

# CODE OF PROFESSIONAL CONDUCT

VERSION 1 - EFFECTIVE 1 JULY 2012

Dear Member

26 June 2012

#### LAUNCH OF OUR NEW CODE OF PROFESSIONAL CONDUCT

I have great pleasure in launching the Society's new Code of Professional Conduct which takes effect from 1 July this year.

The Code is the result of a process of research, development and consultation, culminating in approval by Council and the Actuarial Governance Board.

I would like to express sincere appreciation to the Professional Matters Board, and Mickey Lowther, Christo Geyer and Peter Doyle in particular, for their immense efforts in producing the Code.

The new Code is more aspirational than the previous 'Professional Conduct Standards', and takes as its starting point the three-strand professional promise recently adopted by the International Actuarial Association. Thus, professionalism for actuaries means:

- The application of specialist and up-to-date actuarial knowledge and expertise;
- The demonstration of ethical behaviour, especially in doing actuarial work; and
- The member's accountability to the Society for professional oversight.

Additional guidance will be developed to address more complex practical issues, such as conflicts of interest and whistleblowing. The Code itself will be a living document, subject to regular review and development to incorporate any improvements and also to ensure its continuing relevance.

I believe that the Code will play a vital role in guiding us towards fulfilling our mission in the public interest. I urge you to keep its principles in mind as you go about your professional activities and make the actuarial profession proud to have each one of you as members.

*Yours sincerely*



Themba Gamedze

**President**

## PREFACE TO THE CODE

1. The activities of the Actuarial Society of South Africa ('the Society') include developing:
  - a. the knowledge, expertise and skills of members as a primary source of authoritative advice and thought leadership in the understanding, modelling and management of financial and other measurable risk, and
  - b. a profession whose members' conduct meets the highest professional standards.
2. The Constitution requires Council to issue guidance on professional conduct and to implement a disciplinary procedure. In consultation with relevant stakeholders, Council has therefore established this Code of Professional Conduct ('the Code') to govern the conduct required of members.
3. The Code incorporates both the principles of professional conduct and specific requirements for professional conduct. It conforms to the overarching structure of the Society's professional governance framework, comprising technical, normative and organisational elements.
4. Any material failure to comply with either the principles or the specific requirements for professional conduct will be interpreted as a violation of the Code and may constitute unprofessional or unacceptable conduct. Members must have regard to definitions of unprofessional and unacceptable conduct as may occur in the Society's disciplinary procedure from time to time.
5. The Code complies with the International Actuarial Association's requirements for full member associations as at 31 December 2011.
6. The Code replaces the Professional Conduct Standards, South Africa, 2004. It covers the conduct of members towards their clients, their employers, regulators, the Society and its members, and includes the rendering of actuarial services.
7. The Code applies to members of the Society wherever in the world they operate, unless superceded by specific legal or professional requirements such members may be subject to in other jurisdictions.
8. In addition to the Code, Council may, from time to time, issue auxiliary guidance and standards of practice. Depending on the classification of such guidance and standards, members may be required to comply with the provisions thereof as well.
9. Members must observe applicable Law, the Constitution of the Society and any applicable Standards of Practice, and breaching these may also constitute unprofessional conduct. Where there is a conflict between the Law and the Code, the provisions of the Law take precedence.
10. A member who is in doubt as to what constitutes appropriate professional conduct in a particular situation must seek appropriate actuarial guidance.

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## THE PROFESSIONAL PROMISE

1. **Members are expected to render quality services to their clients through:**
  - a. **The application of specialist and up-to-date actuarial knowledge and expertise;**
  - b. **The demonstration of ethical behaviour, especially in doing actuarial work; and**
  - c. **The member's accountability to the Society for professional oversight.**
2. The principles of professional conduct therefore include:
  - a. Knowledge and expertise: A member shall perform only those professional services for which the member is competent and appropriately experienced.
  - b. Values and behaviour: A member shall act honestly, with integrity, competence and due care, and in a manner that fulfils the profession's responsibility to the public.
  - c. Professional accountability: A member is subject to the professional requirements and oversight of the Society, and shall do nothing that brings the actuarial profession into disrepute.
3. Specific requirements for professional conduct are set out in the following sections. The headings are inserted for reference purposes only and do not affect the interpretation of any of the provisions to which they relate. The Preface and Definitions form part of the Code.

## **KNOWLEDGE AND EXPERTISE**

4. All members must maintain appropriate up-to-date knowledge of all the actuarial practices and professional standards, as well as the legal and business environment, applicable to their work and their provision of actuarial services.
5. If a member departs materially from any applicable standard, the reasons for such action must be disclosed and explained in the member's report.
6. In order to gain appropriate experience in a field that is new to the member, a member must work with other professionally qualified people who are competent and appropriately experienced for an appropriate period.
7. The absence of applicable standards for a particular type of assignment does not relieve the member of the responsibility to perform such services only when competent to do so and in accordance with this Code. Nevertheless, the Society encourages members to innovate and thereby contribute to new standards of practice.
8. Effective and appropriate communication is an essential part of all actuarial services. The form and content of any actuarial communication must meet the needs of the particular circumstances, taking into account the knowledge and understanding of any potential users and the relationship of the actuary to such users.

## VALUES AND ETHICAL BEHAVIOUR

9. A member must act honestly, with integrity, competence and due care, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession.
10. Professional conduct involves the member's integrity in relationships not only with those to whom services are rendered, but also with regulators, the Society and its members.
11. In fulfilling assignments, members must consider the likely implications of their recommendations for all parties that are likely to be materially affected, and also draw the attention of their clients to such implications.
12. Differences of opinion among members may arise, especially in choices of assumptions and methods. Discussions of such differences between members, or in observations made by a member on the work of another member, must be conducted objectively and with courtesy and respect. This does not prevent constructive criticism where this is properly motivated and justifiable.
13. A member may encounter a situation where the best interests of the client will be served by the member providing an alternative opinion to one that had been expressed by another actuary. This is acceptable, provided that the factors that lend support to the alternative opinion are explained clearly at the same time.
14. Where a member receives a limiting brief from the client and believes that this may result in the work not fairly representing a situation, then the member must consider whether it is appropriate to proceed with the engagement.
15. A member must be able to substantiate in an objective manner the content of any publicity for professional services.
16. Conflict of interest arises, inter alia, when a member has an actual or potential interest that may influence the objective performance of the member's obligations to any specific client, or prevent the member from rendering an unbiased and fair service to any specific client, or prevent the member from acting in the best interests of any specific client. A member must not knowingly perform actuarial services involving a material actual or potential conflict of interest unless:
  - a. the member has disclosed the conflict and the nature of the conflict to the client in writing,
  - b. there are sound and defensible reasons for continuing to provide the service, and
  - c. these conflicts are declared in the member's report, and reasonable steps have been taken to ensure that third party recipients of the report, who are likely to base judgements on or be materially affected by the advice therein, have been made aware of the circumstances.

17. For members in any particular situation to describe the advice they offer as independent, they must be free, and must be seen to be free, of any material influence or conflict of interest that might affect their advice or limit the scope thereof.
18. A member must make timely disclosure to a present or prospective client of any financial benefit that the member or the member's firm may receive from another party (including, in the case of the member, the member's employer) if the advice which the member has provided is followed by that client; provided that such disclosure is limited to such compensation known to, or reasonably ascertainable by, the member. If the quantum of such compensation is not known, the basis for calculating it must be disclosed.
19. A client has an indisputable right to choose and dismiss a professional advisor. A member may provide service to any client who requests it, even though such client is being or has been served by another member in the same matter.
20. A member may be requested to advise a client to whom they know or reasonably believe that another member has provided, or is providing, actuarial services with respect to the same matter. In such event, the member must consult with such other member, unless this is inappropriate or not possible. The member must request the client's consent prior to such consultation. The purpose of such consultation is both to prepare adequately for the assignment and to make an informed judgment as to whether there are special circumstances that should be taken into account or may prevent the latter from providing such services. If the client's consent is not given, the member must take into account the reasons for this in deciding whether to take on the work.
21. Any member who believes that another member may have contravened any of the provisions of the Code must discuss the matter with the other member with a view to obtaining clarity. If the matter cannot be resolved, or if either member does not consider such a discussion to be appropriate or constructive, the concerned member must seek appropriate guidance. If such discussions provide or confirm prima facie evidence of a contravention of the Code, the member who initiated the discussion must report such contravention to the Society.
22. In rendering actuarial services, all members must comply with any whistle-blowing requirements of the regulatory authorities and relevant legislation.

## PROFESSIONAL ACCOUNTABILITY

23. The Society serves the public interest through its actuarial education and continuing professional development programmes, and by developing and enforcing standards. The Society also serves the public interest by engaging with regulators and in public debate. Members are encouraged to motivate improvements in regulation and participate in relevant policy debates, especially through the structures of the Society.
24. Members are encouraged to consider the public interest when rendering actuarial services, but provided that members meet the requirements of the applicable Law, the Constitution of the Society and any applicable Standards of Practice and the Code, they will be deemed by the Actuarial Society to have met the expectations of the profession with respect to the public interest.
25. Each member must comply with the Society's educational and qualification requirements. These include the requirements for admission as a fully qualified actuary and other designations that the Society may award from time to time, as well as requirements for continued membership of the Society.
26. Members are encouraged to become actively involved in the structures of the Society. This participation is essential for the functioning of the Society and will also contribute to the continuing professional development of the member.
27. A member may only use a designation dependent upon elective qualification within the Society, such as "President" or "Member of the ... Committee", when acting in such capacity on behalf of the Society. This does not preclude members from listing service in such capacity in their biographies.
28. Members must submit their work to peer review in accordance with guidance issued by the Society.
29. A member must cooperate fully with the disciplinary procedure of the Society and respond promptly, truthfully, and fully to any request for information. A failure to co-operate in such a manner shall in itself be unprofessional conduct.
30. In respect of violations of the Code a member shall be subject to the disciplinary procedure and must accept any outcome of the procedure.

## DEFINITIONS

In the Code, unless the context clearly indicates otherwise, the following terms have the meanings indicated below:

**Actuarial Services:** Professional services provided by a member acting or perceived to be acting in the capacity of an actuary, including the rendering of advice, correspondence, recommendations, findings or opinions based upon actuarial considerations.

**Client:** A client, or a mandated representative of a client, or an employer of the member.

**Communication:** Any electronic, written or oral communication issued by an actuary with respect to actuarial services rendered to a client.

**Confidential information:** Information not in the public domain of which a member becomes aware as a result of providing actuarial services to a client. It includes information of a proprietary nature and information that is legally restricted from circulation.

**Constitution:** The Constitution of the Actuarial Society, including By-laws and annexures to the Constitution and By-laws.

**Council:** The Council of the Actuarial Society.

**Disciplinary Procedure:** The disciplinary procedure of the Actuarial Society, as set out in the relevant annexure to the Constitution.

**Law:** The applicable constitution, statutes, regulations, judicial decisions, case law and other statements having legally binding authority.

**Member:** A Fellow, Affiliate, Associate or Student member of the Actuarial Society who has been admitted to a category of membership provided for in the Constitution, excluding an Honorary Member and a Library Member.

**Standard of Practice:** Any guidance, setting out practice requirements in a particular situation or area, that has been prepared in accordance with the Code or Constitution and has been issued by the Actuarial Society. Any Professional Guidance Note formerly issued by the Actuarial Society shall have the same force and effect as a Standard of Practice.



