



DUE PROCESS FOR THE DEVELOPMENT AND AMENDMENT OF PROFESSIONAL STANDARDS

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1. Introduction

The Institute establishes and maintains the Code of Professional Conduct and Professional Standards (together, "standards") to govern the provision of Professional Services (including Actuarial Advice) by its members.

The purpose of this policy is to prescribe the due process for:

- ▶ the development of new standards (including the conversion of Guidance Notes or Practice Guidelines to a standard); and
- ▶ the amendment of existing standards.

It should be noted that, if a standard is to be amended merely to update legislative or regulatory references, or to make minor corrections, the due process to be applied is as set out in Section 7 of this policy.

2. Proposal Stage

2.1 Initiating a Proposal

Any of the following may raise ideas or issues relevant to the development or amendment of a standard (a "Proposal"): Council, the Professional Standards Committee ("PSC"), Practice Committees, the Executive Council Committee, other Institute committees and taskforces, the International Actuarial Association, regulators, Members of the Institute or the public.

A Proposal for the development of a new standard, or for the amendment of an existing standard, must be made in writing to the PSC.

2.2 PSC review of a Proposal

The PSC will review a Proposal and, if it is not satisfied that the Proposal to develop a new standard or amend an existing standard is necessary to enhance the profession of Actuary or protect the public interest, then:

- (a) where the Proposal has been initiated by the Government, a regulator or other Government agency, the PSC will refer the Proposal, together with a statement outlining its reasons why it is not satisfied that the Proposal is necessary to enhance the profession of Actuary or protect the public interest, to Council for Council's decision as to whether the Proposal should proceed; and
- (b) in all other cases, the PSC is to notify the proposer of its reasons for rejecting the Proposal and provide a copy of such notice to Council for its noting.



If the PSC accepts that the Proposal to develop a new standard or amend an existing standard is necessary to enhance the profession of Actuary or protect the public interest, the PSC may instruct the relevant Practice Committee to develop a drafting accord ("Drafting Accord").

Where an accepted Proposal relates to a multi-practice standard, the PSC may instruct a relevant Taskforce, Committee or similar group to undertake the development or amendment of the standard and develop a Drafting Accord. In such a case, all references to "Practice Committees" in the balance of this policy should be read as a reference to the Taskforce, Committee or similar group so instructed.

Where a Drafting Accord is not required, the PSC will:

- ▶ instruct the relevant Practice Committee to commence drafting; and
- ▶ prepare a brief to Council setting out the Proposal for Council's noting.

2.3 Development and approval of a Drafting Accord

2.3.1 About Drafting Accords

The purpose of a Drafting Accord is to provide clarity from the outset as to the objectives, process and timeframe for the development or amendment of a standard.

A Drafting Accord should set out:

- ▶ the scope of the proposed standard or amendments to a standard;
- ▶ an outline of the structure of the proposed standard or amended standard;
- ▶ the relevant principles that apply to the proposed standard or amendments to a standard;
- ▶ a statement as to how the Practice Committee will ensure that appropriate quality controls are in place and enforced throughout the drafting process; and
- ▶ a timetable for the progress of the new or amended standard through the stages set out in this policy.

2.3.2 Process for approval of a Drafting Accord

The Practice Committee, through a representative in attendance before the PSC, will submit its proposed Drafting Accord to the PSC for approval. If the PSC approves the Drafting Accord (either with or without amendment), the PSC will then:



- ▶ instruct the relevant Practice Committee to commence drafting; and
- ▶ prepare a brief to Council setting out the Proposal and agreed Drafting Accord, for Council's noting.

If the PSC does not approve the Drafting Accord, the relevant Practice Committee will prepare a revised Drafting Accord and re-submit it to the PSC for approval until the PSC is satisfied with the Drafting Accord.

3. Drafting Stage

3.1 The Drafting Committee

Once the PSC has instructed the relevant Practice Committee to commence drafting a standard or amendments to a standard, the Practice Committee will form a Drafting Committee.

The Drafting Committee must:

- ▶ be comprised of members having experience that is recent and relevant in relation to the particular Proposal; and
- ▶ consult as required in relation to, and throughout, the drafting process. This includes consultation with the Practice Committee having carriage of the drafting, the PSC and other interested stakeholders.

3.2 Issues Brief

Drafting Committees are encouraged, particularly where either major or controversial changes to a standard are being proposed, to consider releasing an Issues Brief to members prior to commencing drafting.

An Issues Brief provides an opportunity to gather initial feedback from members and others on issues and, in so doing, enables a more focused and consensus-driven understanding of amendments to a standard at the outset. This can reduce or avoid unnecessary wastage of effort.

Sample Issues Briefs are available from the Secretariat.

3.3 Core principles in drafting standards

A new or amended standard must be drafted:

- ▶ in accordance with the Policy for Drafting Professional Standards;
- ▶ in the context of the Institute's Code of Professional Conduct;



- ▶ so as to be consistent with other relevant standards; and
- ▶ in accordance with any Drafting Accord approved by the PSC.

The relevant senior staff of the Institute will be available to assist and advise the Drafting Committee, as required.

3.4 The Explanatory Memorandum

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

4. Exposure Stage

4.1 Practice Committee obligations prior to seeking PSC release approval

The relevant Practice Committee must:

- ▶ approve both the Exposure Draft and Explanatory Memorandum prepared by the Drafting Committee for presentation to the PSC. In so doing, the Practice Committee bears the onus of being satisfied that the proposed Exposure Draft and Explanatory Memorandum meet the following decision criteria:
 - the proposed Exposure Draft is consistent with the Drafting Accord (if relevant) or, if not, why the Drafting Accord should be amended;
 - the Drafting Committee has taken due regard for any comments received on a previous Exposure Draft (if relevant);
 - the proposed Exposure Draft is clear, concise and effective; and
 - the proposed Exposure Draft is technically sound and consistent with any applicable legislation and regulatory standards; and
- ▶ secure the agreement of an appropriate person to act as peer reviewer, if required. A suitable peer reviewer could be a senior actuary in the relevant practice area.

4.2 Approval by the PSC of peer reviewer and release of Exposure Draft

The relevant Practice Committee must present the approved Exposure Draft and Explanatory Memorandum, as well as a brief biography of the proposed peer



reviewer, to the PSC. A member of the Practice Committee and/or the Drafting Committee should be available to present to the PSC on the proposed release of the Exposure Draft and Explanatory Memorandum.

The PSC in turn decides whether to approve:

- ▶ the release of the Exposure Draft and Explanatory Memorandum for comment (subject to any required changes); and
- ▶ the proposed peer reviewer.

If the PSC does not approve the proposed peer reviewer, then the PSC will be responsible for appointing an alternative candidate.

4.3 Criteria for PSC to approve Exposure Draft

Prior to deciding whether to approve the release of an Exposure Draft and Explanatory Memorandum, the PSC may commission a peer review of the proposed Exposure Draft if it considers such review desirable or necessary to assist it in making its decision.

In deciding whether to approve the release of an Exposure Draft and Explanatory Memorandum, the PSC is to take into account the following criteria:

- ▶ the effectiveness of the new or amended standard in meeting the intent of the Drafting Accord (if relevant);
- ▶ whether the proposed standard conforms with the Policy for Drafting Professional Standards; and
- ▶ whether the proposed standard is consistent with:
 - the rationale and background set out in the Explanatory Memorandum;
 - the Code of Professional Conduct; and
 - other relevant professional standards.

4.4 Exposure to members

If approved for release by the PSC, the Exposure Draft and Explanatory Memorandum are then circulated to members for written comment. If appropriate, in the judgment of the PSC, the Exposure Draft and Explanatory Memorandum are also circulated to other interested persons or organisations for written comment.



The Secretariat arranges the circulation of the Exposure Draft and Explanatory Memorandum. Depending on the nature of the proposed or amended standard, the Practice Committee or Drafting Committee may request the Secretariat to organise a workshop or meeting at which members would be encouraged to provide comments on the Exposure Draft.

The deadline for written comments should be a minimum of fourteen days from the date of circulation of the Exposure Draft and Explanatory Memorandum. However, in order to ensure robust consultation, a longer deadline (appropriate to the significance or number of proposed amendments) should be chosen wherever possible. The Secretariat must acknowledge the receipt of written comments and forward such to the Drafting Committee which in turn must prepare a summary of the resulting comments and, if relevant, discussion at a workshop or meeting.

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

4.5 Need for further amendments

If, following exposure to members and other interested persons or organisations, the Practice Committee considers that major changes are required, the Drafting Committee will redraft the Exposure Draft and Explanatory Memorandum, and the steps set out in Sections 4.1 to 4.4 of the Exposure Stage should be repeated.

Where further Exposure Drafts are required, the release of each such Exposure Draft should include the history of the proposed or amended standard and a description as to how any comments and discussion on the previous Exposure Draft were responded to in the subsequent re-drafting.

4.6 Approval to move to the Decision Stage

If, following consultation with members, the Practice Committee considers that only minor or no amendments are necessary, it can submit to the PSC that the proposed standard be moved to the Decision Stage. A member of the Practice Committee and/or the Drafting Committee should be available to present to the PSC on the Practice Committee's submission.

In so submitting, the Practice Committee should ensure that the PSC is provided with:

- (a) a copy of the summary prepared by the Drafting Committee of:
 - (i) the comments received on the Exposure Draft; and
 - (ii) if relevant, discussion at a workshop or meeting,



and how, generally, such comments and discussion were responded to in the subsequent redrafting; and

- (b) a statement from the Drafting Committee as to:
 - (i) the degree to which there is consensus among the membership as to the proposed changes; and
 - (ii) whether the proposed changes have taken into account any comment or reaction from relevant regulators or agencies.

5. Decision Stage

5.1 Peer review

If the PSC approves the move of an Exposure Draft to the Decision Stage, the PSC may commission a peer review of the Exposure Draft. The peer reviewer must:

- (a) present his or her report to the PSC; and
- (b) provide a copy of that report to the Practice Committee and Drafting Committee.

The peer reviewer's report is taken into account by the PSC in deciding whether the proposed standard moves to the Approval Stage.

The PSC must invite the peer reviewer to attend a PSC meeting to discuss the proposed move to the Approval Stage.

5.2 Scrutiny by the PSC

In addition to considering any peer reviewer's report commissioned under section 5.1, the PSC is to closely scrutinise the proposed new or amended standard. The objects of this scrutiny include:

- (a) reviewing the effectiveness of the new or amended Professional Standard in meeting the intent of the Drafting Accord (if relevant);
- (b) reviewing its:
 - conformity with the Policy for Drafting Professional Standards;
 - consistency with the Code of Professional Conduct and any relevant legislation or regulatory standards;
 - consistency with other relevant standards of the Institute;



- (c) reviewing the rationale and background set out in the draft Explanatory Memorandum and whether the proposed new or amended standard is consistent with such;
- (d) considering whether there has been sufficient consultation with respect to the proposed new or amended standard; and
- (e) considering the Drafting Committee's:
 - summary of the comments received on the Exposure Draft and, if relevant, discussion at a workshop or meeting, and how, generally, such comments and discussion were responded to in the subsequent redrafting; and
 - statement as to the degree to which there is consensus among the membership as to the proposed changes and whether the proposed changes have taken into account any comment or reaction from relevant regulators or agencies.

A member of either the Practice Committee or the Drafting Committee should be available to present to the PSC on the proposed move to the Approval Stage.

Following this scrutiny and consideration of any peer reviewer's report commissioned under section 5.1, the PSC can decide that the proposed new or amended standard should either:

- (a) move to the Approval Stage; or
- (b) be sent back to the Exposure Stage.

6. Approval Stage

If the PSC decides that a proposed new or amended standard should move to the Approval Stage, 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.

The recommendation must confirm that the standard:

- ▶ has met the due process requirements of this policy;
- ▶ 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
- ▶ appropriately reflects (as relevant) any comments or reactions from relevant regulators or agencies.

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 PSC's recommendation, the draft, together with the reasons for its rejection, is sent back to the PSC with a recommendation for further action.

7. Legislative changes or other minor amendments to standards

If a Proposal to amend a standard is presented to the PSC, either for the standard to be updated for legislative or regulatory standards changes, or to take in amendments or corrections of an insubstantial nature, the PSC may direct the relevant Practice Committee to form a Drafting Committee to draft the amendments and an Explanatory Memorandum summarising the changes made.

Once the drafting task has been completed, the Practice Committee may submit the proposed standard and draft Explanatory Memorandum to the PSC for a decision that the standard move to the Approval Stage.

The PSC may either decide that the standard should move to the Approval Stage or refer the standard back to the Practice Committee for further work.

If the PSC decides that the standard should move to the Approval Stage, it must prepare a recommendation to Council outlining the reasons for such recommendation.

If Council approves the amended standard, the Secretariat must issue the amended standard to members with the Explanatory Memorandum prepared by the Drafting Committee.

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

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



8. Retention

Once Council has approved a new or amended standard, it is the responsibility of the 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 ten years after they cease to have effect.

9. Role clarity

For the purposes of clarifying and aiding understanding, the following table provides an outline of the roles of the various key Institute organs under this policy:

Professional Standards Committee

- ▶ in most cases, decides whether to accept Proposals for developing or amending standards
- ▶ instructs Practice Committees to develop Drafting Accords and approves such
- ▶ instructs Practice Committees to undertake drafting of standards
- ▶ approves (or, if necessary, appoints) a peer reviewer
- ▶ approves the release of an Exposure Draft and Explanatory Memorandum, subject to any required changes
- ▶ commissions peer reviews of a proposed standard, as required
- ▶ decides whether a proposed standard moves to the Approval Stage for Council's approval (including scrutinising the proposed standard against relevant decision criteria)
- ▶ presents a proposed standard to Council for final approval

Practice Committee

- ▶ develops a Drafting Accord (if required)
 - ▶ forms a Drafting Committee which undertakes drafting of the new and amended standard in accordance with an approved Drafting Accord (if any)
 - ▶ secures a peer reviewer
 - ▶ approves the submission of an Exposure Draft and Explanatory Memorandum to the PSC for approval to release
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Council

- ▶ notes a Proposal and associated Drafting Accord (if any) approved by PSC
- ▶ decides whether to proceed with Proposals initiated by the Government, a regulator or other government agency for developing or amending standards
- ▶ approves the adoption of a proposed standard and release to members

Institute Secretariat

- ▶ provides support and assistance to Practice and Drafting Committees in the drafting of a standard
 - ▶ monitors the progress of Practice Committees in developing and amending standards
 - ▶ co-ordinates updates from Practice Committees to the PSC on progress
 - ▶ arranges distribution of Exposure Drafts of standards and, if required, Horizons or similar sessions to discuss Exposure Drafts
 - ▶ acknowledges receipt of submissions on Exposure Drafts and forwards to Drafting Committee
 - ▶ releases standards approved by Council to members
 - ▶ provides Secretarial support to the PSC
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10. Revision history

This policy was first issued in July 2006.

Principal changes in the [date] version were to:

- ▶ clarify the primacy of the Practice Committees' responsibility for standards development under their Terms of Reference;
- ▶ reduce the number of stages to avoid confusion and simplify the process;
- ▶ streamline the peer review requirements, in recognition of both the role of the Practice Committee and the peer review inherent in the exposure process;
- ▶ centralise the PSC in terms of its role in the standards process, so as to:
 - reduce the burden on Council and, concurrently, facilitate more timely progress through the due process stages; and



- ensure that the PSC may function proactively rather than reactively, as well as enable it to achieve greater consistency across standards where appropriate and relevant; and
- ▶ enhance role clarity to assist in improving understanding of the policy.

**END OF DUE PROCESS FOR THE DEVELOPMENT AND AMENDMENT OF
PROFESSIONAL STANDARDS**