

Sir David Walker
Review of Corporate Governance of the UK Banking Industry
c/o Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Sent via email to: feedback@walkerreview.org

5 October 2009

Dear Sir David,

A review of corporate governance in UK banks and other financial industry entities

The Actuarial Profession welcomes the proposals that have been made by your review. We believe that the proposals regarding risk management will be beneficial for the financial services industry and indeed could potentially have wider application to other industry sectors. We are particularly supportive of the recommendation that all banks and other financial institutions (BOFIs) should appoint a Chief Risk Officer (CRO), although it will be important to ensure that the relationship with the Actuarial Function Holder (AFH) is properly considered for life assurance companies where the AFH already plays a key role in risk management. In general, we would expect an explicit requirement for the appointment of a CRO to apply at the highest level in the financial services group's organisation rather than at each entity in a group. We believe that consideration should be given to further guidance and regulation in relation to the role and responsibilities of the CRO to ensure that consistent good practice is embedded across the financial services industry. We suggest two ways in which this might be achieved:

1. The CRO role should be a Controlled Function under the FSA Approved Persons Regime

By explicitly including the CRO role within the regulatory regime, it will be possible to define a range of minimum requirements and expectations. The requirements will give more formal authority to the CRO as well as impose certain individual accountabilities upon the role holder. Through appropriate regulation it should be possible to ensure that the CRO has appropriate access to the Board and to any information and resources that are required to exercise the role effectively. A key objective must be to bolster the independence of the role. It will be particularly important to ensure that the CRO provides an additional line of defence should other aspects of the firm's governance arrangements fail to operate effectively.

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We set out in our letter of 3 April (copy attached) the types of responsibilities that could be covered by the CRO and we could give more detail regarding our views on the remit to be given to the CRO if this would be helpful.

Within life assurance companies, many aspects of the CRO role are already fulfilled by the AFH and the extent to which a separate CRO function will be required merits further consideration.

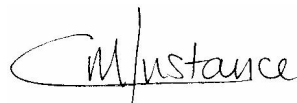
2. Minimum requirements for the skills and competence of a CRO

The CRO is such a critical governance role that we believe it would be beneficial to set certain minimum requirements for the skills and competence of the role holder. We would welcome the opportunity for further discussion regarding these requirements and the role of professions in supporting standards of good risk management.

Another area of the report we would like to comment on is in relation to the proposal that a separate Board Risk Committee be established. The Actuarial Profession supports this requirement. Given the importance of risk matters to BOFIs, we believe that additional focus and attention to these matters will be beneficial. It will, however, be important to ensure that the establishment of the Risk Committee does not detract from the Board's overarching responsibility for risk management and that the key risks facing the business are regularly communicated to the full Board. In the insurance industry with the implementation of Solvency 2, we believe the introduction of such a committee will be particularly timely.

Finally, we note the comments made regarding risk reporting, external advice to the Risk Committee and the role and focus of the Risk Committee. The Actuarial Profession would be keen to support and engage with you in further developing these themes and working towards the development of suggested good practice.

Yours sincerely,



Caroline Instance
Chief Executive

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