



BDO Stoy Hayward  
Investment Management

BDO Stoy Hayward  
Investment Management Limited  
8 Baker Street London W1U 3LL  
Telephone: +44 (0)20 7486 5888  
Facsimile: +44 (0)20 7487 3686  
DX 9025 West End W1  
Email: investment@bdo.co.uk  
Web site: www.bdo.co.uk

## Private and Confidential

The Director  
Board for Actuarial Standards  
5th Floor  
Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

31 January 2008

Our ref: 006644/RT/RT000023BAS

E-mail: richard.tewkesbury@bdo.co.uk

Dear Sir

### Towards a Conceptual Framework: Consultation Paper

I am responding on behalf of the actuarial practice within BDO Stoy Hayward Investment Management Limited to the invitation to comment on the above paper.

Using the same numbering as in section 9.1 of the consultation paper:

- 1 b). We consider that only work falling under Category A should fall within the scope of BAS standards. We can see no compelling case to include work under categories B, C and D that might be carried out by non-actuaries against whom the standards would be unenforceable, or by actuaries who could decide in the particular circumstances whether to comply or not under the "Comply or Explain" provision, and believe that their inclusion could lead to confusion and misunderstanding on the part of users of the outputs.

We consider that the Actuarial Profession's proposed Information and Assistance Notes (IANs) will provide an appropriate means for disseminating guidance on work not falling within Category A (as well as supplementing the BAS standards on work falling within it).

3. A further unsatisfactory aspect of including work from Categories B, C or D in the scope of the standards is brought out in section 5.17 of the consultation paper dealing with actuaries working as part of a team including non-actuaries. We consider that the "overall charge" condition could be difficult to apply in practice and in some circumstances may not be possible to determine.

We welcome the intention to include a *reasonability override* in relation to the standards and agree with the framework for their use as set out in section 5.15 of the consultation paper.

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4. We agree that consideration of cash flows in relation to future liabilities can be a useful adjunct to traditional discounted cash flow analysis. However this would not be a critical consideration in all circumstances so should not be insisted upon by the BAS standards.

The example wording suggested for pension scheme reports in sections 8.38 and 8.39 of the consultation paper are not helpful. To be of use, consideration of cash flows would need to relate them to the timing of their emergence either in tabular or graphical form. To simply add together the total projected net cash flows irrespective of when they are projected to emerge results in a meaningless figure, akin to adding dollars, euros and sterling together without converting them.

Yours faithfully

**Richard Tewkesbury**

Director

for BDO Stoy Hayward Investment Management Limited