

GUEST EDITORIAL

WHY CREATE A FINANCIAL SECTION WITHIN THE I.A.A.?

Why, a century after the creation of the International Actuarial Association under the name of “Permanent Committee of the International Congresses of Actuaries” and thirty years after the creation of the ASTIN section, create a financial section?

The answer lies in the belief that several of us shared, especially the French members of the I.A.A., that it would be useful to promote an actuarial approach to the management and control of financial risks, with a special interest section following the example of ASTIN.

It is now clear that, as the Bank of International Settlements stresses, the development and diversification of financial risks introduces a new dimension arising from the impact of increasing competitiveness and the changes in financial activities such as:

- the internationalization of financial markets and operations,
- the continuing innovation and the increasing sophistication of products and techniques,
- deregulation.

Consequently a certain number of us proposed that a section be formed, following the ASTIN example, to promote and coordinate actuarial research in the financial risk area.

The suggestion that a financial section be created was examined by the council of the I.A.A. during its meeting of September 27 1986, and on that occasion the late President, HENRI RIJKERS, affirmed “the importance of the idea and its undeniable interest” underlying the fact that “to bring it about, it is necessary that the applied methods bear the original seal of the actuarial approach”. He then invited the national associations to examine the question in depth, while creating a study commission.

This study commission, composed of members of the I.A.A. from various countries, recommended the birth of a financial section within the I.A.A. with the aim of promoting the actuarial role in the financial risk area.

The council of the I.A.A. having found a consensus, during its meeting of September 26 1987, in favour of the creation of a financial section, the study commission was changed into a provisional committee of the financial section, in charge of developing its statutes.

The financial section, named AFIR (Actuarial Approach for Financial Risks) was officially presented during the XXIIIrd I.A.A. congress in Helsinki (July 1988).

On the basis of the commission’s work, certain of the foremost international monetary and financial authorities made known the importance they attach to the contribution of actuaries towards the creation of an international prudential and regulatory structure.

MICHEL CAMDESSUS, International Monetary Fund Managing Director, wrote "Actuaries have a major role to play, both in evaluating the levels of risk and in helping to develop appropriate strategies for risk management".

The more important aims of the AFIR section are consequently the following:

— Internally:

To help the development of actuarial knowledge, including that traditionally oriented towards insurance, in the subjects of financial risk analysis and management as well as the development of the contribution of financial actuaries to the life of the I.A.A.

— Externally:

To bring about recognition of actuaries as experts in the prudential approach in the financial area, to promote exchanges with other experts, including those belonging to financial institutions and to contribute to a harmonization of the prudential approach rules on an international basis.

The executive committee of the section, composed of the members of the provisional committee enlarged to include representatives of other interested countries, has been named. This committee has already met in Paris, October 25 1988, to decide what were to be the main aims concerning the activities of the AFIR section.

During this meeting, the committee decided, amongst other things, the admission procedure. To date, more than 500 of us, many ASTIN members included, have shown their interest in the AFIR section and their wish to join.

The French Actuarial Associations, jointly with the AFIR section committee, have been organizing for the past several months the first international AFIR colloquium, which will take place in Paris, from April 23 to 27 1990, on the general theme of the actuarial approach for financial risks. The colloquium's aim is to examine written contributions from a number of worldwide experts, and it is being run by a scientific committee brought together for that reason. Around fifty contributions are expected and these will be published in the colloquium proceedings, which will be distributed to the participants some months before the colloquium.

As president of the AFIR section committee, I am asking ASTIN members to help the creation and work of the AFIR section. Indeed following the exemplary methodology of the work produced within the ASTIN section should help AFIR gain its objective of obtaining recognition from the highest authorities of the role that actuaries play in the financial area.

It is with this aim and so as to be able to stress the unity in the scientific approach and the complementarity of the various representatives that it was deemed preferable that the AFIR section not publish its own bulletin but that its works be published in the ASTIN section bulletin. I would like to thank its directors for their welcome, hoping that our contributions will be worthy of its quality and its audience.

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