

PROGRESS REPORT - MARCH 2006

From April 2006, the FRC has taken on its new role in setting actuarial standards and overseeing the regulation of the actuarial profession.

This is the FRC's third and final report on its progress in establishing its new role. The first report was published in September 2005; the second report was published in December 2005.

Since December 2005, the FRC has taken the following actions to finalise the arrangements for its new role:

- Appointed a Board of senior individuals to the Board for Actuarial Standards (BAS), representing the users and providers of actuarial advice.
- Agreed with the Actuarial Profession the arrangements that will apply in relation to actuarial technical standards to which members of the actuarial professional bodies are subject. The BAS will be responsible for the setting of actuarial technical standards. Initially, the BAS will adopt the technical standards (Guidance Notes that were previously set by the Actuarial Profession). Over time the BAS will revise the standards in line with the approach that it develops. That approach will reflect the recommendations of the Morris Review and full consultation with the preparers and users of actuarial advice.
- Extended the remit of the FRC's Professional Oversight Board for Accountancy to cover the Actuarial Profession. To reflect its new range of responsibilities, the Board will become the Professional Oversight Board (POB). Paul Kennedy, the FRC's Head of Actuarial Oversight, will lead POB's work to implement the Morris recommendations, in close co-operation with the Actuarial Profession.
- Agreement has been reached in principle with the Actuarial Profession that the scope of the AIDB will be extended to cover public interest cases involving actuaries. A number of steps remain to be completed before this is done. It is expected that these will be completed during the summer of 2006.
- The FRC and the Actuarial Profession are preparing a Memorandum of Understanding setting out the ways in which they will work together to ensure that the FRC regime is proportionate and effective and that members of the actuarial professional bodies are subject to appropriate regulatory arrangements.
- On 2 March 2006, the FRC published its final proposals for the funding arrangements for the new regime, which will be implemented from April 2006. The FRC will seek contributions of:
 - 10% of total costs (£170,000) from the actuarial profession.

- 45% of total costs (£765,000) through a levy on insurance companies, which will be allocated to individual insurance companies in the same proportion as the FSA regulatory fees and charged to insurance companies on the same invoice as the FSA fees.
- 45% of total costs (£765,000) through a levy of £2 per 100 members on pension schemes with more than 1,000 members, on the basis of information on scheme membership provided to The Pensions Regulator in its scheme returns.

Full details of the FRC's regime for actuarial standards and regulation are available on its website at: www.frc.org.uk.

The FRC's existing role will continue on the same basis as at present.