

INSTITUTE OF ACTUARIES OF AUSTRALIA

DUE PROCESS FOR THE DEVELOPMENT AND AMENDMENT OF PROFESSIONAL STANDARDS

1. INTRODUCTION

The Institute establishes and maintains the Code of Professional Conduct and Professional Standards (“standards”) to govern the provision of Professional Services by its members.

The purpose of this policy is to prescribe the due process for the development of new standards and the substantial amendment of existing standards.

2. IDENTIFICATION STAGE

In addition to Council, individual members and Committees or Taskforces of the Institute, any of the Institute’s many stakeholders may initiate ideas for the development or amendment of a standard.

It can be expected that Practice Committees, Taskforces, the Executive, Councillors, the International Actuarial Association, regulators or the public will raise ideas with the Professional Standards Committee (“PSC”) from time to time.

A proposal for the development of a new standard, or for the substantial amendment of an existing standard must be made in writing to the Institute’s PSC.

If the PSC accepts the need for the development of a new standard or the amendment of an existing standard, the PSC Chair will prepare a brief and seek Council approval before drafting commences.

Council will satisfy itself that the proposal in the brief for the development or amendment of a standard is necessary to:

- enhance the profession of Actuary, and
- to protect the public interest.

Where a regulator or other government agency proposes the development or amendment of a standard, or is otherwise interested in the development or amendment of a standard, the PSC Chair must invite a representative of that agency to participate as an information source in relation to the drafting of the standard. Where this invitation is declined, the PSC Chair must inform Council and Council must consider whether a Practice Guideline should be issued instead of a standard.

If Council does not approve the brief of the PSC, Council must return the brief to the PSC with a brief synopsis of Council's reasons for the rejection of brief. The PSC may present the brief again to Council if the PSC Chair is of the view that any concerns of Council in relation to the original brief can be addressed. The PSC may take whatever steps are necessary and reasonable to address Council's concerns. Ultimately, Council decides whether or not the standard should be developed or amended.

3. DRAFTING STAGE

If Council approves the brief of the PSC, the PSC Chair will nominate one of its actuary members to supervise drafting, in conjunction with the relevant senior staff member of the Institute. A drafting leader and assistant will be appointed for the task, and such persons are likely to be members of the Institute from the relevant practice area. Other actuary members of the PSC may take part in drafting, but it is assumed that this will not usually be the case. The drafting team must be prepared to consult as required in relation to the drafting process, and the members of the team must have experience that is recent and relevant in relation to the brief to develop or amend a standard. The relevant Practice Committee or Committees must be consulted.

The scope of the drafting exercise must include an Explanatory Memorandum (which is not a part of the standard), which must include the full background and rationale for the development or amendment of a standard. The Explanatory Memorandum will accompany the Discussion Draft and Exposure Draft of the new or amended standard when issued to members.

A new or amended standard must be drafted in accordance with the Policy for Drafting Standards and in the context of the Institute's Code of Professional Conduct, and it must be drafted so as to be consistent with other relevant standards.

4. DISCUSSION STAGE

The drafting team must prepare a Discussion Draft, which sets out the text of the proposed or amended standard. The PSC must approve the Discussion Draft.

The Discussion Draft is then circulated to members, and if appropriate in the judgment of the PSC, to interested persons or organisations. Depending on the nature of the proposed or amended standard, the PSC may request the Institute to organise a workshop or meeting at which members would be encouraged to provide comments on the Discussion Draft. The deadline for written comments should be at least **fourteen days** from the date of circulation of the Discussion Draft.

The PSC must acknowledge the receipt of written comments, and the drafting team must prepare a summary of the resulting comments and discussion.

If, following consultation with members, minor or no amendments are necessary, the PSC can approve that the process be moved to the Decision Stage. If, however, major changes are required, the Discussion Draft should move to the Exposure Stage.

5. EXPOSURE STAGE

The PSC's drafting team arranges for the preparation of an Exposure Draft, to which is attached the history of the proposed or amended standard and a description of the alternatives and why they were rejected. The PSC must approve the Exposure Draft, which is then circulated to members and other interested persons or organisations.

Comments from members are sought in writing or via a workshop or sessional meeting, with the deadline for written comments being at least **fourteen days** from the date of the draft's circulation.

The PSC must acknowledge the receipt of written comments, and the drafting team must prepare a summary of the resulting comments and discussion.

At the same time that the Exposure Draft is issued to members and other interested persons or organisations for comment, the PSC may, if necessary, arrange for legal advice to be provided in respect of the new or amended standard.

If following consultation with members and other interested persons or organisations, minor or no amendments are necessary, the process can move to the Decision Stage. However, if major changes are required, the draft should return to the Exposure Stage.

6. PEER REVIEW, SCRUTINY & ENDORSEMENT

The PSC Chair must commission a peer review of any Exposure Draft and the peer reviewer must present his or her report to the PSC before the Exposure Draft is issued to members for comment. A suitable peer reviewer for this stage could be a senior actuary in the relevant practice area.

Diverse opinions and challenging feedback are to be encouraged. The PSC Chair will consult the Practice Committee seeking peer review nominees at the outset of the process for the development or amendment of a standard.

The PSC Chair must commission a further peer review of the new or amended standard before presentation of the standard to Council for approval. The peer reviewer must present his or her report to the PSC as part of the PSC's final consideration of the new or amended standard before presentation to Council.

Close scrutiny of the new or amended standard must also be carried out by the remainder (ie, non-drafting members) of the PSC, with the drafting team presenting to them.

The objects of this scrutiny include:

- (a) reviewing the effectiveness of the new or amended Professional Standard in line with the Council brief;

- (b) reviewing its conformity with the Policy for Drafting Professional Standards;
- (c) reviewing the rationale and background set out in the draft Explanatory Memorandum;
- (d) considering the peer review(s) and documenting a response to them.

Where a regulator or other government agency proposes the development or amendment of a standard, the PSC must ensure that the regulator or agency is invited to endorse the Professional Standard as issued to members, and subsequently must report to Council on the extent or otherwise of that endorsement.

7. DECISION STAGE

When the PSC is satisfied with the consultation process, it must submit a recommendation to Council that the new or amended standard be adopted. If necessary in accordance with the section of the Policy for Drafting Professional Standards concerning the Scope of Professional Standards, the recommendation must indicate whether there is broad consensus among members of the Institute, and that the standard is in the public interest. If necessary, the PSC may consult with the relevant Committee or Taskforce of the Institute to determine if the proposed or amended standard has broad consensus among members of the Institute.

The recommendation must confirm that the standard:

- has met the requirements of Due Process;
- has been drafted in accordance with the Policy for Drafting Professional Standards;
- is consistent with the Code of Professional Conduct and any relevant legislation or regulatory standards;
- is consistent with other relevant standards of the Institute; and
- is (to whatever degree applicable) endorsed by the relevant Government regulator or agency.

The PSC's report containing the recommendation must contain a brief history of the proposed or amended standard, a reasonable analysis of the comments received, and the effective date of commencement.

If Council does not accept the recommendation, the draft, together with the reasons for its rejection, is sent back to the PSC with a recommendation for further action.

8. UPDATING, OR MINOR AMENDMENTS TO STANDARDS

If a proposal to amend a standard is presented to the PSC, either for the standard to be updated for legislation or regulatory standards, or to take in amendments or corrections of an insubstantial nature, the PSC may approve such a proposal, and notify Council before the amended standard is reissued to members.

Once Council has been notified of the proposal and approved it, the Institute's Secretariat must issue the amended standard to members with a brief explanatory note.

There is no need for a standard that is amended in such a way to be otherwise subject to this Due Process for the Development and Amendment of Professional Standards.

9. REPOSITORY

As soon as Council has approved a new or amended standard, it is the responsibility of the Institute's Secretariat to ensure the final version of the standard is in the correct format. The Secretariat will then distribute the standard to members and, if appropriate, to external parties, and maintain copies of all standards on file. Copies will be retained on file for a minimum of seven years after they cease to have effect.

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