Proposed Statutory Framework for Actuaries in Hong Kong

Update - Appointed Actuary Symposium
6 November 2014
What is a Statutory Body? Why are we proposing change?
What is a Statutory Body?

Å The current ASHK is a Society
   ᵍ  This is similar to a "Club"
   ᵍ  What we do and how we do it is:
       » 100% up to us

Å If we convert into a statutory body, then:
   ᵍ  What we do will be very similar to what we do now
   ᵍ  But the key elements will be written in the law of Hong Kong
       » There will be an Actuaries Ordinance
   ᵍ  What we do and how we do it will be:
       » In accordance with the law of Hong Kong
       » But heavily guided by us, as it will still be "our" statutory body
The Current Position - reasons for change

- Currently, actuaries practising in Hong Kong are not directly regulated by any local regulator and have limited statutory obligations.
  - It is not currently mandatory for actuaries practising in Hong Kong to be a member of ASHK or any other professional body in Hong Kong.
  - However, actuaries must in certain circumstances comply with ASHK's Professional Standard 1 and Professional Standard 2.
  - The law refers to Fellows of the professional actuarial bodies in the UK, US and Australia, but not to the ASHK.

- Almost every other profession in Hong Kong is regulated locally
The Current Position - reasons for change

- We are hearing messages that actuaries should be locally regulated:
  - From the OCI
  - From the IMF

- If we do not do this ourselves, someone else might do it for us
  - If the Society does not take the lead in promoting a statutory framework of its own choosing
  - It is possible that steps will be taken by the Government to impose a framework on the profession in due course
The current position - reasons for change

The principal reasons for promoting the introduction of a statutory framework for the regulation of actuaries in Hong Kong are that a statutory framework:

1. will ensure that actuaries are suitable to practise in Hong Kong, having knowledge of local regulations and accordingly being fit and proper to practise;

2. will ensure that mandatory standards and guidelines developed by the ASHK are mandatory to ALL regulated actuaries, and not just members of the ASHK;

3. can promote a greater role for actuaries, by ensuring the profession as a whole is clearly defined and regulated; and

4. will provide greater status to the actuarial profession relative to other equivalent professions in Hong Kong.
The Potential Statutory Model
The Potential Statutory Model

- The proposed statutory model would involve the creation of two statutory bodies, being:
  - the Actuaries Registration Board (the "Registration Board")
  - the Hong Kong Institute of Actuaries (the "Institute")

- The Institute would be set up under a new Hong Kong Institute of Actuaries Incorporation Ordinance.

- The Registration Board would be set up under a new Actuaries Registration Board Ordinance.
The role of the Registration Board is to define who is approved to call themselves a "Registered Actuary."

Only Registered Actuaries would be legally permitted to practice certain activities in Hong Kong.

The Registration Board would:

- Maintain a register of Registered Actuaries
- Set the qualification requirements for registration
- Apply disciplinary proceedings to a Registered Actuary who commits misconduct or neglect in any professional respect
The Institute

• The Institute would essentially replace the current ASHK and operate under a constitution similar to the existing constitution of ASHK

• Its role would be support and promote the actuarial profession in Hong Kong, for ALL actuaries (not just Registered Actuaries)

• It would be expected to provide substantial support to the Registration Board

• Membership of the new Institute would be voluntary
Progress
## Steps Taken – to mid 2013

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>Q4 2012</td>
<td>Statutory Body Project Committee working with external lawyer to formalize the high-level proposal</td>
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<tr>
<td>12 Mar 2013</td>
<td>Email to all members the current high-level proposal</td>
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<tr>
<td>12 Mar 2013</td>
<td>Letter circulated by email to all members requesting feedback</td>
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<tr>
<td>21 Mar 2013</td>
<td>Evening meeting with members to walk through the proposal</td>
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<tr>
<td>5 Apr 2013</td>
<td>Deadline for the collection of comments from members</td>
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<td>15 Apr 2013</td>
<td>Discussion in Council meeting to finalize the proposal. Several replies (written response as well as from the evening discussion) received and considered. Replies contained questions and comments. All were considered and reflected in later updates as appropriate. There were no replies which suggested any change in direction of the Committee’s approach.</td>
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<tr>
<td>18 Jul 2013</td>
<td>ASHK Newsletter issued on the theme of Statutory Path Project</td>
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<tr>
<td>1 Aug 2013</td>
<td>Meeting with OCI</td>
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<td>2 Aug 2013</td>
<td>Meeting with MPFA</td>
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Steps Taken – mid 2013 to end 2013

30 Oct 2013  Members evening discussion meeting

31 Oct 2013  Consultation period for paper closed. Several replies (written response as well as from the evening discussion) received and considered. Replies contained questions and comments. All were considered and reflected in later updates as appropriate. There were no replies which suggested any change in direction of the Committee’s approach.

15 Nov 2013  Updated papers circulated to all members ahead of the AGM

12 Dec 2013  Members’ vote at EGM & AGM: “The members of the ASHK are supportive of the current high-level proposals of the Society towards the creation of a statutory body or bodies governing Actuaries in Hong Kong, and request the Society to continue in the direction outlined.” Vote passed unanimously.
Original Plans for 2014

Feb Identify statutory bodies which adopted a similar statutory model ("Other Statutory Bodies") which we could learn from:
- The Hong Kong Institute of Architects;
- The Hong Kong Institute of Planners;
- The Hong Kong Institution of Engineers;
- The Hong Kong Institute of Surveyors; and
- The Hong Kong Institute of Landscape Architects.

Feb Identify key stakeholders who have an interest in the ASHK’s statutory body project ("Interested Parties").
- The Hong Kong Federation of Insurers;
- The Office of the Commissioner of Insurance;
- The Mandatory Provident Fund Schemes Authority;
- Legco Member K.P. Chan and
- Exco Member Bernard Chan.
Original Plans for 2014 / 2015

Mid-Mar  Make enquiries and arrange meetings with Other Statutory Bodies to understand any potential problems/ difficulties in the process
Mid-Mar  Issue letters and arrange meetings with the Interested Parties
End May  Conduct meetings with Other Statutory Bodies
End May  Conduct meetings with Interested Parties
End June  Update all ASHK members by newsletter
End June  Prepare draft legislation based on comments received from Other Statutory Bodies and Interested Parties
End July  Issue letters attaching the draft legislation Interested Parties
End Sept  Meet Interested Parties for further discussion on draft legislation
End Oct  Finalise draft legislation according to comments received
Mid-Nov  Update all members on progress and the proposed draft legislation
Dec  AGM members vote for the proposed draft legislation
Q1 2015  Start formal legislative process
2015  Legislative process + work on ASHK infrastructure
## Actual Progress for 2014

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OCI / FSTB

- First meeting with the OCI
- Meeting with KP Chan
- Meeting with Bernard Chan
- Second meeting with the OCI
## Amended Plans for 2014 / 2015

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<th>Quarter</th>
<th>Action</th>
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<tr>
<td>Sept</td>
<td>Prepare alternative plan</td>
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<tr>
<td>End Dec</td>
<td>Agree approach for Hong Kong examination</td>
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| Q1 / Q2 | Review and update standards & guidance for:  
  - Other admission requirements  
  - Professional conduct  
  - CPD  
  - Disciplinary process  
  - Governance (committees etc) |
| Q3      | Start of Independent Insurance Authority |
| Oct / Nov | Socialise draft legislation |
| Dec     | AGM members vote for the proposed draft legislation |
| **Q1 2016** | **Start formal legislative process** |
| 2016    | Legislative process + additional work on ASHK infrastructure |
| 2018    | Start of Statutory Bodies |
1. In keeping with one of the objectives of the ASHK to increase the value to the community of the actuarial profession, an ASHK exam will become a requirement for admission as a Fellow of the ASHK. This qualification intends to allow the public and various stakeholders to be confident that those qualified by the ASHK would have a working competency of the Hong Kong legislation, regulatory environment and business practices relating to actuarial practice in HK.

2. It is expected to be in addition to proving competence in other areas of actuarial science, such as completing all or part of the actuarial examinations of another body as specified by the ASHK.

3. The coverage, detail and style of the exam will be consistent with the standard required for the ASHK to be put forward or remain as a statutory body in Hong Kong, as judged by the stakeholders in the actuarial profession in HK and the general public.

4. An Examination Board within the ASHK will be responsible for the coverage, style, content, definition of the standard to pass, marking, announcement, appeal process and governance processes of the exam.

5. The ASHK may form partnership with one or more third parties from time to time in executing the objectives of the ASHK exam.

6. In forming any partnership with a third party for the purpose of (6), ASHK would follow a transparent process as determined by the ASHK Council.

7. Where it does not conflict with other stated objectives, the ASHK exam should be designed to meet the standards of other actuarial bodies that wish to offer the ASHK exam as a part of their own actuarial education offering.

8. For the avoidance of doubt, any exam or assessment of any form offered by a body other than the ASHK will not be considered for the purpose of admission to the Fellowship of the ASHK.
1. While the ideal goal is to have the coverage of the ASHK exam addressing needs of different practice areas, such as life insurance, property & casualty, pension and health, the logistics of this have yet to be addressed. (one exam for everything?)

2. The exam and education material should be made available to ASHK members from early 2016.

3. For an initial transitional period, the exam will be on voluntary basis; after running the exam for a period chosen to allow informed feedback, the exam will become mandatory for admission as a Fellow of the ASHK.

4. The ASHK does not yet have the relevant infrastructure to develop and deliver the exam to its members, and thus will need to seek third party assistance for some time to come.