

## Rules of Professional Conduct

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## RULES OF PROFESSIONAL CONDUCT

### PREAMBLE

These Rules of Professional Conduct identify the professional and ethical standards with which a member<sup>1</sup> must comply and thereby serve the public interest. The Annotations provide additional explanatory, educational and advisory material to members of the actuarial profession on how the Rules are to be interpreted and applied. It is the professional responsibility of the member to be knowledgeable about, and to keep current with the revisions to the Rules and Annotations. In addition to these Rules, a member is subject to applicable law and rules of professional conduct or ethical standards that have been promulgated by a *recognized actuarial organization* for the jurisdictions in which the member renders *professional services*. *Professional services* are considered to be rendered in the jurisdictions in which the member intends them to be used unless specified otherwise by an agreement between the *recognized actuarial organization* for any such jurisdiction and the Institute. The member is responsible for securing translations of such law or rules of conduct as may be necessary. [Modified July 13/95; Modified July 1/03]

### DEFINITIONS

As used throughout these Rules, the following terms are italicized and have the meanings indicated:

***Confidential information:*** Information not in the public domain of which the member becomes aware in conjunction with the rendering of *professional services* to a client or employer. It may include information of a proprietary nature, information which is legally restricted from circulation, or information which the member has reason to believe that the client or employer would wish not to be divulged. [Modified July 1/03]

***Direct user:*** A client or employer or any other person retaining the member's services who has had the opportunity to select the member and is in a position to communicate directly with the member about qualifications, work and recommendations. [Modified July 1/03]

***Indirect compensation:*** Any material consideration received from any source in relation to an assignment for which the member provides *professional services* (examples of which may include volume bonuses, finder's fees and commissions), other than direct remuneration for those services. [Modified July 1/03]

***Professional services:*** The rendering of advice, recommendations or opinions based upon actuarial considerations, including other services provided from time to time by a member to a client or employer. [Modified July 1/03]

***Recognized actuarial organization:*** An organization that has been accepted for full membership in the International Actuarial Association or a standards setting, counselling, or discipline body to which authority has been delegated by such an organization. [Adopted July 1/03]

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<sup>1</sup> "member" includes Fellows, Associates and Affiliates (see Bylaw 21.03).

## PROFESSIONAL INTEGRITY

**Rule 1** A member shall act honestly, with integrity and competence, and in a manner to fulfil the profession's responsibility to the public and to uphold the reputation of the actuarial profession. *[Modified July 1/03]*

**Annotation 1-1** A member shall perform *professional services* with skill and care. *[Modified July 1/03]*

**Annotation 1-2** It is the professional responsibility of the member not to be associated with anything which the member knows or should know is false or misleading. *[Modified July 1/03]*

**Annotation 1-3** A member shall not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on the actuarial profession. *[Adopted July 1/03]*

## QUALIFICATION STANDARDS

**Rule 2** A member shall perform *professional services* only when the member is qualified to do so and meets applicable qualification standards. *[Modified July 1/03]*

**Annotation 2-1** It is the professional responsibility of the member to observe applicable qualification standards that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding changes in those standards. *[Modified July 13/95; Modified July 1/03]*

## STANDARDS OF PRACTICE

**Rule 3** A member shall ensure that *professional services* performed by or under the direction of the member meet applicable standards of practice. *[Modified July 1/03]*

**Annotation 3-1** It is the professional responsibility of the member to observe applicable standards of practice that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding accepted principles and standards of practice in the jurisdiction in which the member renders *professional services*. *[Modified July 13/95; Modified July 1/03]*

## DISCLOSURE

**Rule 4** A member shall make full and timely disclosure to a client or employer of the sources of all direct and *indirect compensation* that the member or the member's firm has received or may receive in relation to an assignment for which the member provides *professional services* to that client or employer. *[Modified July 1/03]*

**Annotation 4-1** "Full and timely disclosure" means disclosure of all material facts concerning direct or *indirect compensation* that may be relevant to a client's or employer's decision, and in sufficient time for the client or employer to make an informed and independent decision. Such disclosure should be made in writing. *[Adopted July 1/03]*

**Annotation 4-2** A member who is not financially and organizationally independent concerning any matter related to the performance of *professional services* should disclose to the client or employer any pertinent relationship which is not apparent in a full and timely manner. *[Modified July 1/03]*

**Annotation 4-3** A member employed by a firm which operates in multiple sites is subject to the requirement of full and timely disclosure of sources of compensation which the member's firm has received or may receive in relation to *professional services* with respect to a specific assignment for that client, regardless of the location in which such compensation is received.

[Modified July 1/03]

## CONFLICT OF INTEREST

**Rule 5** A member shall not perform *professional services* involving an actual or potential conflict of interest unless:

- (a) the member's ability to act fairly is unimpaired,
- (b) there has been full and timely disclosure of the conflict to all known present and prospective *direct users*, and
- (c) all known present and prospective *direct users* have expressly agreed to the performance of the services by the member.

[Modified July 1/03]

**Annotation 5-1** "Full and timely disclosure" means disclosure of all material facts concerning the conflict (including the nature of the influence or relationship and the nature and extent of the interest) that may be relevant to a *direct user's* decision, and in sufficient time for the *direct user* to make an informed and independent decision. Such disclosure should be made in writing.

[Adopted July 1/03]

**Annotation 6-2** [Note: repealed July 1/03]

## CONTROL OF WORK PRODUCT

**Rule 6** A member who performs *professional services* shall take reasonable steps to ensure that such services are not used to mislead other parties or to violate or evade the law. [Modified July 1/03]

**Annotation 6-1** Material prepared by a member may be used by another party in a way that may influence the actions of a third party. The member should recognize the risks of misquotation, misinterpretation or other misuse of such material and should take reasonable steps to ensure that the material is clear and presented fairly.

[Modified July 1/03; Modified April 1/11]

**Annotation 6-2** Material prepared by a member should identify the client or employer for whom it is prepared. Such material should also identify the member as the source of the material, the capacity in which the member has acted in preparing the material, any aspect of the *professional services* for which the member does not take responsibility, and the extent to which the member or other sources will be available to provide the client or employer with supplementary information and explanation as appropriate.

[Adopted April 1/11]

## CONFIDENTIALITY

**Rule 7** A member shall not disclose to another party any *confidential information* obtained through a professional assignment performed for a client or employer unless expressly or implicitly authorized to do so by the client or employer, or required to do so under Rule 13, or required to do so by the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal or an Appeal Tribunal regarding any disciplinary matter arising under Section 20 of the Bylaws, or required to do so by law. *[Modified July 1/03]*

## COURTESY AND COOPERATION

**Rule 8** A member shall perform *professional services* with courtesy and professional respect, shall avoid unjustifiable or improper criticism of other members, and shall cooperate with others in the client's or employer's interest. *[Modified July 1/03]*

**Annotation 8-1** Differences of opinion among members may arise particularly in choices of assumptions and methods. Discussion of such differences, whether directly between members or in observations made to a client by one member on the work of another, should be conducted objectively and with courtesy and respect. *[Modified July 1/03]*

**Annotation 8-2** A member, in the course of an engagement or employment, may encounter a situation such that the best interest of the client or employer would be served by the member's setting out an alternative opinion to one expressed by another member together with an explanation of the factors which lend support to the alternative opinion. Nothing in the Rules should be construed as preventing the member from expressing such an alternative opinion to the client or employer. *[Modified July 1/03]*

**Annotation 8-3** If a member is invited to advise a client or employer for whom the member knows or has reasonable grounds to believe that another member is already acting in a professional capacity with respect to the same matter or has recently so acted, it would normally be prudent to consult with the other member both to prepare adequately for the assignment and to make an informed judgment whether there are circumstances as to potential violations of the Rules which might affect acceptance of the assignment.

The member who is the prospective new or additional advisor should request the client's or employer's consent to such consultation. When the client or employer has given consent, the original member shall cooperate in furnishing relevant information such as pertinent data, work papers and documents and may require reasonable compensation for the work involved in assembling and transmitting the relevant information. The original member shall not refuse to consult or cooperate with the member based upon unresolved compensation issues with the client or employer, unless such refusal is in accordance with a pre-existing agreement with the client or employer. A member need not include any items of a proprietary nature such as internal communications or computer programs. *[Modified July 1/03]*

## ADVERTISING

**Rule 9** A member shall not engage in any advertising or business solicitation activities in respect of *professional services* that the member knows or should know are false or misleading, or that reflects unfavourably on the profession or the competence or integrity of any member thereof. *[Modified July 1/03]*

**Annotation 9-1** “Advertising and business solicitation activities” encompass all communications by whatever medium, including oral communications, which may directly or indirectly influence any person or organization to decide whether there is a need for *professional services* or to select a specific person or firm to perform *professional services*. *[Modified July 1/03]*

## TITLES AND DESIGNATIONS

**Rule 10** A member shall make use of membership titles and designations of a *recognized actuarial organization* only in a manner that conforms to the practices authorized by that organization. *[Modified July 1/03]*

**Annotation 10-1** “Title” means any title conferred by a *recognized actuarial organization* related to a specific position within that organization. “Designation” means a specific reference to membership status within such organization. *[Modified July 1/03]*

## COLLATERAL OBLIGATIONS

**Rule 11** A member shall be subject to the Institute’s disciplinary procedures if the member is convicted or found guilty of or pleads guilty to any criminal or similar offence. *[Modified July 1/03]*

**Rule 12** A member shall respond promptly, truthfully and fully to any request for information by, and shall cooperate fully with, the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal, an Appeal Tribunal, or any member of such bodies regarding any disciplinary matter arising under Section 20 of the Bylaws. *[Modified March 25/98; Modified July 1/01; Modified July 1/03]*

**Rule 13** A member who becomes aware of an apparent material noncompliance with the Rules or the standards of practice by another member shall attempt to discuss the situation with the other member and resolve the apparent noncompliance. In the absence of such discussion and resolution, the member shall report such apparent noncompliance to the Committee on Professional Conduct, except where such reporting would be contrary to law or, when the member is acting in an adversarial environment, for the duration of such adversarial environment.

In order to foster education amongst members, thereby fulfilling the profession's responsibility to the public, a member who has a question about the spirit or intent of the standards of practice, or of generally accepted actuarial practice when no standards exist, may consult in confidence with the chairperson (or vice-chairperson) of the Practice Council or of an appropriate practice committee. When consulted in such a capacity, the chairperson (or vice-chairperson) who becomes aware of an apparent material noncompliance with the standards of practice by another member shall not report the apparent noncompliance to the Committee on Professional Conduct.

When a member, in their capacity as occupant of any position within the Institute designated by the Board from time to time by resolution, or any position within any other entity so designated, becomes aware of an apparent material noncompliance with the standards of practice by another member, such member shall not report such apparent noncompliance to the Committee on Professional Conduct.

*[Modified January 20/94; Modified November 20/98;  
Modified July 1/00; Modified July 1/01; Modified July 1/03; Modified Sept. 1/03;  
Modified July 1/06; Modified April 1/11]*

## REPORTING

**Rule 14** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/03]*

**Rule 15** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/03]*

**Rule 16** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/03]*

**Rule 17** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/03]*

## FOREIGN PRACTICE

**Rule 18** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/00; Modified July 1/03]*

## OBJECTIVITY

**Rule 19** *[Note: repealed May 1/06<sup>4</sup>]* *[Modified July 1/03]*

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<sup>4</sup> Between December 1, 2002 and May 1, 2006, Rules 14 through 19 were replaced at various times by certain recommendations of the Consolidated Standards of Practice (CSOP) as work in the different practice areas became subject to the General Standards. On May 1, 2006, Rules 14 through 19 were fully repealed as the work governed by existing transfer values practice-specific standards (the last remaining standards that were not part of CSOP) became subject to the General Standards.