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Riga

Regulations No. 12  
(Minutes No. 6, Clause 3 of the Meeting of the Council of  
the Financial and Capital Market Commission)

## Normative regulations for the establishment of a private pension fund governance system

Issued in accordance with Article 20 Paragraph 16 of the  
Law on Private Pension Funds

### **I. General provisions**

1. Normative regulations for the establishment of a private pension fund governance system (hereinafter - the Regulations) set out the minimum requirements for the practice of establishing an effective internal governance system, including an internal control system, to promote responsible and prudent internal organisational structure, prudent and efficient operation and to provide continuous identification and management of risks.

2. The Regulations are binding on private pension funds licensed in the Republic of Latvia (hereinafter - the pension fund).

3. Terms used in the Regulations:

3.1. employees - all employees of the pension fund and persons, who have an employment relationship with the pension fund, incl. officials;

3.2. officials – members of the board and council of the pension fund (if such has been established);

3.3. performers of basic functions - persons (employees) whose position enables them to significantly influence the direction of activity of the pension fund, but who are not members of the pension fund council or board, for example, the person responsible for the risk management function, the person responsible for the internal audit function, the person responsible for the actuarial function, the person responsible for fulfilment of the requirements for the prevention of money laundering and the financing of terrorism and proliferation, as well as the person who is authorised to take decisions on behalf of the pension fund;

3.4. regulatory enactments regulating the activity - directly applicable legal acts of the European Union, laws and other legal acts of the , standards specified at the level of the pension fund, codes of professional conduct and ethics and other regulatory enactments which ensure the observance of the standards and best practice standards of the pension fund;

3.5. positions influencing the risk profile - positions in which the professional activity of employed persons (employees) has a material impact on the risk profile of the pension fund or pension plan, and at the least, they include officials, key performers and other positions authorised to make decisions on behalf of the pension fund and assume the risk that significantly affects the risk profile of the pension fund or the pension plans established by it.

4. The use of other terms corresponds to the use of terms in the Law on Private Pension Funds.

## **II. General requirements for setting up a governance system**

5. The governance system of the pension fund is formed taking into account the size of the pension fund, the volume of transactions performed, their diversity and complexity, the size of risks related to the scope of the pension fund, management model, as well as information technology and other factors which are essential for the achievement of the objectives of the specific pension fund and include:

- 5.1. the organisational structure and organisation of activity corresponding to the size of the pension fund;
- 5.2. operational planning, definition of development strategy and investment policy;
- 5.3. remuneration system and personnel policy;
- 5.4. identification and management of risks, incl. measurement, assessment, control, stress testing and performing assessments of risks;
- 5.5. management of conflicts of interests;
- 5.6. accounting and management information system;
- 5.7. protection of assets and information systems;
- 5.8. establishment, regular review, evaluation and improvement of the effectiveness of the internal control system, as well as the timely elimination of any detected deficiencies in the system;
- 5.9. management of outsourcing, where used by the pension fund.

6. The pension fund implements an internal control system that ensures effective risk management at the level of the pension fund and the pension plan in order to provide reasonable confidence to the officials that assets are assured against losses, risks are regularly assessed and managed, the transactions are carried out in accordance with the procedures specified in the pension fund and the fund operates prudently, carefully and efficiently, in full compliance with the regulatory enactments regulating the activities of the pension fund, incl. in the field of money laundering and the prevention of the financing of terrorism and proliferation.

7. Pension fund officials are responsible for the establishment and effective functioning of the internal governance system of the pension fund.

8. If a closed-end pension fund has not established a council, the performance of the duties of the pension fund council shall be ensured by the shareholders or participants of the pension fund.

## **III. Functions of the council of the pension fund**

9. The council of the pension fund (if any) monitors, how the board of the pension fund ensures the establishment and effective functioning of the management system. In monitoring the system of governance, the council of the pension fund shall:

- 9.1. divide the duties among the members of the council and principles for information exchange between the council and the board;
- 9.2. determine the duties of the members of the board (or control the fulfilment of the duties of the shareholders or members) and the procedure for the evaluation of the results of the activities of the board;
- 9.3. approve or accept the organisational structure of the pension fund for further submission to the shareholders or members of the pension fund for approval to ensure that duties and responsibilities are adequately defined;

9.4. approve and update the risk management policies recommended by the board for both ongoing and planned transactions, including risk assessment and control procedures, authorisation procedures for such transactions, as well as setting restrictions regarding specific risks, requesting and receiving information regarding material violations of the established restrictions;

9.5. control the establishment of an effective management information system;

9.6. control whether the internal audit function is clearly defined, has an appropriate position in the organisational structure of the pension fund and a particular role in the pension fund governance process, and it is provided with qualified personnel and operates efficiently;

9.7. control changes in the internal control system in accordance with changes in activity of the pension fund and external conditions affecting activity of the pension fund;

9.8. examine the internal audit functions, the opinions and recommendations of the sworn auditors, as well as the Financial and Capital Market Commission (hereinafter - the Commission) and other institutions for the improvement of the activity of the pension fund and control the elimination of the detected weaknesses;

9.9. determine the content, volume, format and frequency of reports it receives, as well as critically assess and, if necessary, dispute the truthfulness of such information;

9.10. determine outsourcing policies and procedures;

9.11. ensure the obligations specified in Paragraph 30 of these Regulations in the field of remuneration policy;

9.12. determine the features that indicate a conflict of interest and the procedures for the prevention and management of a conflict of interest;

9.13. ensure that the minutes of the meetings of the council are recorded and the decisions adopted therein and the substantiation thereof are recorded in the minutes of the meeting of the council.

#### **IV. Functions of the board of the pension fund**

10. The board of the pension fund is responsible for the establishment, implementation and improvement of a comprehensive governance system in accordance with the development strategy set by the pension fund and it shall:

10.1. set qualitative and quantitative objectives for each area of activity of the pension fund in accordance with the development strategy set by the pension fund;

10.2. develop an organisational structure with clearly defined powers and an efficient division of responsibilities between the board members, the structural units of the pension fund and the responsible employees;

10.3. determine the qualification requirements for the staff of the pension fund;

10.4. ensure the protection of the assets of the pension fund;

10.5. ensure the identification, assessment and management of risks;

10.6. implement and manage a management information system that covers all activities of the pension fund;

10.7. determine the principles of accounting and valuation of assets, income and expenses;

10.8. introduce control mechanisms that ensure that all employees of the pension fund comply with the regulatory enactments regulating the activities of the pension fund, the policies, plans, internal rules and procedures approved by the pension fund;

10.9 ensure that measures are taken for the prevention of weaknesses in the internal control framework, identified by internal audit, sworn auditor, the Commission or other authorities;

10.10. at least once a year, provide the council of the pension fund (if one has been established) with a report on the activity of the internal control system;

10.11. determine the content, volume, format and frequency of reports it receives, as well critically assess and, if necessary, dispute the truthfulness of such information;

10.12. ensure the obligations specified in Paragraph 31 of these Regulations in the field of remuneration policy.

## **V. Organisational structure and organisation of activity**

11. The pension fund, taking into account the scope, type, as well as the complexity and specifics of its activities, shall ensure the appropriate organisation of activity, including:

11.1. establishing an organisational structure appropriate to the size and risks of the pension fund, which ensures the compliance of activity of the pension fund with the regulatory enactments regulating its activities, incl. in the field of money laundering and the financing of terrorism and proliferation. The pension fund shall perform the compliance assessment of the organisational structure at least once a year;

11.2. establishing the corporate values and high standards of professional conduct and ethics of the pension fund;

11.3. developing policies and procedures for ensuring the activity and work organisation of the pension fund.

12. The pension fund shall define and document its organisational structure, which shall clearly define the powers and the effective division of responsibilities between the board members and the council, units of the pension fund and the responsible employees, including the powers, responsibilities and accountability of employees in conducting and controlling transactions.

13. The pension fund shall ensure that both the board and the council (if any) collectively possess sufficient experience and knowledge about all material activities and risks of the pension fund.

14. The pension fund shall ensure that each official has sufficient competence and skills to perform his or her duties and shall ensure that, where necessary, each official has access to appropriate internal or external training or advice.

15. The pension fund determines the procedure for exchanging information and providing reports, incl. confidentiality requirements.

16. The pension fund shall ensure that its employees are informed about their duties (incl. regarding risk identification and management), receive and know the information related to their official duties and they have the appropriate qualification and sufficient experience.

17. The pension fund documents the duties assigned to employees and the powers granted to them, and observes the principle of segregation of duties, which takes the form of segregation of duties (functions) which, if combined, would allow an employee to carry out a single transaction entirely unilaterally. The principle of segregation of duties covers at least the activities of approving, executing, valuing, comparing, storing, recording and controlling the transaction.

18. The pension fund shall ensure that employees are acquainted with the scope of the powers granted to them, the right of reassignment of powers, as well as any restrictions on the use of the granted powers.

19. Transactions are carried out in accordance with the levels of responsibility specified in the organisational structure of the pension fund and in accordance with the powers granted to employees.

20. The pension fund shall determine and document the procedure for performing transactions and ensuring control (governance). This shall at the least, entail the procedure for authorising the person concluding the transaction (incl. specifying the documents required to be completed during the process of adoption of the decision until the approval of performance of the transactions, and the officers or responsible employees confirming the adoption of the respective decisions), setting restrictions to ensure compliance of the transaction with the pension fund policy and regulatory enactments, as well as the procedure for processing and control of the transaction. The pension fund shall ensure that the employees are acquainted with the procedures for the performance and control of the relevant transactions.

21. The pension fund develops and documents procedures that determine the order for attracting new clients, as well as approves the form and content of documents that are formalised in transactions with clients and third parties.

22. The pension fund shall determine the information to be received from customers and ensure that this information is kept up to date in accordance with requirements of Regulation (EU) 2016/679 of the European Parliament and of the council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 94/46/EC (General Data Protection Regulation).

## **VI. Setting the development strategy and planning of the activities**

23. The pension fund develops and documents its development strategy and determines:

- 23.1. objectives and performance evaluation criteria;
- 23.2. risk management policy that includes potential risks and acceptable levels of risk;
- 23.3. objectives in the areas of liquidity, share capital and equity management, taking into account the scale, nature, complexity and specificity of the business;
- 23.4. description of the investment policy for each pension plan.

## **VII. Management of conflict of interest situations**

24. The pension fund provides the employees of the pension fund with an opportunity for whistleblowing on actual or potential deficiencies of the internal control framework, established violations of regulatory enactments regulating the activities of the pension fund, to make proposals for their prevention and to report illegal or unethical transactions, incl. on conflict of interest situations.

25. The pension fund, while ensuring the management of conflict of interest situations, shall establish appropriate organisational and administrative arrangements to prevent conflicts of interest between clients or potential clients, in particular where the pension fund, fund manager, fund holder, outsourcing provider or employer are related parties.

26. The pension fund shall develop and document the management policy and procedures for the pension fund's conflict of interest situations to ensure timely identification and management of actual or potential conflict of interest situations, including:

- 26.1. determining actions to prevent situations of conflict of interest;

26.2. ensuring an appropriate division of responsibilities between the employees of the pension fund for the management of actual and potential conflicts of interest;

26.3. ensuring that the employee or officer of the pension fund, in the fulfilment of their duties, abstain from the adoption of decisions regarding the transactions of the pension fund or other professional activities in the pension fund, where with the relevant employee or officer a conflict of interest situation occurs or might occur ;

26.4. ensuring appropriate procedures for employees to report to the board or council (if such has been established) of the pension fund regarding transactions in which a conflict of interests occur or may occur directly or indirectly for the relevant person;

26.5. ensuring that the functions of structural units between which a conflict of interest occurs or may occur do not overlap (for example, certain information barriers are established, different organisational subordination is determined).

### **VIII. Remuneration system and personnel policy**

27. The Pension fund shall ensure that, within the framework of the governance system, the following has been developed, updated and applied in practice:

27.1. personnel policies and procedures which set out the procedures for the selection of staff, the arrangements for determining remuneration, hierarchical supervision and succession planning, the skills requirements for the various posts, the criteria and procedures for assessing the suitability of potential staff, as well as the application of gender-neutral pay and remuneration rules to employees and other conditions for equal treatment of staff, regardless of gender, in areas related to employment, such as recruitment, training and career development, additional monetary and non-monetary benefits;

27.2. remuneration policy for positions influencing the risk profile, taking into account the scope, type, as well as complexity, specifics and organisational structure of the pension fund.

28. Pursuant to regulatory enactments in the field of personal data protection, the pension fund shall disclose information on the implemented remuneration policy, its basic principles and practices regarding positions influencing the risk profile at least once a year, selecting a suitable information media and place, as well as ensuring the relevance of the published information. Publishing of the information on the internet is considered an appropriate place of publishing. This information shall include a description of the objectives of the remuneration policy and its basic principles, information on the positions that affect the risk profile, as well as the criteria for determining them. The pension fund discloses information on the remuneration policy implemented during the reporting period, its basic principles and practice simultaneously with the publication of the annual report or consolidated annual report for the same reporting period.

29. The pension fund develops, implements and updates a remuneration policy appropriate to its activity and risk profile for positions that affect the risk profile, observing the following basic principles:

29.1. the procedure for identification of positions influencing the risk profile has been determined;

29.2. the remuneration policy not only intends to attract and motivate suitably qualified officials or employees to achieve the objectives set by the pension fund, but also meets the long-term interests of the pension fund, promotes efficiency and financial stability in general, as well as ensures prudent and effective risk management;

29.3. the remuneration policy complies with the long-term interests of the participants of the pension plans and supplementary pension recipients established by the pension fund;

29.4. measures are envisaged to prevent conflicts of interest, for example, by excluding the possibility for the members of the board and council of the pension fund or other employees to determine their remuneration or to participate in the determination of their remuneration;

29.5. the remuneration policy ensures compliance with the requirements of regulatory enactments, as well as promotes prudent and efficient risk management and limits the assumption of risks above the specified permissible level of risk assumption;

29.6. elements of the fixed remuneration component (usually salary) and elements of the variable remuneration component (if any) are defined, such as bonuses, incentive schemes for long-term performance, remuneration in the event of termination of the employment contract or authorisation agreement, while ensuring that the fixed remuneration component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration component, including the possibility to postpone, reduce or not pay the variable remuneration component, for example in the event of a deterioration in the financial situation;

29.7. the remuneration of the council of the pension fund shall be determined and supervised by the shareholders or participants of the pension fund. The members of the council are remunerated only with a fixed part of the remuneration;

29.8. each job category has a maximum percentage of the variable remuneration component calculated from the fixed remuneration component. There are rules for awarding the variable remuneration component, such as performance appraisal or indicators and methods used to determine the variable remuneration component. There are clear conditions for payment, deferral, reduction or non-payment of the variable remuneration component if, for example, errors, omissions or improper professional activities have been committed during the relevant period of activity;

29.9. when evaluating the possibilities of using the outsourced services referred to in Article 11 of the Law on Private Pension Funds, as well as when receiving the said outsourcing, the pension fund shall ensure that the outsourcing provider applies the basic principles of remuneration policy referred to in these Regulations. The requirements referred to in this subparagraph shall not apply to companies that are bound by industry-specific remuneration requirements under other European Union legislation, i.e. investment management companies, alternative investment fund managers, insurance and reinsurance companies, credit institutions, investment brokerage companies;

29.10. the basic principles of the remuneration policy shall be reviewed and updated regularly, but not less than once in three years, in order to ensure their compliance with the activity plan of the pension fund and changes in external factors, for example, in regulatory enactments regulating external activities. The basic principles of the remuneration policy are reviewed immediately, for example, by respectively reducing or not awarding the variable remuneration component, or applying a longer deferral period if risks to the future financial stability of the pension fund are identified.

30. The pension fund council (if any) or, in the absence of a council, the shareholders or members of the pension fund are responsible for defining the basic principles of the remuneration policy, approving, updating and monitoring the implementation of the remuneration policy.

31. The board of the pension fund is responsible for:

31.1 development of a remuneration policy in accordance with the basic principles of the remuneration policy determined by the pension fund and council, and the development, approval and implementation of internal regulatory enactments corresponding thereto;

31.2. disclosure of information in accordance with Paragraph 28 of these Regulations, informing pension fund officials and employees regarding the remuneration policy, indicators and methods to be used in the assessment of their performance and determination of the variable remuneration component;

31.3. the fact that the remuneration policy and internal regulatory enactments for determining remuneration, incl. the appraisal process and its results, shall be clear, documented and accessible to staff to the extent necessary for the performance of their functions or duties or to the extent that it relates to the relevant official or employee.

## **IX. Identification and management of risks of the pension fund**

32. The pension fund shall develop, document and implement appropriate policies and procedures for the identification and management of all significant risks inherent in the activity of the pension fund and the pension plans established by it, including measurement, assessment, control, risk reporting and preparation of the own risk assessment, which envisage:

32.1. identification, assessment (for non-quantifiable risks, such as reputational risk, strategy risk) and measurement (for risks that can be quantified) of significant risks;

32.2. appropriate risk control procedures, including those in accordance with the risk strategy of the pension fund determining the restrictions and limits of the maximum risk amount that can be tolerated, methods for hedging of risks, control procedures for mitigating the risks which cannot be measured using quantitative figures, as well as setting appropriate restrictions before engaging in new transactions;

32.3. the procedures by which the officials and employees of the pension fund regularly receive information regarding the risks inherent in the activity of the pension fund, the amount and tendencies thereof, the impact of the risks on the amount of capital of the pension fund, as well as other information necessary for making decisions;

32.4. regular monitoring of compliance with risk management policies and procedures and control of compliance with any established limits;

32.5. division of duties, powers and responsibilities of employees within risk management.

33. The officer of the pension fund, who is responsible for performing a comprehensive risk control function, monitors the risk management system and coordinates the risk management activities of all pension fund units and ensures that appropriate quantitative and qualitative criteria and assessment results are used to identify significant risks and the conclusions are substantiated and documented. According to the specifics and type of pension fund activities, risks are assessed and managed at the least, in the following areas:

33.1. underwriting of risks and creation of provisions;

33.2. management of assets and liabilities;

33.3. investments, in particular derivatives, securitisation transactions and similar liabilities;

33.4. liquidity and concentration risk management;

33.5. management of operational risk;

33.6. insurance and other risk mitigation techniques;

33.7. environmental, social and governance risks associated with the investment portfolio and its management.

34. The risk management process also takes into account the risks assumed by its members and recipients of supplementary pensions in accordance with the provisions of the pension plans established by the pension fund.

35. When measuring, assessing and monitoring the significant risks inherent in the activity of pension plans established by the pension fund, analytical methods appropriate to the specifics



and complexity of its activity shall be applied, incl. stress testing used by the pension fund to assess both material risks and risk interactions. The pension fund shall document and review, on a regular basis, the choice and essence of the analytical methods to be used, as well as the assumptions and estimates used therein.

36. The pension fund shall ensure the integration of money laundering and terrorism and proliferation financing risk and sanctions risk into the risk management system of the pension fund, as well as ensure the management thereof in accordance with the requirements laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, the Law on International Sanctions and National Sanctions of the Republic of Latvia, as well as the Commission Regulation governing the management of money laundering and terrorism and proliferation financing risk and the management of sanctions risk.

37. The pension fund shall, on a regular basis, at least once in three years, review and improve risk identification and management policies and procedures consistently with the changes to the activities of the pension plan and external circumstances affecting the activities of the pension fund. The pension fund shall assess the compliance of its activities with the risk identification and management policies and procedures, the adequacy and effectiveness of these policies and procedures, and the adequacy and effectiveness of the measures taken by the pension fund to address the deficiencies identified in these policies and procedures.

## **X. Accounting and management information system**

38. The pension fund shall establish and maintain an accounting system in compliance with the regulatory enactments governing the activities of the pension fund, developing and documenting accounting policies (indicating accounting and valuation methods) and accounting, control, valuation and reporting procedures.

39. If the pension fund transfers a pension plan to another pension fund, it shall take steps to ensure that, if necessary, supporting documents on transactions carried out during the last 10 years are available to it.

40. The pension fund develops a management information system to monitor the investments of pension plans, the set limits and liquidity, to ensure regular exchange of information with the fund manager and holder, and to provide a clear picture of the financial position of the pension fund. In order to detect non-compliance with control procedures in a timely manner, to take decisions and to assess their consequences, pension fund officials and responsible staff must have access to the accurate, complete, reliable and relevant information necessary for them to perform their duties in both operational and crisis situations.

41. Management information system shall at the least, entail:

41.1. current standing and performance results of the pension fund in comparison with the previous periods and indicators of the operational plan;

41.2. asset analysis;

41.3. income and expenditure analysis;

41.4. an assessment of the compliance of the actual quantitative risks to the risk policy of the pension fund and comparison with the prescribed restrictions and limits;

41.5. listing and analysis of non-compliance with the adopted policies and procedures and the complaints received.

42. The information system ensures the provision of timely, accurate, complete, reliable and relevant information to external users (for example, the Commission, the Bank of Latvia, etc.) in accordance with the requirements of applicable legislation both in normal operating conditions and in crisis situations within the term provided for in the regulatory enactments regulating the activities of the pension fund and upon request.

43. The pension fund shall provide sufficient resources for the collection and provision of the information referred to in this chapter.

## **XI. Safeguarding of assets and information systems**

44. The pension fund shall establish and document procedures for the protection of assets and information systems that:

- 44.1. ensure the preservation of the tangible and financial assets of the pension fund;
- 44.2. ensure the preservation of tangible and financial assets held on behalf of the clients;
- 44.3. prevent unauthorised direct or indirect (via documents) access of third parties to the assets, accounting, electronic communication system and other data of the pension fund;
- 44.4. ensure safe and sound functioning of information systems and the preservation of information (including restoration of information in extraordinary situations).

45. The pension fund shall organise the protection of information systems in accordance with the normative regulations of the Commission regarding the security requirements of information systems.

## **XII. Outsourcing management**

46. In order to receive outsourcing, the pension fund develops and regularly reviews and updates the outsourcing policy and procedures.

47. The policies and procedures shall include the main stages of the outsourcing process, the principles, responsibilities and obligations for outsourcing and at the least, shall specify:

- 47.1. the duties of officials in accordance with the provisions of Chapters III and IV of these Regulations and the decision-making process for the delegation of the functions of the pension fund to outsourcing providers;
- 47.2. the internal control function of the institution (including risk control, actuarial and internal audit) and the role of business functions, as well as the involvement of other persons in the process of outsourcing;
- 47.3. outsourcing planning;
- 47.4. supervision and management of the use of outsourcing;
- 47.5. documentation and registration of outsourcing.

48. The pension fund monitors the activities of outsourcing providers on an ongoing basis in relation to any outsourcing agreement.

## **XIII. Internal audit function**

49. The pension fund shall establish an internal audit function to carry out independent oversight of the internal control system and to assess its effectiveness in order to assist pension fund officials and staff in carrying out their duties more effectively.

50. The responsibilities of the internal audit function shall at the least, include:

- 50.1. assessment of effectiveness and results of the activity of the pension fund;
- 50.2. assessment of the compliance of all types of activities of the pension fund and the activities of the structural units with the strategy, plans, policies, procedures and the requirements of external regulatory enactments, incl. risk management;
- 50.3. verification of the accounting system;
- 50.4. evaluation of information systems;
- 50.5. verification of functioning of the internal control procedures;
- 50.6. verification of credibility and completeness of financial information, as well as the verification of the means by which such information is identified, measured, classified and disclosed;
- 50.7. carrying out special verifications and investigations;
- 50.8. evaluation of the management of outsourcing.

51. In order for the internal audit function to work effectively, the pension fund shall:

- 51.1. clearly define and document the authority of the internal audit function;
- 51.2. separate the internal audit function from the day-to-day transactions and control functions, as well as from the determination of accounting and control procedures;
- 51.3. ensure that the internal audit function is independent from the activities, the assessment of effectiveness, and results whereof is included in its duties;
- 51.4. ensure that staff performing the internal audit function have free access to all documents, information and personnel;
- 51.5. ensure that the staff performing the internal audit function have appropriate education and professional experience to perform their duties in a qualified manner;
- 51.6. ensure direct contacts for the internal audit function with the council (if any) and the board of the pension fund.

52. The head of the internal audit function shall be approved by the council of the pension fund (if any), clearly indicating and documenting his or her responsibilities, authority and procedure for the provision of reports.

53. In order to ensure the independence of the activities and decision-making of the head of the internal audit function from the board of the pension fund, his or her subordination to the council of the pension fund shall be determined.

54. The internal audit function operates in accordance with a plan approved by the council of the pension fund (if any), which indicates:

- 54.1. the areas of activity to be audited during the reporting period, the regularity of inspections and the resources necessary for the performance of inspections;
- 54.2 risk identification and assessment methods for the areas to be verified, as well as criteria for the assessment of risk control procedures;
- 54.3. requirements for documentation of the results of verifications;
- 54.4. the procedures by which the results of inspections shall be provided to the council of the pension fund (if such has been established) and the board, and the procedures for the inspection of the implementation of recommendations.

55. If the pension fund has not established a council, the action plan of its internal audit function shall be approved by the shareholders or members of the pension fund.

56. The internal audit function shall prepare a report and make recommendations for solving the problems identified as a result of the findings and deficiencies of the internal control system, violations of policies and procedures, and insufficiently identified or managed risks.

57. The internal audit function shall insure discussion of the findings, opinions and recommendations of each audit at the appropriate management level and monitor the implementation of the recommendations made. On an annual basis, the internal audit function shall prepare a report on the results of the inspections carried out and the main problems identified and give an opinion on the effectiveness of internal control.

#### **XIV. Actuarial function**

58. If a pension fund offers a defined benefit plan or a defined contribution plan with a guaranteed return or provides for the coverage of biometric risks in the pension plan, it shall ensure the effective implementation of the actuarial function with the aim to:

- 58.1. coordinate and supervise the calculation of technical provisions;
- 58.2. assess the suitability of the methodology used in the calculation of technical provisions and the assumptions made for this purpose, as well as the models underlying them;
- 58.3. assess the sufficiency and quality of the data used in the calculation of technical provisions;
- 58.4. compare the assumptions underlying the calculation of technical provisions with experience;
- 58.5. inform the pension fund officials regarding the reliability and adequacy of the calculation of technical provisions;
- 58.6. provide an opinion on the general underwriting policy, if any, of the pension fund;
- 58.7. provide an opinion on the suitability of the insurance procedure for the pension fund, if any;
- 58.8. promote the effective implementation of the risk management system.

#### **XV. Final provisions**

59. The pension fund shall ensure that the requirements laid down in these Regulations are implemented no later than six months after the entry into force of these Regulations.

#### **Informative reference to the European Union legislation**

The Regulations incorporate the legal provisions deriving from Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (recast).

Chairwoman of the Financial and Capital  
Market Commission

S. Purgaile

**THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH  
WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME-STAMP**