



EXPLANATORY MEMORANDUM TO PRACTICE GUIDELINE 499.03: PRUDENTIAL REPORTING UNDER THE SIS ACT

March 2011

About this Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Members in understanding the new Practice Guideline 499.03 (Prudential Reporting under the SIS Act) ("PG 499.03"). PG 499.03 replaces Guidance Note 460 (Prudential Reporting to the Trustees and the Regulator) ("GN 460"), which was issued in December 1994.

Introduction

In 2006, the Institute issued a Policy for Drafting and Developing Practice Guidelines (the "Policy") which was subsequently amended in August 2008. The Policy is designed to ensure that all Practice Guidelines are drafted and developed in a consistent manner and in consultation with relevant and interested members of the Institute (and, where necessary, external parties).

As a result, all existing Guidance Notes are to be re-drafted in accordance with the Policy as a Practice Guideline.

About Practice Guidelines

Members' attention is drawn to the fact that Practice Guidelines:

- ▶ are issued to formally capture and document generally accepted actuarial practices and techniques;
- ▶ are not mandatory (mandatory duties for members are covered in Professional Standards of the Institute);
- ▶ are not connected to Professional Standards and they must not be used to interpret a Professional Standard; and
- ▶ must be consistent with the Code of Professional Conduct, Professional Standards, and any relevant legislation or regulatory standards.



Consultation

An Exposure Draft of PG 499.03 was released on 22 February 2011, with comments due on 11 March 2011. Reminders that the Exposure Draft was out for comment were issued to Members on each of 23 February, 2 March and 9 March 2011. No submissions were received in response to the Exposure Draft.

Key changes from GN 460

As noted above, PG 499.03 replaces GN 460. The key changes made in PG 499.03 compared with GN 460 are:

- ▶ updating legislative references and requirements;
- ▶ bringing the guidance into line with the requirements of the Code of Professional Conduct and the Policy;
- ▶ in the context of determining whether a fund is in an unsatisfactory financial position, explicitly referring members to Professional Standards of the Institute in relation to the value of assets and vested benefits, to avoid inconsistencies developing;
- ▶ circumscribing the guidance more closely to the legislative requirements. For example, GN 460 illustrated certain situations in which members were expected to impose higher standards than those imposed by the SIS Act or SIS Regulations. This area of guidance has been softened (including by removing essentially obsolete illustrated situations); and
- ▶ making it more explicit for members as to the potential consequences of reporting to the regulator in circumstances where the Act does not require, but only permits, such reporting.

Commencement date

PG 499.03 commences on 1 April 2011.

END OF EXPLANATORY MEMORANDUM