relation to the updating of the "JFAR Risk Perspective". While we are very supportive of the JFAR's work in relation to risk, the extent to which the "risk perspective" document requires itself to be updated may depend in part upon the extent to which the same ground is already being addressed. While the IFoA's work in relation to its "risk outlook", and indeed the work on risk being separately undertaken by the other JFAR regulators.

In terms of other indicators, the FRC periodic independently commissioned survey of user confidence is one potentially useful indicator with the effectiveness of actuarial regulation. And whilst we are recognising of course the inevitable limitations of any such survey considered in isolation.

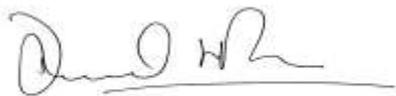
5. Do you have any comments on our proposed budget for 2016/17?

No comment.

6. Do you have any comments on our proposed funding requirement for 2016/17?

No comment.

Regards,

A handwritten signature in black ink, appearing to read 'Desmond Hudson', written over a horizontal line.

Desmond Hudson
Chair, Regulation Board