



**Canadian
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**Institut
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des actuaires**

EDUCATIONAL NOTE

Applicability of Rules, Standards and Other Guidance to CIA Members

February 2023



Applicability of Rules, Standards and Other Guidance to CIA Members

Working Group to Update the Applicability Educational Note

The working group for the update to this educational note was comprised of Lesley Thomson and Gus van Helden, with contributions from Julie-Linda Laforce, Helmut Engels and Simon Guénette.

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Ce document est disponible en français

The actuary should be familiar with relevant educational notes. Educational notes are not binding; rather they are intended to illustrate the application of the standards of practice. A practice that an educational note describes for a situation is not necessarily the only accepted practice for that situation nor is it necessarily accepted practice for a different situation. Responsibility for ensuring that work is in accordance with accepted actuarial practice lies with the actuary. As accepted actuarial practice evolves, an educational note may no longer appropriately illustrate the application of standards. To assist the actuary, the CIA website contains a reference of pending changes to educational notes.

Contents

- Preamble 4
- 1. Introduction..... 4
- 2. Rules/codes of professional conduct 5
- 3. Actuarial standards of practice..... 5
- 4. Determining the jurisdiction of the work 6
- 5. Educational material (non-binding guidance)..... 7
- 6. Special considerations for “international” financial reporting 7

Preamble

The International Accounting Standards Board (IASB) has promulgated International Financial Reporting Standards (IFRS) that have been adopted by a number of countries around the world. The International Actuarial Association (IAA) has developed standards of practice and other guidance for actuaries providing professional services related to financial reporting in accordance with IFRS.

This educational note is an update to the 2005 educational note entitled *Applicability of Rules, Standards, and Other Guidance to CIA Members*. It is intended to assist CIA members in understanding the professional standards of conduct, practice and qualification that apply when preparing work in Canada and in jurisdictions outside Canada. Specifically, it describes the CIA framework that determines the applicability of rules/codes of professional conduct, standards of practice and other guidance to CIA members' work, and outlines the special considerations relevant to IAA guidance and the US Qualification Standards.

Process

The creation of this cover letter and educational note has followed the Actuarial Guidance Council's (AGC's) protocol for the adoption of educational notes. In accordance with the CIA's *Policy on Due Process for the Approval of Guidance Material Other Than Standards of Practice and Research Documents*, this educational note has been prepared by the Working Group to Update Applicability EN, and has received approval for distribution by the AGC on February 14, 2023.

Responsibility of the actuary

The actuary should be familiar with relevant educational notes. Educational notes are not binding; rather they are intended to illustrate the application of the standards of practice. A practice that an educational note describes for a situation is not necessarily the only accepted practice for that situation nor is it necessarily accepted practice for a different situation. Responsibility for ensuring that work is in accordance with accepted actuarial practice lies with the actuary. As accepted actuarial practice evolves, an educational note may no longer appropriately illustrate the application of standards. To assist the actuary, the CIA website contains a reference of pending changes to educational notes.

Your feedback

Questions or comments regarding this educational note may be directed to the Chair of the AGC at guidance.feedback@cia-ica.ca.

1. Introduction

This educational note describes the CIA framework that determines the applicability of rules/codes of professional conduct, standards of practice and other guidance to the CIA member's work. This note covers both work in Canada and possible differences when the work is conducted in a jurisdiction outside Canada.

In addition, special considerations relevant to guidance of the American Academy of Actuaries (AAA) and the IAA are discussed.

CIA members may also find the July 2016 paper [*Considerations of Professional Standards in International Practice*](#) published by the AAA helpful. On the whole, the advice provided in that paper is relevant to Canadian actuaries.

2. Rules/codes of professional conduct

All CIA members are expected to comply with the CIA's [Rules of Professional Conduct](#) (CIA Rules). This is commonly the case with rules/codes of professional conduct. Thus, the CIA Rules apply to all CIA members at all times, regardless of the nature or jurisdiction of their work. This is stated in Section 5.9 of the [CIA Bylaws](#).

Furthermore, CIA members may also be subject to the rules/codes of professional conduct of other actuarial organizations as follows:

- As indicated in the Preamble section of the CIA Rules, CIA members rendering professional services in jurisdictions outside Canada are subject to the rules or ethical standards of recognized actuarial organizations (RAO) in those jurisdictions. For example, a CIA member doing work in the US is required to follow the AAA Code of Professional Conduct in addition to the CIA Rules. An RAO is defined in the CIA Rules as any full member of the IAA (or its standards-setting delegate). Each IAA full member is required to have a code of professional conduct.
- CIA members rendering professional services in jurisdictions outside Canada are required by Section 5.9 of the CIA Bylaws to comply with the accepted actuarial principles and practices of that jurisdiction. Such accepted actuarial principles and practices might include rules/codes of professional conduct (and certainly would for any full IAA member).
- CIA members who are also members of other professional actuarial organizations may be required (by those organizations) to follow the rules/codes of those professional organizations in whatever work they do.

Thus, CIA members may at any given time be subject to more than one set of rules/codes of professional conduct for a given piece of work.

It is worth noting that rules/codes of professional conduct may require the actuary to comply with qualification requirements for the work. If so, CIA members rendering professional services in such jurisdictions would be required to comply with those local qualification requirements as well as the qualification requirements of CIA Rule 2. One example is the AAA's [US Qualification Standards](#), which contains specific membership, education and continuing education requirements for actuaries doing work intended for use in the US.

3. Actuarial standards of practice

Unlike rules/codes of professional conduct, the CIA requires its members to follow only **one** set of actuarial standards of practice for any particular piece of work. This is important because standards of practice often conflict across different jurisdictions.

The set of standards of practice to be followed is determined by the jurisdiction of the work. For work in Canada, one follows Canadian Standards of Practice (Canadian SOP); if the work is in another jurisdiction, one follows the standards of practice of that jurisdiction. The applicable references are as follows:

- Subsection 1160 of the Canadian SOP limits the scope of the Canadian SOP to work *in Canada*.
- Bylaw 5.9.3 states that CIA members practicing in a foreign jurisdiction shall comply with the accepted actuarial principles and practices in that jurisdiction.
- CIA Rule 3 states that members must comply with all relevant legal, regulatory and professional requirements. Section 3.2 of [Guidance on the Rules of Professional Conduct](#) clarifies that CIA

members rendering professional services in jurisdictions outside Canada should follow the standards of practice promulgated by an RAO in that jurisdiction.

- If the CIA member is working in a jurisdiction where there is little local actuarial guidance available, Paragraph 1160.06 of the Canadian SOP indicates that the Canadian SOP might be useful as a basis for performing the work, though the actuary would take account of differences in laws and customs. In other words, it would be appropriate to deviate from Canadian SOP if doing so is consistent with the accepted actuarial principles and practices in the jurisdiction.

Though the CIA is a member of the IAA, the IAA has no direct authority over CIA members and IAA standards of practice are not directly applicable to CIA members. However, the CIA has adopted some IAA standards of practice into the Canadian SOP, and these would have the same applicability to CIA members as any other Canadian SOP.

It is possible for a CIA member to be bound by conflicting sets of actuarial standards of practice in a situation where the CIA member also belongs to another professional actuarial organization that imposes its own standards of practice on its members even for work outside their own jurisdiction. If this were to happen (and the applicable sets of standards of practice were in conflict), the CIA member may look to Section 1310 of the Canadian SOP (and/or an analogous section of a foreign actuarial organization's standards) to help decide if the engagement would be accepted, and if so, which standards of practice would be followed.

4. Determining the jurisdiction of the work

In order to determine the standards of practice applicable to a particular piece of work, it is important to determine the jurisdiction of the work.

Bylaw 5.9.5 states that the jurisdiction of the work is determined by establishing the jurisdiction of the legal or regulatory requirements pursuant to which the work is performed, or by establishing the jurisdiction in which the work is intended for use.

Subsection 1160 of the Canadian SOP provides some helpful guidance in determining the jurisdiction of the work.

Examples of work that is pursuant to legal or regulatory requirements include the following:

- Financial reporting work to be filed with the regulator of a jurisdiction is work in that jurisdiction (even if the work relates to a subsidiary or branch in a different jurisdiction or follows the financial reporting rules of a different jurisdiction).
- Results prepared for inclusion in the income tax return of a jurisdiction are work in that jurisdiction (even if the results relate to a subsidiary in a different jurisdiction).
- Work related to litigation under a certain jurisdiction's laws is work in that jurisdiction.

If the work is not pursuant to any legal or regulatory requirements, then the jurisdiction of the work is determined by where the work is intended for use. For example, if the Canadian chief executive of a Canadian company asks the actuary to value the policy liabilities in accordance with US GAAP methods solely for internal purposes (i.e., *not* for filing with the US authorities), it would be considered work in Canada and the actuary would follow Canadian accepted actuarial practice and be bound by applicable Canadian SOP. If the actuary were doing the same work but for the purpose of reporting in the US, it would be considered work in the US and the actuary would follow US accepted actuarial practice and be bound by US actuarial standards of practice.

While this may sound confusing, in practice, accepted actuarial practice for preparing US GAAP liabilities would be largely the same whether it is work in Canada or work in the US. In either case, the actuary will need to be sufficiently familiar with the US GAAP financial reporting standards as well as any relevant US actuarial standards of practice in order to be able to perform the required calculations.

In addition, the general Canadian SOP (Part 1000) are relevant to all types of work and would be binding in the situation where the work was in Canada. Similarly, there may be relevant general US standards of practice that would be binding in the situation where the work was in the US.

While it is unlikely that the results of the actuary's calculations would vary according to whether the work was done in Canada or the US, there could be some differences in the manner in which the work is performed or in the final work product. For example, the general Canadian standards include guidance on reporting of the work product that might be different from the corresponding US standards. It is the actuary's responsibility to be aware of such differences and to know which standards are applicable to particular work.

There are many situations in which the jurisdiction of the work is unclear, for example in deals involving multinational sellers and multinational buyers. Section 1160.05 of the Canadian SOP provides guidance for situations where the jurisdiction of the work is unclear. The actuary would agree with the user which standards are to be followed, disclose such in their work product and report the implications.

5. Educational material (non-binding guidance)

Educational material and other non-binding guidance takes many forms and comes from many sources around the world. Actuarial research and literature is widespread and diverse, covering many topics, and by its nature will not always be consistent across sources. Therefore, actuaries cannot reasonably be expected to comply with all available educational material that applies to a piece of work.

Section 1150 of the Canadian SOP indicates that educational notes of the CIA, as well as "Canadian and international actuarial literature," may provide useful guidance to "accepted actuarial practice" but do not require the actuary to comply with all such material.

Educational notes of the CIA indicate that actuaries should be familiar with relevant educational notes. A key word here is "relevant" – actuaries are expected to be familiar with educational notes that are relevant to their work, but they are not expected to be familiar with all educational material, since that would simply not be practical.

For work in a jurisdiction other than Canada, the actuary would be bound by the Bylaw 5.9.3 requirement to comply with the accepted actuarial principles and practices in that jurisdiction, which might include relevant educational material published in the jurisdiction.

6. Special considerations for "international" financial reporting

Applicable guidance

Canada (through the Canadian Accounting Standards Board) has adopted IFRS as Canadian GAAP. Therefore, the IFRS apply directly to actuaries engaged in financial reporting work in Canada. The situation in other countries varies; many have adopted IFRS, some with variations, and many have not adopted IFRS at all.

Professional services concerning IFRS financial reporting in a jurisdiction other than Canada would be considered work in that jurisdiction and therefore subject to the accepted actuarial principles and

practices of that jurisdiction. This would include the IFRS or variations thereof adopted by the jurisdiction, as well as any corresponding standards of practice promulgated by the local actuarial organization, which, for IFRS work, might include the IAA standards or some variation thereof.

Though the International Actuarial Notes issued by the IAA are educational and non-binding in nature, individual actuarial organizations have the option of giving stronger force to them, and they could become binding or accepted practice in some jurisdictions. It is the actuary's responsibility to be familiar with and to comply with the accepted actuarial principles and practices in the jurisdiction of the work.

For any IFRS-related work that is work in Canada, the Canadian SOP would apply. In addition, the CIA has adopted some International Actuarial Notes as educational notes, giving them the same force as other educational notes of the CIA. At the time of writing, there are a number of educational notes related to financial reporting that are in the process of being revised – the CIA website contains notices of pending changes to educational notes.

Multiple jurisdictions

The development of IFRS has raised the possibility of a piece of work being produced for multiple jurisdictions, or perhaps for the "International Jurisdiction," with the hope that a single set of accounting standards and a single set of actuarial standards of practice would apply to the work.

However, a number of countries have adopted IFRS with variations, or not at all. Also, the professional actuarial organizations in different jurisdictions have taken different approaches to setting standards of practice and developing other guidance for financial reporting work in their jurisdiction. Therefore, there are different financial reporting rules, different actuarial standards of practice and different supporting guidance across jurisdictions that all claim to follow "International GAAP."

If an actuary is asked to produce a report for use in multiple jurisdictions (all reporting under International GAAP), the actuary's report submitted in each jurisdiction would be considered a separate report governed by the accounting standards and accepted actuarial practice in that jurisdiction.

Alternatively, the actuary might be asked to produce a single report following a particular jurisdiction's version of International GAAP. This would be acceptable provided the users of the report understand and accept what is being provided. The actuary would be guided by CIA Rule 6 (Control of Work Product) and, for example, would indicate clearly in the report which accounting and actuarial standards had been followed.

Oversight of professional conduct

Whenever a CIA member's work or conduct is called into question, the CIA investigates the matter according to its disciplinary process as described in Section 5 of the CIA Bylaws.

When CIA members render professional services in jurisdictions outside Canada, and therefore apply accepted actuarial practice in that jurisdiction to their work, an issue arises as to whether the CIA has the required expertise to judge whether the actuary's work falls outside accepted actuarial practice in the foreign jurisdiction.

This issue is covered in Section 5.9 of the CIA Bylaws (International Practice and Jurisdiction). Currently, the CIA has an arrangement with US-based actuarial organizations and Mexico-based organizations called the [Cross Border Discipline Agreement](#), which is available on the CIA website. In short, this agreement stipulates that questions about a CIA member's work performed in Mexico, the US or Canada will be investigated by either the Colegio Nacional de Actuarios, A.C. (CONAC), the Actuarial Board for Counseling and Discipline (ABCD) or the CIA, depending on the jurisdiction of the work.

The main purpose of the Cross Border Discipline Agreement is to reduce the risk that the members of each party to the agreement will be subjected to multiple disciplinary investigations arising out of a single complaint, inquiry or incident involving an alleged breach of professional standards.





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