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Sample Questions and Answers on the Mutual Recognition Agreement (MRA)

Information and Assistance for AAE Member Associations on Interpreting the MRA

Context of the Mutual Recognition Agreement

In April 1991, the actuarial associations that were then members of the Actuarial Association of Europe (AAE) entered into a Mutual Recognition Agreement ("Agreement" or "MRA") concerning the recognition by each association of members of the other associations. The history of the Agreement since then is set out in ~~the~~ the Appendix ~~1~~ to this document. This document relates to the current Agreement, which is effective from 1 January 2022.

The authority for the Agreement lies in Article 6 of the Statutes of the AAE.

In preparing the Agreement, the AAE had regard to the principles implied by Directive 2005/36/EC on the recognition of professional qualifications as amended by Directive 2013/55/EU (hereinafter, the "PQD"). The PQD applies to nationals of EU Member States who wish to pursue a regulated profession in a Member State other than that in which they obtained their professional qualifications. Although the actuarial profession is not a regulated profession in every Member State[1], the signatories to the Agreement, termed "Qualifying Associations", expressly support the purpose and objectives of the PQD and have entered into the Agreement to reflect their support for the spirit and goals of the PQD.

It should be noted that it is not the purpose or intent of the Agreement to bring into effect in any way the provisions of the PQD. Thus:

- The Agreement relates to applications for membership from members of Qualifying Associations, meaning an association of actuaries constituted in the countries listed in the

[1] Per "The EU Single Market Regulated professions database" published by the EC at http://ec.europa.eu/growth/tools-databases/regprof/index.cfm, the European countries in which the actuarial profession is a regulated profession are Denmark, Italy, Poland, Slovakia, Slovenia, Spain, Sweden and (formerly) the United Kingdom.

appendix of the Agreement (i.e. member associations which are signatories to the Agreement).

In some countries, there are legal requirements for practising as an actuary and in some cases, these do not include a requirement to be a member of an actuarial association. If an applicant for membership is not a member of their "home" Qualifying Association (or is a member but is not a "Qualifying Actuary", as described in Article 1 of the Agreement), the Agreement does not apply. Qualifying Associations must separately decide whether and if so how to process such applications (subject always to relevant laws, if applicable).

Thus, within this document depending on the context an "Applicant" can refer to (a) a Qualifying Actuary, or (b) to an actuary that belongs to a Qualifying Association but is not a Qualifying Actuary as defined in article 1 of the MRA.

- Qualifying Associations in countries where the actuarial profession is a regulated profession[2] may be subject to obligations under the PQD that extend beyond their obligations under the Agreement. There may also be Qualifying Associations party to the Agreement which are not subject to the PQD. It is beyond the scope of the following Questions & Answers to provide help in interpreting and complying with legislation that implements the PQD.

Questions & Answers on the Mutual Recognition Agreement

The following "questions and answers" are intended to provide practical help to Qualifying Associations in interpreting and operating the Agreement. They discuss some illustrative examples of how the AAE envisages the Agreement will work in practice, to encourage a harmonised application of the Agreement.

This document is an evolving support for Qualifying Associations, who are encouraged to provide feedback to the AAE Professionalism Committee, including any additional questions that may arise from time to time.

IMPORTANT

This Q&A document does not form part of the Mutual Recognition Agreement ("Agreement"). This document is non-binding and adopting any of the suggestions set out in the "questions and answers" is not mandatory.

In interpreting the Agreement, all Qualifying Associations are reminded to refer not only to this document but also to any relevant law, including but not limited to data privacy law.

In particular, Qualifying Associations that are based in countries where the actuarial profession is a regulated profession (as defined in the PQD) may be subject to obligations under the PQD that extend beyond their obligations under the Agreement, and they are strongly advised not to rely solely on the Agreement and/or this document but to refer also to the PQD itself and, if necessary, seek legal advice. There may also be Qualifying Associations party to the Agreement which are not subject to the PQD.

1. What is the intended meaning of the term "Qualifying Actuary"?

A "Qualifying Actuary" is a member of one of the Qualifying Associations listed in the appendix of the Agreement who is within a class of members who are considered by the association to qualify for mutual recognition under the Agreement. A Qualifying Association must ensure that its Qualifying Actuaries have completed the association's education/qualification and experience requirements, as well as its Continuous Professional Development (CPD) requirements. The Qualifying Association has a Code of Conduct that reflects at least the requirements of the AAE's Code of Professional Conduct, will ensure that its education/qualification requirements cover, as a minimum, all aspects of the AAE Core Syllabus for Actuarial Training in Europe, and that its CPD requirements also as, a minimum, comply with the AAE CPD Guidelines. Associations may impose additional education/experience and/or CPD requirements.

Some associations have only one grade of membership, and membership of this grade should include all Qualifying Actuaries. Others have several grades; at least one of these should include members who are Qualifying Actuaries, but other grades might not – for example, there might be a grade of "Honorary Fellow/Member". Where an association imposes further requirements on its Qualifying Actuaries to obtain and maintain practising certificates in specific areas of work, e.g. to become an Appointed Actuary, Pensions Scheme Actuary, Actuarial Function Holder, or to

hold other responsibilities which are defined by statute, these requirements should apply equally to those actuaries admitted under the Agreement. The host association will be expected to issue a practising certificate to a successful Applicant under the Agreement on the same basis as it applies to its own Qualifying Actuaries.

2. *Why should an actuary who takes up work outside the country of their "home" association be encouraged to apply for membership of the "host" association?*

Joining the host association may be required in order to carry out certain statutory actuarial functions. Even if joining is not required, it demonstrates a professional attitude and a commitment to complying with local Code(s) of Conduct and standards of practice / guidance notes, and it ensures that the actuary has access to continuing professional development events and activities in the host country. For these reasons, we consider that associations should encourage their members who take up work in another country to apply for membership of the host association.

3. *How can a home association help its members who take up work in another country?*

Qualifying Associations could usefully encourage their members to inform the (home) association if they work for, say, at least 10% of their time ("pursue actively" in Article 3 of Agreement) on actuarial business connected with another country (see also question 13). This will enable the home association to advise the individual actuary, when appropriate, of the rights and obligations conferred by the Agreement. The home association will also be able to direct the individual actuary to a point of contact at the appropriate host association, if required.

4. *When should the host association consider asking for an adaptation period or an aptitude test?*

The Agreement is underpinned by the AAE Core Syllabus for Actuarial Training in Europe. This syllabus defines the minimum education standards all Qualifying Associations have to comply with if they wish to retain full membership in the AAE. Therefore, in many cases neither an adaptation period nor an aptitude test will be required.

Still, as the Core Syllabus describes the minimum requirements, and in any event different associations may take different approaches to achieving the Core Syllabus requirements, it may be the case that additional knowledge, skills and competences are necessary to successfully pursue the actuarial profession in the host association's country. This is described in the

Agreement as a substantial difference in education and training and/or practical work experience required for qualification as an actuary. In addition, a successful Applicant might choose to pursue professional activities regulated in the host country which they have not pursued, in their home country.

We encourage Qualifying Associations, when acting as a host association, to first consider how far differences in knowledge, skills and competences (whether in relation to regulated activities or otherwise), might have been covered through professional experience or through life-long learning, i.e. continuous professional development, and to ensure that their application process includes appropriate consideration of this. If an association wishes to require an Applicant to complete an adaptation period and/or pass an aptitude test, we encourage the association to offer the Applicant the choice between these two options where practicable. Some associations are required to offer this choice by law; other associations may have greater flexibility in how they assess and direct what an Applicant is required to do by way of adaptation period and/or aptitude test.

5. How could a host association interpret the requirement for an adaptation period and/or an aptitude test?

In determining the scope of any adaptation period and/or aptitude test, a host association could undertake an assessment of the Applicant's qualification and, as a result, may require an Applicant to undertake additional assessment(s) and/or meet experience/training requirements before they are eligible for qualification recognition under the Agreement. This ~~flexibility of~~ approach is likely to be most relevant to Qualifying Associations which operate two qualification levels and related membership categories or where the single qualification level significantly exceeds AAE core syllabus requirements.

Where, by way of example, a Qualifying Association operates two qualification levels and related membership categories : one which is below the AAE core syllabus requirements and the other which exceeds these requirements (the latter being the "Qualifying Actuary" membership category recognised under the Agreement), that association ~~could~~must, depending on the outcome of the assessment of the Applicant's qualification, admit the Applicant to the membership category which does not meet the AAE core syllabus requirements, until such time as they satisfy all ~~assessment~~aptitude/experience and/or training requirements of the association's Qualifying Actuary category. Upon satisfaction of all requirements, recognition would be awarded to the Applicant under the Agreement.

In ~~assessing and applying~~deciding on the scope and nature of any adaptation period and/or aptitude test in individual cases, Qualifying Associations shall impose no more onerous ~~assessment, training and/or experience~~ requirements on Applicants than those imposed on individuals pursuing direct qualification with the association.

~~For more detailed guidance on the criteria and practical considerations~~It is recommended for Qualifying Associations ~~taking this approach, please see Appendix 2~~to explain, on their own website and/or in communications with prospective Applicants, the approach they will take when considering applications for recognition under the Agreement. This should include the nature and scope of any adaptation period and/or aptitude test and how they will assess what an Applicant requires to do in order to achieve recognition with them under the Agreement.

~~5.~~6. Should a successful Applicant's duties be subject to the code of conduct and (where applicable) standards of actuarial practice of the home association or the host association?

This is likely to be a significant issue where a successful Applicant is employed by a multinational company, or undertakes work for a multinational client. We consider it to be essential that Qualifying Associations accepting applications for membership under the Agreement make clear to Applicants that taking up membership of the host association will result in new mandatory professional obligations, such as mandatory compliance with national code(s) / standards of actuarial practice; Qualifying Associations should also draw successful Applicants' attention to the disciplinary consequence of established failure to comply with professional requirements and should provide direction on where to find these requirements.

~~6.~~7. Should actuaries accepted into a host association under the Agreement be entitled to use the designatory letters or title of members of the host association?

As we understand the PQD, a professionally qualified person recognised in a host country by virtue of the PQD can undertake all activities, whether regulated or not, that can be undertaken by a full member of the association which they have joined and is entitled to use the designatory letters or title of the host profession[2]. Similarly, the Agreement supports the principle that a Qualifying Actuary practising in a host country should be able to use the appropriate designatory letters or title of that Association.

[2] Important Note: For regulated professions, the PQD includes a provision that a Member State may not reserve the use of a professional title to the holders of professional qualifications if it has not notified the association or organisation that issues the title to the Commission and to the other Member States in accordance with Article 3(2). *(Article 52(3))*

However, in demonstrating the application of that principle, Qualifying Associations may make a distinction between titles obtained by study or examination (referred to as "home" qualifications) and titles obtained only through implementation of the Agreement ("derived" qualifications). In no case shall such a distinction allow any discrimination contrary to local or EU law, including, without limitation, the relevant law in each EU Member State that has implemented the PQD.

~~7.~~8. Should a host association be able to accept a member who qualified through a MRA as a qualifying member in their own right?

An association can allow under certain circumstances "derived" membership obtained through implementation of the Agreement to be transferred into a "non-derived status". However, this shall only be made available to members who have qualified for derived membership through this Agreement (or its predecessors or successors). If they wish to do this host associations must draw up rules that will include a requirement for a minimum period of active membership of the host association of not less than five years where active membership means that the member is substantially engaged on work in the host association's country. Derived members must individually apply for transfer. Host associations may set other criteria.

~~8.~~9. Should a host association be able to cancel membership if a successful Applicant ceases to provide services in the relevant qualifying country (as listed in the Mutual Recognition Agreement)?

We consider that Qualifying Associations should be entitled to grant "derived" memberships for life if they wish to do so, but they should also have the right to cancel a host membership if a successful Applicant ceases to practise their profession in the qualifying country of the host association. Appropriate practice might depend on the circumstances: an actuary who has worked for many years in a host country and then retires to their home country, or to a third country, could be allowed to retain their derived membership; but an actuary who spends only a short period in a host country might be expected to relinquish their membership if he or she ceases to have any connection with that country.

~~9.~~10. Should it be a condition that a successful Applicant retains membership of their home association?

We consider that a Qualifying Association should be free, if it so wishes, to make derived membership conditional on continued membership of the home association, but it need not do so if it chooses not to. A successful Applicant who has adopted a host country as their own, and makes it their permanent residence and place of work, may consider it appropriate to give up their original qualification if they have no longer any contact with their home country or home association. But an actuary who has acquired derived membership in a host country should not immediately relinquish home qualifications and rely wholly on recently derived qualifications; note that questions ~~8~~9 and 11 are relevant to considerations in this regard. Where a successful Applicant has the option whether to maintain membership of their home association, we encourage them to do so.

10. Can a Qualifying Association enter into mutual recognition agreements with other associations outside the AAE? In which case how should members accepted under those agreements be treated?

A Qualifying Association is free to enter into mutual recognition agreements with other associations outside the AAE as well as bilateral agreements within the AAE. However, members accepted under these arrangements should not be treated as Qualifying Actuaries for the purposes of the Agreement.

11. Can a derived membership in one country be used to obtain derived membership in another country?

The Qualifying Associations, as signatories to the Agreement, support the principle that all mutual recognition applications should be based on substantive qualifications obtained by study or examination. The Agreement provides that a "Qualifying Actuary" of a "home association" is entitled to apply to become a member of another Qualifying Association in specific circumstances. A Qualifying Actuary's application to join another Qualifying Association must be based on the Applicant's completion of the home association's education/qualification requirements. "Derived" membership of an association cannot be used to obtain derived membership of another association under the Agreement. If an actuary, having obtained derived membership in one country on the basis of their home qualifications, moves to a third country, the second derived membership, if acquired under the terms of the Agreement, must be based on the qualification status with the actuary's home association, and not on the first derived membership.

For the purposes of the Agreement, the "home association" is usually the Qualifying Association that has deemed the actuary to be a Qualifying Actuary (by awarding them membership within a class of members that the association regards as qualifying for mutual recognition under the Agreement). This means, a Qualifying Association that accredits another Qualifying Association's award of membership as a Qualifying Actuary, and admits the actuary to membership as a Qualifying Actuary on that basis, may also be deemed to be the "home association".

12. *Can a Qualifying Association require an Applicant to be residing in the host country?*

We believe that this would be against the principle of the PQD, and is certainly against the spirit of the European Union. According to the EU Services Directive 2006/123/EC, any EU national is now free to live in one EU country and work or provide services in another. Depending on the circumstances, this could even be done mainly by means of electronic communication. Further, the Agreement envisages the possibility of an actuary providing services on only a part-time basis in any one country (see question 16).

13. *Can an association make any stipulations about the language skills of an Applicant?*

While the Agreement does not provide for additional requirements relating to language skills, it would be reasonable to expect the Applicant to have a reasonable command of the language needed for providing services in the host country. In fact, if the Applicant does not have the language skills needed to acquire the knowledge necessary for work undertaken, and communicate the results of the work clearly, they might be in breach of provisions of the relevant Code of Conduct relating to competence and communication.

14. *What checks can a host association apply to an Applicant under the MRA?*

A host association is entitled to request that the MRA Applicant provides details of their membership of their home association including details of how the Applicant has met the CPD requirements of their home association for recent years. If the host association has a concern that the Applicant should not have been granted qualifying membership then it should inform the home association of their reasoning. It is then the responsibility of the home association to confirm whether the Applicant is a Qualifying Actuary (or not).

15. *If a host association notices that the Applicant under the MRA does not comply with the AAE MRA requirements, how should the host association proceed?*

The host association must notify the home association of the findings and put the application on hold until the home association reviewed and made a decision on the arguments brought by the host association. If the two associations cannot agree, they may bring a case for conciliation before a conciliation group (cf. Article 6 of the MRA). If the home association agrees with the host association, then the home association decides on whether to:

a) Invalidate the Applicant's qualification and inform the host association. Consequently, the host association will decline the application, or

b) Require that the Applicant remediates – within a given period of time – the identified gap and informs the host association when this is done. Consequently, the host association should put the application on hold until the home association confirms that the gap has been filled.

16. *What does "provide actuarial services on a regular basis" mean (Agreement, Article 4)?*

We suggest that, where an actuary provides professional services in another country (whether while physically located in that country or remotely by electronic means) on a regular basis or repeatedly over a period lasting more than a few months, and spends at least 10% of their working time on that work, the actuary should apply to become a member of the actuarial association in that country. This is a broad guideline and it may be appropriate to take into account factors such as the nature of the work. However, any actuary who undertakes statutory duties, such as statutory actuarial certification, in a host country should certainly be encouraged to apply for membership of the host association, and in many circumstances he or she may need to do so in order to carry out those statutory duties.

17. *What should happen if an allegation of misconduct is made against an actuary who is a member of home and host associations?*

As indicated at question ~~5~~6, Qualifying Associations should make clear to successful Applicants that taking up membership of the host association will result in new mandatory professional obligations, such as mandatory compliance with national code(s) / standards of actuarial practice, and should draw attention to the disciplinary consequence of established failure to comply with professional requirements.

All Qualifying Associations are expected to make available information on the interaction of the home/host disciplinary processes, when invoked.

Qualifying Associations are encouraged to consider principles of natural justice in determining the most appropriate disciplinary jurisdiction to investigate an allegation of misconduct.

All Qualifying Associations are expected to cooperate fully in respect of any disciplinary investigation, within the terms of their legal authority and with due regard to considerations of confidentiality and data privacy.Thus, any exchange of information between Qualifying Associations which contain personal data of the Applicant should always be carried out in accordance with the EU GDPR[3] and any other applicable personal data protection and privacy law or regulation.

18. Is it possible to exclude a Qualifying Association from the Agreement?

A Qualifying Association must have a Code of Conduct that reflects at least the requirements of the AAE's Code of Professional Conduct, must ensure that its education/qualification and experience requirements include all aspects of the Core Syllabus for Actuarial Training in Europe of the Actuarial Association of Europe (AAE), and that its CPD requirements comply with the Guidelines of the AAE. If the Qualifying Association fails to comply with these requirements – even after a conciliation period (as described in Article 6 of the MRA) and after the final period of six months to correct the lack of compliance (as described in Article 7 of the MRA) – then the AAE General Assembly may take a vote to exclude the association from the Agreement.

19. Is it possible for a Qualifying Association to leave the Agreement?

If a Qualifying Association decides to leave the AAE then it also has to terminate its participation in the Agreement. Other than that, a Qualifying Association shall only be able to leave the Agreement, acting in good faith, if it is reasonably unable because of a valid reason (which may include but is not necessarily limited to (a) a force majeure event, (b) legal requirement or (c) prohibition), to uphold its obligations. In this case, the Full Member Association shall be entitled not to conclude the MRA or to cease to be a party to it by submitting written notice to the AAE and after validation by the AAE General Assembly. In this situation, the Full Member Association shall have 5 years ("resolution period") to attempt, in collaboration with the AAE , to enter into (or re-enter into, as the case may be) the Mutual Recognition Agreement.

In the event that, after the expiry of the resolution period, the Full Member Association has not entered into (or re-entered into) the MRA and no agreement to the contrary has been reached between the AAE and the Full Member Association concerned, the Full Member Association

[3] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Text with EEA relevance)

shall become an Observer Member unless the General Assembly agrees that the resolution period shall be extended.

20. What is meant by a force majeure event, legal requirement and prohibition?

Force majeure event shall mean (i) any unforeseeable situation or circumstance or (ii) any foreseeable situation or circumstance which was unavoidable, provided that any such situation or circumstance set out in (i) or (ii) would seriously impede or prevent a Full Member Association from entering into or remaining a party to the MRA on the terms provided for in the MRA from time to time.

Legal requirement or prohibition shall mean any mandatory rule, applicable to a Full Member Association, or order, decision or requirement of any judicial, legislative or administrative body or authority having jurisdiction over the Full Member Association which prevents the Full Member Association from entering into or remaining a party to the MRA on the terms provided for in the MRA from time to time.

21. What implications will it have for individual actuaries should a Qualifying Association leave the Agreement (by its own decision or by decision of the AAE)?

In the event that a Qualifying Association leaves the Agreement, the derived members of that Association must be allowed to continue with their membership status unchanged (but subject to the normal rules of the host association).

Similarly, derived members whose home association leaves the Agreement must continue to be allowed to continue their pre-existing derived membership of their host association (again subject to the normal rules of the host association). However, they would not be able to avail of the Agreement to obtain derived membership in new associations unless their derived membership has been transferred to non-derived as discussed in question ~~7~~8 above.

In both cases, members who were in the process of obtaining derived membership when the exiting association left the Agreement will be allowed to proceed to the end of the process. This particularly applies to any member engaged in an adaption period.

22. What does the AAE expect from its Member Associations as regards the review described in Article 12 of the Agreement?

Five years after the amended Agreement has entered into force, the AAE Professionalism Committee will contact all signatory associations and ask for an evaluation and routine review of the operation of the Agreement. This could take place in the form of a questionnaire, for example. The summary of responses will act as the basis for a report prepared by the Professionalism Committee, which may include proposals for improvements.[4]

The implementation and smooth operation of the Mutual Recognition Agreement requires communication between Qualifying Associations. We suggest that any association which grants a derived membership should notify the home association of this membership. Based on this information, the home association should consider notifying the host association whenever a member who has acquired a derived membership allows their home membership to lapse.

Reviewed by the AAE Professionalism Committee and
approved by the AAE Board on 1 October, 2021

[4] Important note: For regulated professions, PQD stipulates that a report with detailed statistical information is required from Member States every 2 years. This might affect the actuarial associations in countries where the actuarial profession is a regulated profession, as they might be asked for specific data.

Appendix ~~1~~: The evolution of the Mutual Recognition Agreement

The Agreement concerning the mutual recognition by each participating association of members of the other participating associations, known as the Mutual Recognition Agreement or MRA, was originally entered into in April 1991 by the member associations then represented on the AAE. The original version was based on the EU Directive 89/48/EEC (subsequently amended by Directive 2001/19/EC) for a general system for the recognition of higher education diplomas awarded on completion of professional education and training of at least three years' duration.

The Agreement was updated in 1997 to include all member associations in the EU Member States as well as the associations in Norway and Iceland by virtue of the European Economic Area Agreement of May 1992, and again in 2004. A separate, but parallel, Agreement was entered into in 1997 by all associations subscribing to that Agreement and the Association Suisse des Actuaires. Recommendations made in 2010 on the implementation of the Mutual Recognition Agreement applied equally to that parallel Agreement. The Mutual Recognition Agreement was further revised in 2004 to reflect comments from the European Commission's Regulated Professions Unit, the further expansion of the European Union, and the inclusion of the Association Suisse des Actuaires (replacing the arrangement for a separate Agreement described above). A further update in November 2010 took account of Directive 2005/36/EC on the recognition of professional qualifications, and addressed concerns raised by Member Associations in relation to disclosure of disciplinary proceedings.

In a letter of 31 May 1994 from the Chairman, Klaus Heubeck, a number of recommendations were made to the Associations on how the Agreement should be interpreted and implemented. These recommendations were not mandatory but, in some cases, were strongly recommended, whilst in other cases they were merely suggestions. A revised version of this original letter, containing a number of amendments, was issued in 2000 by the then Chairman, Peter Clark, and further revisions were made in 2005 under the chairmanship of Paul Grace – although the document has continued to be referred to as the "Heubeck letter".

In 2010, the AAE reviewed the 2005 recommendations and, whilst the associations subscribing to the Agreement were broadly content with them, a few further amendments were made.
The current review and update of the Agreement and the Q&A document was prompted partly by amendments to Directive 2005/36/EC (under Directive 2013/55/EU) and partly by a routine review of the operation of the Agreement, carried out by the AAE Professionalism Committee.

Additional needs for changes were identified in the aftermath of the General Assembly 2019 in Vienna, and are also addresses in this update.