



Mark Babington

Can you provide an overview of what has been keeping the Financial Reporting Council (FRC) busy recently, and what key issues or developments are you currently most focused on?

The professions and markets we oversee are being reshaped by rapid advances in technology, evolving market structures and changes to international standards.

A central focus for us has therefore been ensuring that our regulatory activity continues to meet our stakeholders needs. We've been engaging closely with them to take a holistic view of emerging risks and developments, and to ensure our approach remains proportionate, effective, internationally aligned and fit for purpose.

A significant area of focus has been the rapid audit firm-wide adoption of generative and agentic artificial intelligence. Actuarial and audit work, in particular, are seeing accelerated uptake, and we've been developing and publishing first-of-its-kind guidance to support audit practitioners and firms in adopting these technologies responsibly.

At the same time, we've taken a step back to review our own

Shaping regulatory evolution

➤ **Financial Reporting Council executive director of regulatory codes and standards, Mark Babington, sits down with Paige Perrin to discuss the regulator's current priorities, including its consultation on proposed changes to actuarial standards for CDC schemes and its ongoing work on the UK Stewardship Code**

regulatory processes to ensure they remain effective. This has included comprehensive engagement with stakeholders as we revisited our approach to audit supervision and are undertaking a thorough end-to-end review of our enforcement processes.

We've shifted our supervisory focus on audit firms towards systems of quality management, and we've been encouraged by the positive feedback from the firms participating in the Scalebox project we launched to support them to improve their audit quality as they enter and grow in the Public Interest Entity audit market.

➤ **The FRC is consulting on changes to actuarial standards for collective defined contribution (CDC) schemes. What gaps or practical challenges in the current framework are you aiming to address, and how will these updates improve consistency and confidence in actuarial assessments and reporting?**

Developments in the UK's legislative framework, coming into effect from 31 July 2026, have expanded the scope of CDC schemes and resulted in additional areas of work for actuaries in this space. It's essential that actuaries undertaking this work are equipped with an appropriate framework to support high-quality actuarial analysis that can underpin the decision-making of trustees.

By responding to these developments, the FRC ensures the UK will maintain its reputation for robust standards that underpin confidence in UK schemes. A key priority for the FRC's consultation centres on a new area of work where actuarial judgement is applied, in relation to the concept of actuarial equivalence between contributions and benefits. This development seeks to support fairness and transparency for different employers within the scheme.

The work of an actuary is essential here to ensure that users, such as trustees or scheme designers, understand the implications their decision-making would have on different groups of scheme members.

More generally, the proposed changes relate to new activities required in supporting the design, authorisation and ongoing operation of this new type of CDC scheme. Our proposed changes demonstrate the responsiveness of the FRC in supporting actuaries as they work through these market developments.

➤ **Following your recent guidance on the *Virgin Media* ruling, how should actuaries approach decision-making where data is incomplete or uncertain?**

Our technical actuarial standards are principles-based, encouraging

practitioners to exercise judgement in the application of the standard. Actuaries should meet the requirements in the standard in a way that is proportionate to the nature, scale and complexity of the decision to which the technical actuarial work relates.

It should also be proportionate to the benefit that the user of the actuarial information would be expected to obtain from the work. The proportionate application of TAS requirements should help to inform practitioners' work efforts and avoid unintended burdens, resulting in higher quality technical actuarial work and, ultimately, more effective decision-making.

In the case of the work on the retrospective confirmation, we are mindful of wanting to avoid scheme actuaries doing work that isn't necessary to provide a confirmation – a proportionate approach minimises the time, cost and effort required to form an opinion about whether to provide the retrospective confirmation. This guidance is an example of the FRC promoting proportionate, principles-based approaches, while highlighting the proportionality already built into the TASs. Above all, this guidance provides pension holders with greater certainty and clarity that decisions made by the scheme have been appropriately addressed and the scheme will deliver the expected benefits for its members.

➤ The FRC develops, maintains, and administers the UK Stewardship Code, which continues to attract new signatories. What do you think is driving this continued growth in adoption, and how does it shape stewardship behaviour in practice? And why has the FRC made 2026 a transitional reporting year?

The UK Stewardship Code sets the core principles of effective stewardship and a high standard for transparency of stewardship approaches, including signatories' stewardship activities and

the outcomes achieved. It is this standard that contributes to the internationally recognised reputation of the code. We carry out our responsibility of maintaining the signatory list as an improvement regulator, providing feedback to signatories individually and to the wider market on trends in stewardship and stewardship reporting to help signatories improve in their stewardship practice over time.

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With the introduction of the 2026 Code, we have made this a transition year for our existing signatories to support them as they take up reporting to the updated code. During this transition year, existing signatories will stay on the signatory list. This is to encourage signatories to be innovative in their reporting and reduce their reporting burden. Signatories can focus on explaining their unique approach to stewardship with the updated reporting model, and in the knowledge that they will remain on the list.

➤ Looking ahead, which areas of actuarial standards or stewardship guidance do you see as requiring further development to support better long-term pension outcomes?

It is a hugely busy period in pensions policy development in the UK. There

are several areas the FRC will be looking at now that the Pension Schemes Bill has received Royal Assent. For example, the extraction of DB scheme surplus and superfunds are areas we have previously considered when we revised our standards on pensions (TAS 300), and we will need to consider them again in light of the Act. Guided retirement is another area which is in the Act. These new measures will have a significant impact on the DC landscape. The FRC is responsible for setting the methods and assumptions to be used in the calculation of DC statutory illustrations (SMPs) through AS TM1, and we may need to consider the implications of this new measure on the appropriateness of our methods and assumptions in that standard.

CDC is an evolving area – as we mentioned, we are already consulting on our standard for CDC schemes (TAS 310) in light of the multi-employer CDC schemes, and we hope to finalise this in July. Beyond that, the government consulted on retirement-only CDC schemes late last year – this is the government's phase three of CDC development. Actuarial work is expected to play an important role in the success of this new type of scheme, and the FRC will need to consider whether our standards and guidance need to be revised to remain fit for purpose.

In terms of stewardship, our focus is on implementing the 2026 Code. The updated Code brings out the different roles played by signatories through the investment chain, with a greater opportunity for pension funds to report on the important role they play in holding their asset managers to account, shining a light on how they are integrating stewardship considerations into their selection and oversight of external managers, in order to create long-term sustainable value.

➤ Written by Paige Perrin