

# A Principles-Based Code: Helpful or Hinderance?

The Professionalism Committee

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# Change in Australia

# 2016 - 2020: Review & Change

- 2016: Council requested comprehensive review
- Disciplinary scheme reviewed at a similar time
- A change to a principles-based Code of Conduct was explored
- 2017 – 2019: Consultation with members
- 2020: Principles-based Code of Conduct introduced



# High Level Comparison

Rules-based	Principles-based
Rules set out what must or must not be done	Principles outline expectations and considerations
Can focus attention on what is permitted, including 'loophole-based compliance', as opposed to what is "right"	Can be considered vague and subjective
Specificity can lead to gaps, including from emergence of new areas of practice, ways of operating etc	Less exposed to gaps; avoids the pitfall of attempts to define exhaustively the scope of unsatisfactory conduct
Often lengthy, complex documents with highly prescriptive rules	Typically short, high-level documents; supported by guidance material
Typically geared towards the expert	Often more meaningful to the lay person; an articulation of the values of the profession



# 2020: A Principles-Based Code

- Six key principles:

Integrity

Compliance

Competence &  
Care

Objectivity

Speaking Up

Communication



# Some Concerns Were Raised...

- Generic - much of it could apply to any profession
- Vague - potential risk when exercising disciplinary actions
- Rules can be valuable support for professional actions
- Unnecessarily broad – can focus on professional matters and rely on other laws (e.g. OH&S, criminal activity)
- Over-reach into personal freedoms
- Differences in perspectives regarding what is “right”
- “Speaking up” imposes a burden on members



# How is it panning out?



# The Importance of Speaking Up

- “.. whether the entity has a culture that encourages good customer outcomes and the sound management of risk – a culture in which employees ask, ‘what should I do?’ instead of ‘what can I do?’, and feel comfortable speaking up when they see that something is not right;”



# Added Value to “Brand Actuary”

- The Code is meaningful to actuaries, users of actuaries, and the public.
- Supports the social license of actuaries
- Self-regulation – must be, and be seen to be, worthy of the public trust
- Actively used to promote the profession (<https://dodatabetter.com.au/ethos/>)

# A Win for Education

- Embedded “professionalism” into lifetime learning
  - always relevant
  - applicable to the individual’s challenges
  - promotes sharing
- Enables engagement on matters of ethics
- More naturally provokes reflection, productive discussion & debate

# Is it “too vague”?

- Might appear so at first - potentially just stark contrast to specificity of rules-based?
- Provide clarity through
  - careful drafting
  - support & reinforcement (guidance, CPD, etc)
  - consistency & transparency



# Disciplinary Scheme Impact?

- Code of Conduct and Disciplinary Scheme were reviewed concurrently, so broadly aligned
- Experience:
  - Disciplinary action regarding misconduct related to examinations
  - No noticeable change in frequency, nature
  - ...but yet to be fully tested



# Conclusions

# Conclusions

- A “principles-based” Code provides more than rules:
  - Obligations that require thinking rather than following
  - Obligations that are applicable to a broad range of actuarial work
  - CPD, especially collaborative activities with our peers, can leverage the Code
- We think our profession has dealt adequately with the concerns raised during introduction – but ongoing monitoring is required
- Stories of how the new code has successfully guided actuaries should be shared





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**Thank you**

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