



MEMBER'S HANDBOOK

Revised to March 10, 2017

Chartered Professional Accountants of Ontario
69 Bloor Street East, Toronto, M4W 1B3
Phone: (416) 962-1841 **Toll free:** 1-800-387-0735 **Fax:** (416) 962-8900
Internet: <http://www.cpaontario.ca>

MEMBER'S HANDBOOK: Revision 20170310

Amendments to the *Member's Handbook* included in the attached were approved by the Council to take effect March 10, 2017.

Regulation 4-2, Dues

The material changes that have been made impact the following provisions:

- Schedule of Dues

Regulation 6-1, Student Registration

The material changes that have been made impact the following provisions:

- Clause 1.7.5
- Subsection 5.6
- Subsection 5.7
- Subsection 17.2
- Subsection 31.1
- Section 32B
- Subsection 39.1
- Section 50
- Schedule B

Regulation 6-6, CPA Practical Experience Requirement

The material changes that have been made impact the following provision:

- Subsection 16.3
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**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

BYLAWS

**Bylaws relating generally to the conduct of the affairs of the
Chartered Professional Accountants of Ontario
(registered name of The Institute of Chartered Accountants of Ontario)
Amended June 18, 2014**

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BYLAWS
Bylaws relating generally to the conduct of the affairs of the
Chartered Professional Accountants of Ontario
(registered name of The Institute of Chartered Accountants of Ontario)
(“CPA Ontario”) (formerly known as the “Institute”)
Amended June 18, 2014

WHEREAS CPA Ontario has been continued by the Act (hereinafter defined).
Amended February 21, 2014

AND WHEREAS it is considered expedient to enact Bylaws relating generally to the conduct of the affairs of CPA Ontario;

BE IT THEREFORE ENACTED as Bylaws of CPA Ontario as follows:

1. GENERAL PROVISIONS

1.1 Meaning of Words

In this Bylaw and all other bylaws, resolutions, regulations, policies and other documents of CPA Ontario, words have the same meaning as they do in the Act and, unless the context otherwise requires:

- 1.1.1 the singular includes the plural;
- 1.1.2 the masculine gender includes the feminine;
- 1.1.3 “Act” means the Chartered Accountants Act, 2010, as amended from time to time;
- 1.1.4 “Applicant” means any person applying to CPA Ontario under the bylaws;
Amended February 21, 2014
- 1.1.5 “bylaw” or “bylaws” means these Bylaws and any other bylaws of CPA Ontario that may be in force;
- 1.1.6 “certificate of authorization” means a certificate of authorization issued to a professional corporation pursuant to the Public Accounting Act, 2004 to permit it to engage in the practice of public accounting;
- 1.1.7 “CGA Ontario” means The Certified General Accountants Association of Ontario;
New – February 21, 2014
- 1.1.8 “CMA Ontario” means the Certified Management Accountants of Ontario;

BYLAWS

New – February 21, 2014

- 1.1.9 “Committee” means any committee established by the Council pursuant to the bylaws;
- 1.1.10 “Council” means the governing council of CPA Ontario;
- 1.1.11 “Council Member” has the meaning ascribed to it in Section 3.1;
- 1.1.12 “CPAB” means the Canadian Public Accountability Board;
- 1.1.13 “documents” includes deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, bonds, debentures or other securities and all paper writings; and also includes data and information in electronic form;
- 1.1.14 “electronic signature” means electronic information that a person creates or adopts in order to sign a document, and that is in, attached to or associated with the document;
- 1.1.15 “firm” means any entity registered or eligible for registration under the Act or the bylaws, and includes a partnership, a limited liability partnership, and a professional corporation;
- 1.1.16 “immediate family member” means an individual’s spouse, common law spouse, parent, sibling, natural or adopted children, natural grandchildren or a child legally adopted by the natural or adopted child of the individual such that the child is considered a grandchild of the individual;
- 1.1.17 “in good standing” means a person who has not resigned or been suspended from membership or registration or had membership or registration revoked;
- 1.1.18 “legacy CA Member” means a Member who is entitled to use the designation Chartered Accountant;

New – February 21, 2014

- 1.1.19 “legacy CGA Member” means a Member who is entitled to use the designation Certified General Accountant;

New – February 21, 2014

- 1.1.20 “legacy CMA Member” means a Member who is entitled to use the designation Certified Management Accountant;

New – February 21, 2014

1.1.21 “legacy designation” means the designations Chartered Accountant (CA), Certified General Accountant (CGA), or Certified Management Accountant (CMA) as granted or controlled pursuant to an Ontario statute;

New – February 21, 2014 and amended June 18, 2014

1.1.22 “licence” means a licence issued to a Member pursuant to the Public Accounting Act, 2004 to permit the Member to engage in the practice of public accounting;

1.1.23 “Member” means any individual who is admitted as a member of CPA Ontario according to the bylaws, but does not include a Student or Applicant;

Amended February 21, 2014

1.1.24 “organization” includes corporation, company, society, association, firm or similar body as well as any department or division of a government or a Crown corporation, agency, board or commission established by or pursuant to statute;

1.1.25 “PAC Standards” mean the Standards and Guidelines of the Public Accountants Council for the Province of Ontario, as amended from time to time;

1.1.26 “practice of public accounting” means the provision of the services described in s. 2 of the Public Accounting Act, 2004, excluding any exceptions to services listed in s. 3 of that Act;

1.1.27 “practising office” means an office of a Member, firm or professional corporation engaged in the practice of public accounting or in providing accounting services to the public or both; for student registration purposes, and subject in that regard to such conditions as may be stipulated by the Council from time to time, “practising office” also includes Members holding the office of Auditor General of Canada or of Auditor General of Ontario;

1.1.28 “profession” means the profession of Chartered Accountants or Chartered Professional Accountants in Ontario and “professional” refers to that profession;

Amended October 19, 2012

1.1.29 “professional colleague” means a Member of CPA Ontario or a member of a provincial body;

1.1.30 “professional corporation” means a corporation incorporated under the Business Corporations Act that has as its only shareholder(s) a Member or Members;

1.1.31 “providing accounting services to the public” includes:

- (i) the performance of any engagement addressed by standards in the CPA Canada Handbook- Assurance for which a licence is not required under the Public Accounting Act, 2004 to perform the engagement;
Amended February 21, 2014
- (ii) accounting insofar as it involves analysis, advice and interpretation in an expert capacity, but excluding record keeping;
- (iii) taxation, insofar as it involves advice and counselling in an expert capacity, but excluding mechanical processing of returns;
- (iv) compilation services, if it can reasonably be expected that all or any portion of the compilation or associated materials prepared by the Member providing the service will be relied upon or used by a third party, whether or not a licence is required under the Public Accounting Act, 2004; and
- (v) such other services and activities as may be included by the Council by resolution from time to time;

and all references in the Rules of Professional Conduct to “public accounting” shall be read as though they were also references to “providing accounting services to the public”;

1.1.32 “provincial body” means an organization or ordre for the regulation of Chartered Accountants or Chartered Professional Accountants incorporated in any province or territory of Canada other than Ontario, or in Bermuda, and any other organization as set out in the regulations;

Amended February 21, 2014

1.1.33 “public accounting engagement” means an engagement in which a Member, firm or professional corporation provides any service described in s. 2 of the Public Accounting Act, 2004, and excludes the services listed in s. 3 of that Act;

1.1.34 “public representative” means an individual who is not a member, former member, student or former student of any accounting body;

1.1.35 “registration certificate” means a certificate issued under the Act, bylaws, or regulations to a professional corporation;

1.1.36 “regulations” means the regulations and rules of CPA Ontario in force from time to time;

- 1.1.37 “rules” means the procedural rules of CPA Ontario in force from time to time including, but not limited to, the Rules of Practice and Procedure made under s. 25.1 of the Statutory Powers Procedure Act;
- 1.1.38 “Rules of Professional Conduct” means the bylaws of CPA Ontario designated as the Rules or Code of Professional Conduct in force from time to time;
- 1.1.39 “sole proprietor” means a Member providing accounting services to the public or practising public accounting other than in association with any other Member; and
- 1.1.40 “Student” means any individual who is registered as a student with CPA Ontario according to the bylaws.

1.2 *Rulings*

In the event of any dispute as to the intent or meaning of any bylaw or of any rule of professional conduct or regulation made, adopted or enacted pursuant to the bylaws, the ruling of the Council on the construction and interpretation thereof will be final and conclusive. In addition to all its other powers, the Council may publish interpretations for the information and guidance of Members and firms on matters related to the bylaws, regulations and Rules of Professional Conduct.

1.3 *References to Writing*

References to writing will be construed as including, where necessary or appropriate, references to printing, facsimile, electronic mail, and other modes of representing or reproducing words in a visible form.

1.4 *Headings*

Headings used in the bylaws are for convenience of reference only and will not affect the interpretation of the bylaws.

1.5 *Statute Changes*

A reference in a bylaw, rule of professional conduct, regulation or Council interpretation to an Act of the Parliament of Canada or a provincial legislature, the citation or name of which has changed as a result of a general revision of the statutes or an amendment to the applicable Act, shall be deemed to be a reference to the corresponding Act or provision of an Act after the change in name or change in citation; and the Council shall cause the necessary change to the citation or name set out in the published by-law, rule of professional conduct, regulation or Council interpretation to be made at a convenient time of republication.

1.6 *Head Office*

The head office of CPA Ontario shall be in the City of Toronto in the Province of Ontario, at such place as the Council may determine from time to time by resolution.

2. COMPLIANCE WITH BYLAWS, RULES AND REGULATIONS

2.1 *Regulations*

The Council may make regulations with regard to any matter not inconsistent with provincial or federal legislation or the bylaws of CPA Ontario, and in particular may make regulations pursuant to or in furtherance of the objects set out in the Act.

Amended February 21, 2014

2.2 *Compliance – General*

All Members, Students, Applicants, and firms, including professional corporations, by their application for or continuance of membership or registration shall agree and shall be deemed to have agreed with CPA Ontario to the terms of the bylaws, Rules of Professional Conduct and regulations of CPA Ontario, as applicable, and all acts or things done thereunder, including the giving of any notice, publishing or releasing information and the interpretation of any bylaw, rule of professional conduct or regulation by the Council pursuant to these bylaws.

Amended February 21, 2014

2.3 *Compliance – Suspension*

Where all of the rights and privileges of a Member, Student, Applicant, or firm, including a professional corporation, under the Act and the bylaws are or become suspended under these bylaws, the regulations or Rules of Professional Conduct, such individual or firm shall, during the period of suspension, continue to be responsible for all dues and to be subject to the disciplinary powers of CPA Ontario as fully and to the same extent as if such rights and privileges had not been or become suspended.

Amended February 21, 2014

2.4 *Compliance – Revocation*

An individual whose membership is revoked continues to be responsible for all dues and remains subject to the disciplinary powers of CPA Ontario as fully and to the same extent as if that person were a Member, subject to any limitations set out in the Act.

2.5 *Compliance – Public Accounting*

A holder of a public accounting licence or certificate of authorization issued by CPA Ontario remains subject to the disciplinary powers of CPA Ontario as fully and to the same extent, regardless of whether the membership or registration of that holder has been suspended or revoked.

3. GOVERNANCE

3.1 *Council*

The affairs of CPA Ontario shall be managed by a Council composed of sixteen (16) elected Council Members until the 2017 Annual Meeting and fifteen (15) thereafter and four (4) public representatives (collectively “Council Members”). Should the Lieutenant Governor in Council not appoint the number of public representatives provided for in the Act the legal constitution of the Council or its ability to manage the affairs of CPA Ontario shall not be adversely affected.

Amended February 21, 2014 and June 18, 2014

3.2 *Elected Council Members and Transition Provisions*

3.2.1 Elected Council Members, subject to the provisions of Section 3.3 and Subsection 3.2.2, shall be elected in the manner set out in Section 3.4, and shall, subject to Subsections 3.2.2 and 3.16.2, hold office until the third Annual Meeting after election to office or until the successor to the Council Member has been elected and qualified.

Amended February 21, 2014

3.2.2 Effective April 1, 2014, the Council shall appoint from among its number eight (8) Members to continue as elected Council Members, with three (3) appointees to hold office until the 2015 Annual Meeting, three (3) until the 2016 Annual Meeting, and two (2) until the 2017 Annual Meeting, or, in all cases, until the successor to the Council Member has been elected and qualified.

New – February 21, 2014

3.2.3 The elected Council Members not appointed pursuant to Subsection 3.2.2 shall be deemed to have resigned from the Council as of April 1, 2014, and, effective

that same date, the Council shall appoint four (4) legacy CMA Members as nominated, and for the terms specified, by CMA Ontario and, effective July 2, 2014, the Council shall appoint four (4) legacy CGA Members as nominated, and for the terms specified, by CGA Ontario to the Council as elected Council Members.

New – February 21, 2014 and June 18, 2014

3.2.4 Notwithstanding the provisions of Section 3.11 and Subsection 3.2.1, the Council Members appointed to the Council pursuant to Subsection 3.2.3 shall hold office as follows: one (1) legacy CMA Member and one (1) legacy CGA Member until the 2015 Annual Meeting; one (1) legacy CMA Member and one (1) legacy CGA Member until the 2016 Annual Meeting; and two (2) legacy CMA Members and two (2) legacy CGA members until the 2017 Annual Meeting, or, in all cases, until the successor to the Council Member has been elected and qualified.

New – February 21, 2014 and amended June 18, 2014

3.3 *Qualifications*

Each elected Council Member shall:

3.3.1 be, at the date of the election of the Member and thereafter remain throughout the term of office, a Member in good standing of CPA Ontario who is qualified by the terms of this Section 3.3 to hold office;

3.3.2 be at least eighteen (18) years of age;

3.3.3 not be an undischarged bankrupt or a mentally incompetent person;

3.3.4 not have, at the time of the election, served as a Council Member or a member of the Board of Directors of CMA Ontario or CGA Ontario for a total of eight (8) years or more, excluding any period of time the Council Member served as an elected officer of CMA Ontario or CGA Ontario or pursuant to Section 3.16;

Amended February 21, 2014 and June 18, 2014

3.3.5 not be, nor shall any immediate family member be, at the date of the election of the Member and thereafter throughout the term of office, an employee of CPA Ontario, CMA Ontario, or CGA Ontario, or any organization with which any of them is affiliated;

Amended February 21, 2014 and June 18, 2014

3.3.6 not have, within the five (5) years immediately preceding the date of the election and throughout the term of the office:

3.3.6.1 been found guilty of any offence for which an obligation would arise to report to CPA Ontario under the Rules of Professional Conduct;

3.3.6.2 been found guilty of professional misconduct;

3.3.6.3 entered into a settlement agreement with the Professional Conduct Committee; or

Amended February 21, 2014

3.3.6.4 been the subject of a matter that would require informing CPA Ontario under Rule 102 of the Rules of Professional Conduct; and

New – February 21, 2014

3.3.7 not be, as of the date of the election and thereafter throughout the term of office, the subject of an investigation or referral by the Professional Conduct Committee.

If a person ceases to be qualified by the terms of Subsection 3.3.1 to 3.3.6 to hold office, the person thereupon ceases to be a Council Member, and the vacancy so created may be filled in the manner prescribed by Section 3.11.

If a person ceases to be qualified by the terms of Subsection 3.3.7, the person thereupon is suspended from the Council, and has none of the rights and privileges of a Council Member, until such time as the investigation or complaint by the Professional Conduct Committee is concluded or the person becomes disqualified under this Section 3.3.

3.4 *Council Elections*

Subject to the other provisions of this Bylaw 3, at each Annual Meeting held pursuant to Section 5.1 a number of Council Members equal to the number of elected Council Members retiring shall be elected for the term of office set out in Section 3.2.1., except that, at the 2017 Annual Meeting, one fewer Member than the number of elected Council Members retiring shall be elected.

Amended February 21, 2014 and June 18, 2014

3.5 *Call for Nominations*

Not later than sixty (60) days prior to the date of the meeting of Members at which the election of Council Members is to be held, the Secretary shall send a notice to all Members calling for nominations for candidates for the office of Council Member, and requiring that each nomination:

3.5.1 be made in writing;

- 3.5.2 be signed by the number of nominators, who shall be Members in good standing, as the Council may stipulate;
- 3.5.3 be signed by the nominee, certifying the nominee's consent to the nomination and that the nominee is qualified to be a Council Member, pursuant to Section 3.3; and
- 3.5.4 be delivered to the Secretary not later than thirty-five (35) days prior to the date of the meeting at which the election of Council Members is to be held.

3.6 *Election Method*

Where:

- 3.6.1 the number of candidates nominated is equal to the number of offices to be filled, the Secretary shall cast a single ballot electing that number of candidates for the offices; and
- 3.6.2 the number of candidates nominated is greater than the number of offices to be filled, the election shall be by ballot, in the form and manner prescribed by the Council.

3.7 *Meetings of the Council*

- 3.7.1 Meetings of the Council shall be held at least four times in each financial year of CPA Ontario at such times and places within or outside Ontario, as designated in the notice calling the meeting. Meetings of the Council may be called by the Chair, the Vice-Chair, or any two (2) Council Members.
- 3.7.2 Notice of meetings of the Council shall be given to each Council Member either by telephone, facsimile, email or other electronic method not less than two (2) days before the meeting is to take place, or by prepaid letter post not less than ten (10) days before the meeting is to take place, and shall be given to CMA Ontario and CGA Ontario. The statutory declaration of the Chair or Vice-Chair that notice has been given pursuant to this Bylaw shall be sufficient and conclusive evidence of the giving of such notice. No formal notice of a meeting is necessary if all Council Members are present or if those absent have signified their consent to the meeting being held without notice and in their absence.

Amended February 21, 2014 and June 18, 2014

- 3.7.3 The Council may appoint one or more days in each year for regular meetings of the Council at a place and time named; notwithstanding Subsection 3.7.2, no further notice of the regular meetings need be given. The Council shall hold a meeting within seven (7) days of the Annual Meeting of CPA Ontario for the

purpose of organization, the election and appointment of Officers and the transaction of any other business.

- 3.7.4 If all persons who are Council Members or members of a Committee of the Council (as the case requires) consent thereto generally or in respect of a particular meeting and each has adequate access, such persons may participate in a meeting of the Council or Committee by means of such conference telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by such means is deemed to be present at the meeting; provided that, at the outset of each such meeting, and whenever votes are required, the chair of the meeting shall call roll to establish quorum, and shall, whenever not satisfied that the proceedings of the meeting may proceed with adequate security and confidentiality, unless a majority of the persons present at such meeting otherwise require, adjourn the meeting to a predetermined date, time and place.

3.8 *Voting*

- 3.8.1 Each Council Member shall have one (1) vote on all questions arising at any meeting of the Council. Except as provided in Subsections 3.8.2 and 3.8.3, questions arising at any meeting of the Council shall be decided by a majority vote. In the case of an equality of votes, the question shall be deemed to have been lost.

Amended February 21, 2014

- 3.8.2 Except if and as required by law, until the Annual Meeting in 2018, the Council shall not consider any question, including, but not limited to, additional requirements, that, if passed, could impede the access of a Member with a legacy designation to any part of the profession that such a Member had access to through that legacy designation.

New – February 21, 2014

- 3.8.3 Until the Annual Meeting in 2018, all questions regarding the following shall be made by bylaw amendment and shall also require a majority vote of at least 75% of the number of members that comprise Council, failing which the question will be deemed to have been lost:

New – February 21, 2014 and amended June 18, 2014

- 3.8.3.1 Undertaking any change to the CPA certification program as set out in the regulations which could substantively change:

- 3.8.3.1.1 The inclusion of management accounting, financial reporting, strategy and governance, audit and assurance,

finance, and taxation as foundational components of the certification program;

3.8.3.1.2 The rigour of the program to such an extent as it might reasonably and adversely impact the maintenance of existing Mutual Recognition Agreements;

3.8.3.1.3 The practical experience requirements; or

3.8.3.1.4 Access to membership.

New – February 21, 2014

3.8.3.2 Promoting any accounting designation other than Chartered Professional Accountant;

New – February 21, 2014

3.8.3.3 Any decision which results in materially less rigour in any existing rule of professional conduct; and

New – February 21, 2014

3.8.3.4 Any decision which might reasonably lead to a reduction in Chartered Professional Accountants of Canada's commitment to support standard setting or reduces the current level of support for setting accounting and assurance standards.

New – February 21, 2014

3.8.4 At every meeting of the Council, every question shall be decided by a show of hands unless a poll on the question is required by the chair or requested by any Council Member. A declaration by the chair that a resolution has been carried and an entry to that effect in the minutes is conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the resolution.

New – February 21, 2014

3.9 *Written Resolutions*

A resolution in writing, signed by all the persons entitled to vote on that resolution at a meeting of the Council or Committee, is as valid as if it had been passed at a meeting of the Council or Committee called, constituted and held for that purpose.

3.10 *Quorum*

3.10.1 A quorum for the transaction of business at meetings of the Council shall be eight (8) Council Members, and no business shall be transacted at any meeting unless the requisite quorum is present at the commencement of such business.

Amended February 21, 2014 and June 18, 2014

3.10.2 Notwithstanding Subsection 3.10.1, for all business transacted by the Council until the 2016 Annual Meeting, quorum shall include at least two (2) elected Council Members who are legacy CA Members, two (2) elected Council Members who are legacy CGA Members, and two (2) elected Council Members who are legacy CMA Members.

New – February 21, 2014 and amended June 18, 2014

3.11 *Vacancies*

3.11.1 So long as a quorum of the Council Members remains in office, a vacancy in the position of an elected Council Member may be filled for the remainder of the term of that position by the Council Members then in office. If no quorum of the Council Members exists, the remaining Council Members shall forthwith call a General Meeting to fill the vacancies in the Council.

3.11.2 A vacancy filled pursuant to Subsection 3.11.1 shall, until the 2017 Annual Meeting, be filled by a legacy CA Member, if the vacancy was created by a legacy CA Member, by a legacy CGA Member, if the vacancy was created by a legacy CGA Member, and by a legacy CMA Member, if the vacancy was created by a legacy CMA Member.

New – February 21, 2014 and Amended June 18, 2014

3.12 *Removal of Council Members*

3.12.1 The Members entitled to vote may, by resolution passed by at least two-thirds (2/3) of the votes cast at a General Meeting of which notice specifying the intention to pass the resolution has been given, remove any elected Council Member, including any Council Member elected under Section 3.11, before the expiration of the term of office, and may, by a majority of the votes cast at that meeting, elect any person, subject to Subsection 3.12.2, in the place and stead of the person removed for the remainder of the term of the removed Council Member.

Amended February 21, 2014

3.12.2 The person elected pursuant to Subsection 3.12.1 shall be, if the General Meeting takes place at any time prior to the 2017 Annual Meeting, a legacy CA Member if the elected Council Member removed is a legacy CA Member, a legacy CGA Member if the elected Council Member removed is a legacy CGA

Member, and a legacy CMA Member if the elected Council Member removed is a legacy CMA Member.

New – February 21, 2014 and amended June 18, 2014

3.13 Remuneration of Council Members

3.13.1 The Council Members shall serve without remuneration; provided, however, that Council Members shall be entitled to be reimbursed for reasonable expenses incurred in carrying out their duties.

3.13.2 Notwithstanding Subsection 3.13.1, the Council may, by resolution, fix a stipend to be paid to the Chair in compensation for the duties and responsibilities of that position.

3.13.3 Notwithstanding Subsection 3.13.1, the Council may, by resolution, fix an honorarium to be paid to public representatives for their attendance at meetings.

3.14 Disclosure of Interest

Each Council Member who is in any way directly or indirectly interested in any contract or transaction or proposed contract or transaction with CPA Ontario shall disclose such interest in accordance with the provisions of the *Corporations Act* and any conflict of interest policy passed by the Council from time to time.

3.15 Responsibility for Acts

The Council Members shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of CPA Ontario, except such as shall have been submitted to and authorized or approved by the Council.

3.16 Officers

3.16.1 At the first meeting of the Council after a vacancy in the office of Chair the Council shall elect a Chair from among the elected Council Members.

3.16.2 The Chair shall hold office until the second Annual Meeting of the Members after election to office or until the successor to the office has been elected and qualified, except that, until the 2018 Annual Meeting, the regulations may provide for a shorter term of office and for additional qualifications for eligibility as Chair.

Amended February 21, 2014

3.16.3 At the first meeting of the Council following the Annual Meeting of the Members, the Council shall elect a Vice-Chair, Secretary, and Treasurer from among the

elected Council Members, who shall hold office until the next Annual Meeting of the Members or until the successor to the office has been elected and qualified.

- 3.16.4 The powers and duties of the officers are set out in the regulations.
- 3.16.5 The Council may from time to time elect such other officers as it considers expedient, to hold office at the pleasure of the Council, the duties and powers of whom shall be such as the terms of their appointment call for or the Council prescribes.
Amended February 21, 2014
- 3.16.6 An officer, other than the Chair, is eligible for election or re-election for a maximum of six (6) one-year terms which may, but need not be, consecutive.
- 3.16.7 The Chair is not eligible for re-election.
- 3.16.8 Any officer may be removed by resolution of the Council at a meeting of which notice of intention to present such a resolution has been given to all Council Members.

3.17 *Committees of the Council*

- 3.17.1 The Council shall, at the first meeting of the Council after each Annual Meeting, appoint from among its number the following Committees, and shall, until the Annual Meeting in 2017, ensure that each legacy designation is represented on each Committee:

Amended February 21, 2014

- 3.17.1.1 Audit Committee, with responsibility for liaising with the auditors and addressing matters relating to the financial statements of CPA Ontario;
- 3.17.1.2 Finance Committee, with responsibility for overseeing the financial management and the internal financial reporting policies and practices of CPA Ontario;
- 3.17.1.3 Governance and Nominating Committee, with responsibility for all governance matters and documents, and overseeing the nominations and elections processes of CPA Ontario; and
- 3.17.1.4 Management Advisory Committee, with responsibility for overseeing and advising on the management and administration of CPA Ontario, its programs, processes and policies.

- 3.17.2 The Council may also appoint from among its number such other standing and ad hoc Committees as it may determine from time to time by resolution.
- 3.17.3 The Council may, in its discretion, appoint persons who are not Council Members to any Committee established pursuant to this Section 3.17, in accordance with the terms of reference of that Committee.
- 3.17.4 The members of each Committee established pursuant to this Section 3.17 shall hold office only until the next Annual Meeting following their appointment or until their successors have been appointed, and may be re-appointed for successive terms in accordance with the terms of reference of that Committee.
- 3.17.5 Each Committee established pursuant to this Section 3.17 shall have a mandate and act in accordance with its terms of reference as passed by Council resolution, and shall be empowered to give advice and make recommendations to the Council.

3.18 Other Committees

- 3.18.1 The Council shall appoint, for such term as it may specify, the members of the following Committees, none of whom shall be Council Members:
 - 3.18.1.1 Professional Conduct Committee, with all the powers and responsibilities of the complaints committee specified in the Act and the PAC Standards;
 - 3.18.1.2 Discipline Committee, with all the powers and responsibilities specified in the Act and the PAC Standards;
 - 3.18.1.3 Capacity Committee, with all the powers and responsibilities specified in the Act;
 - 3.18.1.4 Appeal Committee, to hear and determine appeals from the Discipline and Capacity Committees, with all the powers and responsibilities specified in the Act and the PAC Standards;
 - 3.18.1.5 Public Accounting Licensing Board, with all the powers and responsibilities specified in the PAC Standards; and
 - 3.18.1.6 Membership Committee, to hear and determine appeals and reviews from decisions of the Registrar and the Public Accounting Licensing Board and other matters as specified in the bylaws and regulations, with all the powers and responsibilities specified in the Act and the PAC Standards.

- 3.18.2 The Council may, from time to time, provide for such other committees as it deems necessary or desirable.
- 3.18.3 Every Committee appointed by the Council pursuant to this Section 3.18 shall be governed by regulations and shall conduct itself and carry out its duties and responsibilities in accordance with the regulations.
- 3.18.4 Unless specifically provided otherwise in regulations, a Committee may sit in panels for any purpose and the quorum for any Committee is three (3) Members.
- 3.18.5 Except as otherwise provided in regulations, each Committee appointed pursuant to this Section 3.18 has the power to make decisions and such decisions shall not be altered or vacated except in accordance with any appeal or review procedure provided in the Act, bylaws or regulations.
- 3.18.6 Notwithstanding the term of membership set out in the bylaws or regulations, the Council may remove any member of a Committee appointed under Section 3.17 or 3.18 by resolution passed by two-thirds of the votes cast by the Council Members.

3.19 Local Committees, District and Student Associations

- 3.19.1 The Council may, by resolution, permit Members or Students to organize local committees or associations.
- 3.19.2 Such local committees or associations shall not speak or act on behalf of CPA Ontario without the express authority of the Council given by resolution.
- 3.19.3 A local committee or association may be dissolved at any time by resolution of the Council.

4. MEMBERSHIP

4.1 Admission

Any individual who meets the requirements and qualifications for membership set out in the regulations shall be admitted as a Member of CPA Ontario.

4.2 Use of Designation

Only Members in good standing are permitted to use the initials and designations set out in the Act, the bylaws or regulations, and such use is subject to any conditions or restrictions contained in the bylaws or regulations, which conditions or restrictions may include a prohibition on using one or more designations and initials.

Amended February 21, 2014

4.3 *Classes*

There shall be four (4) classes of membership in CPA Ontario:

- 4.3.1 Associates;
- 4.3.2 Fellows;
- 4.3.3 Life Members; and
- 4.3.4 Honorary Members.

The members of all classes are Members, except as otherwise expressly provided in the bylaws.

Amended June 18, 2014

4.4 *Associates*

4.4.1 The Registrar shall admit, as an Associate, any individual who has:

- 4.4.1.1 met the educational, examination, practical experience and such other requirements as may be established in the regulations;
- 4.4.1.2 applied for membership as an Associate in accordance with the regulations and paid the prescribed fee; and
- 4.4.1.3 provided the Registrar with such satisfactory references as to his or her character, such particulars as to his or her employment experience and such further information as the Registrar may require.

Amended February 21, 2014

4.4.2 On April 1, 2014, and thereafter, the Registrar shall admit, as Associates, all those who are, as of April 1, 2014 and thereafter, members of CMA Ontario, and those admitted as members of CMA Ontario shall be legacy CMA Members, and on July 2, 2014, and thereafter, the Registrar shall admit, as Associates, all those who are, as of July 2, 2014 and thereafter, members of CGA Ontario, except

those who are honorary members of CGA Ontario, and those admitted as members of CGA Ontario shall be legacy CGA Members.

New – February 21, 2014 and amended June 18, 2014

4.4.3 any individual admitted pursuant to Subsection 4.4.2 who is, on the date of admission, not a member in good standing with CMA Ontario or CGA Ontario, as the case may be, shall not be a Member in good standing until such time as the Registrar is satisfied that individual has done all things necessary to become:

4.4.3.1 a member in good standing of CMA Ontario or CGA Ontario, as the case may be; and

4.4.3.2 a Member in good standing.

New – February 21, 2014 and amended June 18, 2014

4.5 *Repealed June 18, 2014*

4.6 *Fellows*

4.6.1 Any Associate in good standing may, by two-thirds of the votes cast by the Council Members, be admitted a Fellow.

Amended June 18, 2014

4.6.2 An Associate may be admitted a Fellow posthumously.

Amended June 18, 2014

4.6.3 A legacy CMA Member or legacy CGA Member who is a Fellow in good standing with CMA Ontario or CGA Ontario, as the case may be, shall be deemed to have been elected a Fellow of CPA Ontario.

New – February 21, 2014 and amended June 18, 2014

4.6.4 The Council may, by two-thirds of the votes cast by the Council Members, revoke the Fellowship at any time, and shall revoke the Fellowship upon membership in CPA Ontario being revoked.

4.6.5 The Council delegates its authority to revoke the Fellowship of any Member found to have committed professional misconduct to the Discipline or Appeal Committee, as the case may be.

4.6.6 A Fellow shall have the right to use such designation(s) as prescribed by the regulations.

Amended October 19, 2012

4.7 *Life Members*

4.7.1 Any Member in good standing, except an Honorary Member, may, by two-thirds of the votes cast by the Council Members, be elected to life membership in CPA Ontario if the Member:

- (i) is a past Chair of CPA Ontario, CMA Ontario or CGA Ontario;
- (ii) has rendered conspicuous service to CPA Ontario, CMA Ontario or CGA Ontario; or
- (iii) has attained 70 years of age and has completed 40 years of membership in CPA Ontario, or in a provincial body, 25 of which were as a Member of CPA Ontario, CMA Ontario or CGA Ontario or any combination thereof.

Amended February 21, 2014 and June 18, 2014

4.7.2 A legacy CMA Member who is a Retired Life Member or Honorary Life Member in good standing with CMA Ontario shall be deemed to have been elected a Life Member of CPA Ontario and a legacy CGA Member who is a Life Member in good standing with CGA Ontario shall be deemed to have been elected a Life Member of CPA Ontario.

New – February 21, 2014 and amended June 18, 2014

4.7.3 A Life Membership may be revoked as provided in Section 4.20.

4.8 *Honorary Members*

4.8.1 An individual who would not otherwise meet the requirements for membership set out in Section 4.4 may, for conspicuous service to CPA Ontario, CMA Ontario, CGA Ontario or the profession, be elected an Honorary Member of CPA Ontario by two-thirds of the votes cast by the Members present at a meeting of the Members.

Amended June 18, 2014

4.8.2 An Honorary Member may use the designation specified by the Council by resolution from time to time, but otherwise has no rights and privileges of membership, and is not considered a Member for the purposes of the prohibitions set out in the Act.

4.8.3 An Honorary Membership may be revoked by two-thirds of the votes cast by the Members present at a meeting of the Members.

4.9 *Recognition of Specialists*

Subject to Subsection 4.26.11:

- 4.9.1 The Council may, from time to time, pass regulations providing for the training and recognition of specialists.
- 4.9.2 Any regulation passed pursuant to Subsection 4.9.1 may, among other matters, provide for the registration of specialists, the payment of any fee, and the use or restriction on any associated designation, and the promotion or use of such associated designation shall not be a breach of Clause 3.8.3.2 or Subsection 4.26.6.

Amended February 21, 2014

4.10 *Member Contact Obligations*

- 4.10.1 Every Member shall provide CPA Ontario with the Member's legal and assumed names, and with the Member's residential and business address, telephone number, facsimile number, if applicable, and email address, if applicable.
- 4.10.2 Every Member's name shall be listed in the member directory available to the public, along with the Member's business contact information, and such other information as the Council may by resolution determine, unless the Member has been exempted from all or part of this requirement by the Registrar.
- 4.10.3 Every Member shall specify a preferred place of contact (business or residential) for the purposes of being contacted by CPA Ontario.
- 4.10.4 Every Member shall notify CPA Ontario in writing or by electronic means, either before a change takes place or within thirty (30) days of any change in the Member contact information.
- 4.10.5 Upon the Registrar becoming aware of a Member being in breach of this section, the Member's rights and privileges of membership may be suspended by the Registrar. The Member shall remain suspended until the Member complies with the requirements of this section and for an additional period of ten (10) days thereafter.

4.11 *Member Name*

Every Member shall:

4.11.1 practise or hold himself or herself out as a Chartered Accountant or Chartered Professional Accountant only in his or her legal or assumed name as set out in the CPA Ontario register;

Amended February 21, 2014 and June 18, 2014

4.11.2 use any designation controlled by CPA Ontario only in conjunction with his or her legal or assumed name as set out in the CPA Ontario register; and

Amended February 21, 2014 and June 18, 2014

4.11.3 notify CPA Ontario forthwith and provide proof as required by CPA Ontario of any legal change of name.

Amended February 21, 2014

4.12 *Bankruptcy or Insolvency*

A Member shall notify the Registrar in writing within fifteen (15) days of:

4.12.1 becoming a bankrupt;

4.12.2 making a proposal to creditors;

4.12.3 becoming the subject of a formal proceeding as an insolvent debtor; or

4.12.4 having a business of which the Member is an owner placed under a receiving order,

as defined in the *Bankruptcy and Insolvency Act*, and shall be subject to the requirements set out in the regulations.

4.13 *Professional Liability Insurance*

Any Member or firm, including a professional corporation, engaged in the practice of public accounting or providing accounting services to the public shall:

4.13.1 maintain professional liability insurance; and

4.13.2 provide CPA Ontario with satisfactory proof of such insurance,

in accordance with the requirements established by the Council, from time to time, in the regulations.

4.14 *Professional Development*

All Members shall fulfil the requirements for continuing professional learning and development as set out in the regulations.

4.15 *Register*

The Registrar shall keep a register at the head office in which shall be entered in alphabetical order the names of all Members in good standing, and only those Members whose names are entered in the register shall be entitled to the privileges of membership. The Registrar shall also maintain a register of all Members, Students and firms admitted to or registered with CPA Ontario. Such registers shall be open to inspection by any person free of charge.

4.16 *Membership Certificates*

Every Member shall be entitled to receive a certificate of membership in CPA Ontario. Membership certificates, including those issued to Fellows and Life Members, are the property of CPA Ontario, and shall be returned to CPA Ontario forthwith upon request.

4.17 *Firms and Sole Proprietors*

4.17.1 A Member who wishes to practise through a firm or as a sole proprietor must apply to the Registrar to be registered as a firm or a sole proprietor, subject to the terms and conditions as may be specified in the bylaws and the regulations.

Amended February 21, 2014

4.17.2 No Member shall practise public accounting or provide accounting services to the public except through a sole proprietorship or firm that has been registered in accordance with the regulations and that registration is in good standing.

4.17.3 No sole proprietor or firm, including a professional corporation, shall offer or provide public accounting or accounting services to the public unless it is registered in accordance with the regulations and such registration is in good standing.

4.17.4 In addition, a professional corporation shall not carry on any practice or business permitted by law without a registration certificate in good standing and, further, shall not engage in the practice of public accounting without a certificate of authorization in good standing.

4.17.5 A Member or firm, including a professional corporation, shall provide any information or documentation required by the regulations.

4.17.6 A Member, sole proprietor, or firm, including a professional corporation, shall notify the Registrar in writing of any significant change in practice, composition or structure ten (10) days prior to such change being effected. A significant change includes, but is not limited to:

4.17.6.1 the merger, acquisition, closure, or dissolution of a firm; and

4.17.6.2 for a professional corporation, any change in shareholder, director, officer, articles of incorporation, or dissolution.

4.17.7 A firm which has one or more partners or, in the case of a professional corporation, one or more shareholders, who are not legacy CA Members, shall not include in the firm name or use the designation "Chartered Accountant(s)" or the initials "CA", or any similar initials.

Amended February 21, 2014

4.17.8 Upon the Registrar becoming aware of a breach of this Section 4.17, the rights and privileges of the Member or firm may be suspended by the Registrar. The Member or firm shall remain suspended until the requirements of this Section 4.17 are met and for an additional period of ten (10) days thereafter.

4.17.9 Notwithstanding any other provision of this Section 4.17, any firm that is, as of April 1, 2014, registered in good standing with CMA Ontario shall maintain that registration until a date to be determined by resolution, and shall, as of that date, be registered as a firm with CPA Ontario, and any firm that is, as of July 2, 2014, registered in good standing with CGA Ontario shall maintain that registration until a date to be determined by the Registrar, and shall, as of that date, be registered as a firm with CPA Ontario.

New – February 21, 2014 and amended June 18, 2014

4.18 *Resignation*

4.18.1 Any Member may submit a written application, in the form set out in the regulations, to resign from membership in CPA Ontario.

4.18.2 The Registrar may:

4.18.2.1 refuse to accept the resignation in accordance with the regulations;

4.18.2.2 impose conditions which must be satisfied before an application to resign is accepted; or

4.18.2.3 accept the resignation.

- 4.18.3 A resignation shall take effect on the day set by the Registrar.
- 4.18.4 The public accounting licence of a Member who resigns shall be revoked as of the day the resignation from membership in CPA Ontario takes effect.
- 4.18.5 A Member who resigns shall return the certificate of membership and any issued public accounting licence or certificate to the Registrar on or before the date the resignation takes effect.

4.19 Suspension of Membership

The Registrar shall suspend the membership of any legacy CGA or legacy CMA Member immediately upon the suspension of membership by CGA Ontario or CMA Ontario, as the case may be and may, in accordance with the regulations, suspend the membership of any Member or the registration of any firm for the failure to:

Amended June 18, 2014

- 4.19.1 Pay all or part of any dues or other amount levied by CPA Ontario or any Committee;
- 4.19.2 Provide information or produce documents or other materials required under the Act, the bylaws, or the regulations or rules passed by the Council, or requested by the Registrar or any Committee; or
- 4.19.3 Successfully complete any obligation or requirement, or maintain any status, imposed by the Act, the bylaws, or the regulations or rules passed by the Council, or ordered by any Committee, or to provide proof of such successful completion.

Amended October 19, 2012

During the period of suspension, a Member's public accounting licence, if any, shall also be suspended, and the Member or firm has none of the rights and privileges of membership or registration, as the case may be, but is still subject to the authority CPA Ontario and to all obligations to CPA Ontario.

4.20 Revocation of Membership

The Registrar shall revoke the membership of a Member upon the happening of any of the following events:

- 4.20.1 the Registrar decides to accept the resignation in writing of a Member;
- 4.20.2 a Member dies;

- 4.20.3 Sixty (60) days after the imposition of a suspension under Section 4.19, unless, prior to that date, the membership has been reinstated;
- 4.20.4 the membership is ordered revoked by a Committee; or
- 4.20.5 the membership of a legacy CGA or legacy CMA Member is revoked by CGA Ontario or CMA Ontario, as the case may be.

New – June 18, 2014

A Member shall return the certificate of membership and public accounting licence, if any, to the Registrar forthwith upon the revocation of membership.

4.21 *Appeals*

- 4.21.1 A decision by the Registrar to admit to, suspend or revoke a membership under this Bylaw 4 may be appealed by the subject of the decision to the Membership Committee, as set out in the regulations.
- 4.21.2 Practice and procedure before the Membership Committee, including, but not limited to, the time and manner of filing a notice of appeal, shall be governed by the rules.
- 4.21.3 Notwithstanding Subsection 3.18.1, a member of the Membership Committee whose term would otherwise expire remains a member of the Membership Committee until such time as all hearings over which the member is presiding and matters ancillary to such hearings have been concluded.

4.22 *Dues*

- 4.22.1 The Council shall fix fees, dues or assessments (collectively “dues”) to be paid to CPA Ontario by Members, firms, professional corporations, Students, membership candidates and Applicants, and may vary such dues from time to time. The Council shall pass regulations governing such dues and their payment terms and collection.
- 4.22.2 The Council may also require each Member to pay to CPA Ontario the amount charged that Member by the Chartered Professional Accountants of Canada for membership in that organization, and the regulations relating to dues shall apply to this amount.

Amended February 21, 2014

- 4.22.3 Notwithstanding any suspension, resignation or revocation of membership, a Member or former Member remains liable for any dues levied under the authority of this Section 4.22 prior to revocation of the membership.

4.23 *Readmission*

- 4.23.1 The Registrar may readmit as a Member any person, other than a person who was permitted to resign or whose membership was revoked by order of a Committee, as set out in the regulations.
- 4.23.2 Any person who was permitted to resign or whose membership, licence or certificate of authorization was revoked by order of a Committee may only be readmitted by a reconsideration by the Committee specified in the regulations.

4.24 *Liability of Members*

Members shall not, as such, be held answerable or responsible for any act, default, obligation or liability of CPA Ontario or for any engagement, claim, payment, loss, injury, transaction, matter or thing relating to or connected with CPA Ontario.

4.25 *Consent to Disclosure*

Each Member and firm is deemed to consent for all purposes to the release of any and all information and documentation in the possession, under the control or within the power of CPA Ontario to any other regulatory body, to enable that regulatory body to carry out its statutory mandate.

Amended February 21, 2014

4.26 *Legacy Member Rights*

All Members, without regard to, or consideration of, legacy designation or lack thereof, shall have the following rights and protections:

- 4.26.1 Equal support and access to services, privileges and courses provided by CPA Ontario;
- 4.26.2 To be treated equally and without preference or discrimination based on legacy designation;
- 4.26.3 An appropriate level of investment by CPA Ontario in research and publications in the areas of accountants in business and management accounting, reflective of the percentage of Members practising in those areas, and in the areas included in providing accounting services to the public, commensurate with the need to protect the public interest;
- 4.26.4 Professional development that meets the needs of, and is accessible to, all Members;

- 4.26.5 No changes to access to areas of practice without CPA Ontario assessing and taking into account economic viability to all Members, and making available appropriate transition support to affected Members;
- 4.26.6 CPA Ontario will not support, promote or brand any designation other than Chartered Professional Accountant, and will not issue the chartered accountant designation except to Students and Applicants who are registered on or before February 1, 2015, and who complete all the requirements of the chartered accountant designation and are admitted to membership on or before February 1, 2020;
- 4.26.7 A Member who has been granted a legacy designation shall not use that designation except in conjunction with, and immediately following, the Chartered Professional Accountant designation. Until November 1, 2022, the Chartered Professional Accountant designation must be used with the appropriate legacy designation by all legacy CA, CGA and CMA Members, and thereafter may be used without the legacy designation;

Amended June 18, 2014

- 4.26.8 CPA Ontario shall not issue, endorse or support any communication suggesting the competence or skills of any holder of a legacy designation are superior or inferior to those of another legacy designation solely by reason of that designation;
- 4.26.9 Subject to any agreement in writing among CPA Ontario, CGA Ontario and CMA Ontario, no Member shall be precluded from access to a position or role with CPA Ontario by reason solely of legacy designation;

Amended June 18, 2014

- 4.26.10 CPA Ontario shall encourage and assist the Chartered Professional Accountants of Canada (CPA Canada) to renegotiate current Mutual Recognition Agreements (MRAs) and negotiate new MRAs so as to provide the same benefits and access to all Members, and shall assist and encourage CPA Canada to ensure that no changes to the qualification and any other program resulting in a disparate impact to Members by reason of legacy designation are made;
- 4.26.11 All Members, if they otherwise meet the requirements of the specialty, shall have equal access to any specialty designations or programs offered or supported by CPA Ontario, and no Member shall be denied access based on a legacy designation or a condition or pre-condition to obtaining that legacy designation.

New – February 21, 2014

5. MEETINGS OF THE MEMBERS

5.1 *Annual Meeting*

The Annual Meeting of the Members shall be held within six months of the end of each financial year of CPA Ontario and within fifteen (15) months of the holding of the previous Annual Meeting, within Ontario, at a time, place and date determined by the Council, for the purpose of:

- 5.1.1 hearing and receiving the reports and statements required by law to be read at and laid before the Members at an Annual Meeting;
- 5.1.2 electing such Council Members as are to be elected at such Annual Meeting;
- 5.1.3 appointing the auditor, who shall be from a firm other than that of a Council Member, and fixing or authorizing the Council to fix the remuneration therefor; and
- 5.1.4 the transaction of any other business properly brought before the meeting.

5.2 *General Meeting*

The Council may at any time call a General Meeting of Members for the transaction of any business, the general nature of which is specified in the notice calling the meeting. A General Meeting of Members may also be called as provided in the *Corporations Act* by delivering to the Registrar a requisition specifying the purpose or business to be transacted at the meeting, signed by no less than one tenth of the Members entitled to vote at the meeting proposed.

5.3 *Notice of Meetings*

Notice of the time, place and date of meetings of Members and the general nature of the business to be transacted shall be given at least ten (10) days before the date of the meeting to each Member (and in the case of an Annual Meeting to the auditor of CPA Ontario) by sending notice by any one of the methods set out in Section 14 that provides for individual notice.

5.4 *Council Members*

All Council Members are entitled to be given notice of any meeting of the Members, and to attend and speak at any such meeting.

5.5 *Quorum*

A quorum for the transaction of business at meetings of the Members shall be twenty-five (25) of the Members of CPA Ontario present in person or represented by proxy (with at least two persons present in person), and no business shall be transacted at any meeting unless the requisite quorum is present at the commencement of such business;

5.5.1 Provided however that where:

5.5.1.1 less than twenty-five (25), but two (2) or more, persons are present in person after one-half hour after the commencement time specified in the notice calling the meeting of Members; and

5.5.1.2 the business transacted is limited to the selection of a chair and a secretary for the meeting, the recording of the names of those present, and the passing of a motion to adjourn the meeting with or without specifying a date, time and place for the resumption of the meeting,

then two (2) persons present in person constitute a quorum.

5.6 *Voting by Members*

5.6.1 Each Member in good standing, including Associates, Fellows and Life Members, but excluding Honorary Members, is entitled to vote on any matter proposed for consideration and shall have one (1) vote on all questions arising at any meeting of the Members.

Amended October 19, 2012 and June 18, 2014

5.6.2 Unless otherwise required by the provisions of law or the bylaws, all questions proposed for consideration at a meeting of Members shall be determined by a majority of the votes cast. In the case of an equality of votes, the question shall be deemed to have been lost.

5.7 *Proxies*

Every Member entitled to vote at a meeting of Members may by means of a proxy appoint the Secretary or any Member in good standing as nominee for the Member, to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. A proxy shall be in writing, and any notice calling a meeting of Members shall include a form of proxy, or a reminder of a voting Member's right to use a proxy. A proxy shall be executed by the Member entitled to vote or the attorney of the Member authorized in writing, and ceases to be valid one (1) year from its date or earlier upon revocation. Subject to the requirements of law, a proxy may be in such form as the Council from time to time prescribes or in such other form as the chair of the meeting may accept as sufficient. The

proxy shall be deposited with the Secretary before any vote is called under its authority or at such earlier time as set out in the notice of the meeting and in such manner as the Council may prescribe.

5.8 *Show of Hands*

At all meetings of Members every question shall be decided by a show of hands unless otherwise required by the bylaws or unless a poll is required by the chair or requested by ten (10) or more Members present. Upon a show of hands, every Member entitled to vote, or proxyholder for a Member entitled to vote, present in person shall have one (1) vote. Whenever a vote by show of hands has been taken upon a question, unless a poll is requested, a declaration by the chair that a resolution has been carried or lost by a particular majority and an entry to that effect in the minutes of CPA Ontario is conclusive evidence of the fact without proof of the number or proportion of votes recorded in favour of or against the motion.

5.9 *Chair*

In the absence of the Chair or Vice-Chair, the Members entitled to vote present at any meeting of Members shall choose another Council Member as chair and if no Council Member is present or if all the Council Members present decline to act as chair, the Members present shall choose one of their number to be chair.

5.10 *Polls*

If at any meeting a poll is requested on the election of a chair or on the question of adjournment, it must be taken forthwith without adjournment. If a poll is requested on any other question, it shall be taken in the manner and either at once or later at the meeting or after adjournment as the chair directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was requested. A request for a poll may be withdrawn at any time prior to the taking of the poll.

5.11 *Adjournments*

Any meeting of Members may be adjourned to any time and from time to time, and any business may be transacted at any adjourned meeting that might have been transacted at the original meeting from which the adjournment took place. No notice is required of any adjourned meeting.

5.12 *Conduct of Meetings*

In all cases for which no specific provision is prescribed by law or made in the bylaws, the rules and practice of the latest edition of Robert's Rules of Order shall govern as far as

applicable, provided that no action of CPA Ontario or of the Council shall be invalid by reason only of a failure to adhere to such Rules.

6. STUDENTS AND APPLICANTS

Amended June 18, 2014

6.1 General

A Student or Applicant is not a Member of CPA Ontario and has none of the rights and privileges of membership.

Amended February 21, 2014

6.2 Registration

The Registrar shall register and continue the registration as a Student or Applicant any individual who:

Amended February 21, 2014

6.2.1 meets the educational, examination, practical experience and such other requirements established in the regulations;

6.2.2 applies for registration as a Student or Applicant in accordance with the regulations and pays the prescribed fee; and

Amended February 21, 2014

6.2.3 provides the Registrar with such satisfactory references as to his or her character, such particulars as to his or her employment experience and such further information as the Registrar may require.

The Registrar shall also register as a Student, on April 1, 2014, all individuals who are, as of that date, registered as Students with CMA Ontario and shall also register as a Student, on July 2, 2014, all individuals who are, as of that date, registered as Students with CGA Ontario.

Amended February 21, 2014 and June 18, 2014

6.3 Conduct

Students and Applicants are subject to the bylaws, Rules of Professional Conduct and regulations and to the regulatory and disciplinary processes of CPA Ontario as though they were, and to the same extent as, Members.

Amended February 21, 2014

6.4 *Deregistration*

6.4.1 The Registrar shall deregister any Student or Applicant who fails to comply with the requirements of the regulations, and shall not thereafter reregister such Student or Applicant except as provided by such regulations.

Amended February 21, 2014

6.4.2 A reregistration may be subject to conditions or restrictions.

6.4.3 A Student or Applicant who resigns while the subject of the investigation or discipline processes of CPA Ontario, including any disciplinary order, shall be deregistered and shall not be eligible for reregistration except at the discretion of the Registrar.

Amended February 21, 2014

6.4.4 A Student or Applicant who files false or misleading documentation with CPA Ontario, attempts in any manner to mislead CPA Ontario, or fails to provide any information, documentation or materials requested by the Registrar, shall be deregistered and shall not thereafter be reregistered except at the discretion of the Registrar.

Amended February 21, 2014

6.5 *Requirements*

6.5.1 Every Student and Applicant shall complete any educational, experience, examination and other requirements specified in the bylaws or regulations, within the time limits set out in the regulations.

6.5.2 A failure to complete the requirements within the time limits shall result in the Registrar deregistering the Student or Applicant.

6.5.3 The Registrar may suspend the registration of a Student or Applicant at any time, as set out in the regulations, and the Student or Applicant shall have no rights or privileges during the period of such suspension.

Amended February 21, 2014

6.6 *Appeal*

6.6.1 A registration decision by the Registrar under this Bylaw 6 may be appealed by the subject of the decision to the Membership Committee as provided in the regulations.

6.6.2 Practice and procedure before the Membership Committee, including, but not limited to, the time and manner of filing a notice of appeal, shall be governed by the rules.

6.6.3 Notwithstanding Subsection 3.18.1, a member of the Membership Committee whose term would otherwise expire remains a member of the Membership Committee until such time as all hearings over which the member is presiding and all matters ancillary to such hearings have been concluded.

6.7 *Training Offices*

6.7.1 Except as may be provided in the regulations, no practising office or organization shall employ any Student unless the office or organization has been approved by CPA Ontario as a training office.

Amended June 18, 2014

6.7.2 A training office shall comply with the regulations, including the maintenance of standards, passed by the Council.

6.7.3 A training office shall be subject to such practice inspections as CPA Ontario in its discretion, deems appropriate, and the training office shall cooperate fully with such inspections.

6.8 *Consent to Disclosure*

Each Student and Applicant is deemed, by making application for registration or by registration with CPA Ontario, to consent for all purposes to the release of any and all information and documentation in the possession, under the control or within the power of CPA Ontario to any other regulatory body, to enable that regulatory body to carry out its statutory mandate.

New – February 21, 2014

7. STANDARDS OF THE PROFESSION

7.1 *Standards of Conduct*

The standards of conduct for the profession are contained in the Rules of Professional Conduct, which form part of the bylaws.

7.2 *Deemed Knowledge of Firms*

There is a rebuttable presumption that a firm knows of any act, conduct, omission, matter or thing in respect of any of its Members, Students, employees or agents which, in the

course of carrying out the business of the firm, breaches the Rules of Professional Conduct or the standards of practice of the profession.

7.3 *Complaints*

7.3.1 A complaint regarding a Member, Student, Applicant, or firm shall be made in the form and manner specified in the regulations.

Amended February 21, 2014

7.3.2 The Professional Conduct Committee may, in its sole discretion, consider information received from any source a complaint, and review and investigate accordingly.

7.4 *Professional Conduct Committee*

7.4.1 The Professional Conduct Committee shall exercise its duties and responsibilities in accordance with the regulations governing it, and may, in its sole discretion, refer any matter reviewed or investigated to the Registrar for consideration as a capacity matter.

7.4.2 Notwithstanding Subsection 3.18.1, a member of the Professional Conduct Committee whose term would otherwise expire remains a member of the Professional Conduct Committee until such time as all matters which the member is considering and matters ancillary to such matters have been concluded.

7.5 *Reviewer of Complaints*

7.5.1 The Council shall appoint, for such term as it may specify, a Reviewer of Complaints, who shall not be a Member or former Member of, or student or former student registered with, CPA Ontario.

7.5.2 Any complainant dissatisfied with a decision of the Professional Conduct Committee not to refer a Member, Student, Applicant, or firm to the Discipline Committee may apply to the Reviewer of Complaints, as prescribed in the regulations, for a review of the Professional Conduct Committee's decision.

Amended February 21, 2014

7.5.3 The Reviewer of Complaints shall have such powers and responsibilities as set out in the regulations.

7.5.4 The decision of the Reviewer of Complaints is final.

7.5.5 Notwithstanding Subsection 7.5.4, a complainant who remains dissatisfied with the decision of the Reviewer of Complaints may request the Public Accountants Council to review the handling of the complaint as it relates to a holder of a public accounting licence or certificate of authorization.

7.6 *Discipline Committee*

7.6.1 In addition to the powers and responsibilities of the Discipline Committee set out in the Act, the Discipline Committee shall have the power to informally admonish a Member, Student, Applicant, or firm, regardless of whether a finding of professional misconduct is made.

Amended February 21, 2014

7.6.2 Notwithstanding Subsection 3.18.1, a member of the Discipline Committee whose term would otherwise expire remains a member of the Discipline Committee until such time as all hearings over which the member is presiding and matters ancillary to such hearings have been concluded.

7.6.3 Practice and procedure before the Discipline Committee shall be governed by the rules.

7.7 *Appeal*

7.7.1 Practice and procedure before the Appeal Committee, including, but not limited to, the time and manner of filing a notice of appeal, shall be governed by the rules.

7.7.2 Notwithstanding Subsection 3.18.1, a member of the Appeal Committee whose term would otherwise expire remains a member of the Appeal Committee until such time as all hearings over which the member is presiding and matters ancillary to such hearings have been concluded.

7.8 *Public Notice*

7.8.1 Notice of the place, date and time of all hearings and considerations of settlement agreements before the Discipline Committee, and all appeals from that Committee, shall be posted on CPA Ontario's website, along with the name of the Member, Student, Applicant, or firm and such other information as set out in the regulations.

Amended February 21, 2014

7.8.2 Notice of any finding of professional misconduct or settlement agreement, disclosing the name of the Member, Student, Applicant, or firm, and any other information as set out in the regulations shall be posted on CPA Ontario's

website, and in such other manner as set out in the regulations, unless ordered otherwise by the Committee hearing the matter.

Amended February 21, 2014

- 7.8.3 All Members, Students, Applicants, membership candidates and firms shall be deemed to have consented to any notice, publication or release of information under the bylaws or regulations.

8. CUSTODIANSHIP AND CAPACITY

8.1 Custodianship

- 8.1.1 CPA Ontario may require any custodian named by court order, or agent of such custodian, to account to CPA Ontario for all or part of the property subject to the order.
- 8.1.2 A custodian, or agent of the custodian, shall not seek or be entitled to any compensation other than as set out in an order of the court respecting the custodianship.
- 8.1.3 A custodian or agent, other than an employee of CPA Ontario, undertaking custodianship activities is deemed to be providing accounting services to the public.

8.2 Capacity – Investigation

- 8.2.1 The Registrar may consider information received from any source in determining whether to conduct and in conducting any investigation.
- 8.2.2 A decision of the Registrar whether to investigate or not is final.
- 8.2.3 At any time prior to the Capacity Committee making a finding of incapacity, the Registrar may refer a matter to the Professional Conduct Committee for consideration as a matter of professional misconduct.

8.3 Capacity Committee

- 8.3.1 A decision of the Registrar whether or not to refer a matter to the Capacity Committee is final.
- 8.3.2 Practice and procedure before the Capacity Committee shall be governed by the rules.

- 8.3.3 Notwithstanding Subsection 3.18.1, a member of the Capacity Committee whose term would otherwise expire remains a member of the Capacity Committee until such time as all hearings over which the member is presiding and matters ancillary to such hearings have been concluded.

8.4 Appeals

- 8.4.1 A party may appeal a decision or order made by the Capacity Committee to the Appeal Committee.
- 8.4.2 Practice and procedure before the Appeal Committee, including, but not limited to, the time and manner of filing a notice of appeal, shall be governed by the rules.
- 8.4.3 Notwithstanding Subsection 3.18.1, a member of the Appeal Committee whose term would otherwise expire remains a member of the Appeal Committee until such time as all hearings over which the member is presiding and matters ancillary to such hearings have been concluded.

9. PUBLIC ACCOUNTING LICENCES

9.1 Entitlement

Membership does not, in and of itself, entitle a Member to a public accounting licence.

9.2 Requirement of a Licence or Certificate

A Member or firm, including a professional corporation, shall not engage in the practice of public accounting without:

- 9.2.1 holding a valid and current public accounting licence or certificate of authorization issued by an authorized designated licensing body in Ontario; and
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- 9.2.2 registering with CPA Ontario in accordance with Section 4.17.

9.3 Issuance of New Public Accounting Licence

A Member is eligible to be issued a new public accounting licence if the Member has:

- 9.3.1 applied for a licence in accordance with the regulations and paid the prescribed fee;

9.3.2 subject to Subsection 3.8.2, met the educational, study, practical experience, examination and other requirements as set out in the regulations; and
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9.3.3 satisfied the Public Accounting Licensing Board that the Member is of good character.

9.4 Renewal of Public Accounting Licence

A Member is eligible for the renewal of a public accounting licence if the Member has:

9.4.1 applied for renewal in accordance with the regulations and paid the prescribed fee;

9.4.2 applied for renewal prior to the expiry date of the licence; and

9.4.3 met all other requirements for renewal set out in the regulations.

9.5 Discretion in Issuance and Renewal of Licence

The Public Accounting Licensing Board may further, in its discretion, issue or renew a licence of a Member in the circumstances outlined in the regulations and in accordance with the procedure outlined therein.

9.6 Issuance and Renewal of a Certificate of Authorization

A professional corporation is eligible for the issuance or renewal of a certificate of authorization if the professional corporation has:

9.6.1 made an application in accordance with the regulations and paid any prescribed fee; and

9.6.2 met all other requirements set out in the regulations.

9.7 Loss of Licence or Certificate of Authorization

9.7.1 To retain a public accounting licence, a Member must be in good standing.

9.7.2 The public accounting licence or certificate of authorization of any Member or professional corporation may be suspended or revoked for the failure to meet the requirements set out in the bylaws or regulations.

9.8 Required Disclosures by Public Accountants

A Member or firm, including a professional corporation, shall make the disclosures set out in the regulations on any statement or report relating to a public accounting engagement.

9.9 *Public Accounting Licensing Board*

The Public Accounting Licensing Board shall have the power to issue and renew public accounting licences and certificates of authorization in accordance with the regulations.

9.10 *Membership Committee*

The Membership Committee shall have the power to review licensure decisions and consider any other matter referred to it pursuant to the regulations, and shall conduct itself in accordance with the regulations.

9.11 *Consent to Disclosure of Information and Documentation*

Each Member and firm, including a professional corporation, engaged in the practice of public accounting shall be deemed to consent for all purposes to the release of any and all information and documentation in the possession, under the control or within the power of the Member or firm, including a professional corporation, to CPA Ontario and to the Public Accountants Council for the Province of Ontario for the purpose of enabling either or both of them to carry out their respective responsibilities and functions pursuant to the *Public Accounting Act, 2004* and the Standards adopted in accordance with the provisions of that Act, and for the purposes of enabling CPA Ontario to carry out its responsibilities and functions pursuant to the Act, bylaws and regulations.

9.12 *Mandatory Registration with the Canadian Public Accountability Board*

Every Member or firm, including a professional corporation, authorized to engage in the practice of public accounting that issues, or seeks to be authorized to issue, audit reports on financial statements of any reporting issuer as defined in the Ontario *Securities Act* shall be registered with CPAB, shall be subject to the rules and oversight of CPAB and shall be inspected by CPAB in respect of the performance of such engagements.

10. PRACTICE INSPECTION

10.1 *Practice Inspection Program*

10.1.1 CPA Ontario shall maintain a practice inspection program, in accordance with the Act and the regulations, with the power to inspect the practice of any Member or firm engaged in the practice of public accounting or in providing accounting services to the public, whether or not such Member is a licensed public accountant, and to inspect any approved training office, whether or not such

office engages in the practice of public accounting or provides accounting services to the public.

- 10.1.2 The practice inspection program shall keep all matters coming to its attention confidential until the conclusion of its review and inspection, if any, except as required by law or provided in the regulations.

10.2 *Powers*

- 10.2.1 A Member, firm or training office subject to practice inspection shall cooperate fully with the practice inspection program and shall produce any working paper files, books, documents or other material in his, her or its possession, custody or control forthwith upon the request of a practice inspector.

- 10.2.2 The practice inspection program has the powers, duties and responsibilities set out in the regulations and, specifically, has the power to refer a matter to the Professional Conduct Committee for investigation for professional misconduct, resulting from the failure of a Member, firm or training office to cooperate or from a finding of the inspection, or otherwise.

11. MEMBER SERVICES

11.1 *Programs*

CPA Ontario may, in its sole discretion,

- 11.1.1 offer, alter, or discontinue any program or service intended to benefit or assist its Members; and
- 11.1.2 restrict access to any such program or service by its Members, but any such restriction shall not be based on the holding, or lack of, a specific legacy designation.

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By participating in any such program or service, a Member shall be deemed to have agreed to indemnify and save harmless CPA Ontario from and against all costs, charges and expenses incurred by CPA Ontario in relation to any demand, action, suit or proceeding brought, commenced or prosecuted against CPA Ontario or any related person in respect of any act, deed, matter or thing arising, directly or indirectly, from the program or service, or the Member's participation therein.

11.2 *Practice Advisory*

- 11.2.1 CPA Ontario may, in its sole discretion, provide a confidential service to assist Members in interpreting the Rules of Professional Conduct, the Act, the bylaws, and regulations, as well as ethical and practice management issues.
- 11.2.2 A Member shall not substitute assistance provided under Subsection 11.2.1 for any obligation to exercise due diligence and professional judgment, and no Member or firm may raise any such assistance as a defence to a complaint of professional misconduct by the Professional Conduct Committee.
- 11.2.3 Any assistance under Subsection 11.2.1 is provided on a “no names” basis, is not binding on CPA Ontario, and is not admissible in any proceeding under the Act.
- 11.2.4 A Member providing assistance under Subsection 11.2.1 is exempt from rule 211 of the Rules of Professional Conduct for the reporting of information obtained from the Member seeking assistance during the course of providing assistance.

12. INSURANCE AND INDEMNIFICATION

12.1 Insurance

CPA Ontario shall purchase and maintain appropriate liability insurance for the benefit of CPA Ontario and each person acting or having previously acted in the capacity of a Council Member, Officer or any other capacity at the request of or on behalf of CPA Ontario, which insurance shall include:

- 12.1.1 property and public liability insurance;
- 12.1.2 Directors' and Officers' insurance;

and may include:

- 12.1.3 such other insurance as the Council sees fit from time to time,

with coverage limits in amounts per occurrence, with aggregate maximum limits and with insurers, all as deemed appropriate by the Council from time to time.

CPA Ontario shall ensure that each Council Member and Officer is added as a named insured to any policy of Directors and Officers insurance maintained by CPA Ontario.

No coverage shall be provided for any liability relating to a failure to act honestly and in good faith with a view to the best interests of CPA Ontario.

It shall be the obligation of any person seeking insurance coverage or indemnity from CPA Ontario to co-operate fully with CPA Ontario in the defence of any demand, claim or suit made against such person, and to make no admission of responsibility or liability to any third party without the prior agreement of CPA Ontario.

12.2 *Liability Exclusion*

Absent the failure to act honestly and in good faith in the performance of the duties of office, and save as may be otherwise provided in any legislation or law, no present or past Council Member, officer, member of a Committee or employee shall be personally liable for any loss or damage or expense to CPA Ontario arising out of the acts (including wilful, negligent or accidental conduct), receipts, neglects, omissions or defaults of such Council Member, officer, member of a Committee or employee or of any other Council Member, officer, member of a Committee or employee, servant, agent, volunteer or independent contractor arising from any of the following:

- 12.2.1 insufficiency or deficiency of title to any property acquired by CPA Ontario or for or on behalf of CPA Ontario;
- 12.2.2 insufficiency or deficiency of any security in or upon which any of the monies of or belonging to CPA Ontario shall be placed out or invested;
- 12.2.3 loss or damage arising from the bankruptcy or insolvency of any person, firm or corporation including any person, firm or corporation with whom or which any monies, securities or effects shall be lodged or deposited;
- 12.2.4 loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with monies, securities or other assets belonging to CPA Ontario;
- 12.2.5 loss, damage or misfortune whatsoever which may occur in the execution of the duties of the Council Member's, officer's, member of a Committee's or employee's respective office or trust or in relation thereto; and
- 12.2.6 loss or damage arising from any wilful act, assault, act of negligence, breach of fiduciary or other duty or failure to render aid of any sort.

12.3 *Indemnification*

Every person (in this Section referred to as a “protected person”), including the respective heirs, executors and administrators, estate, successors and assigns of the person, who:

12.3.1 is a Council Member; or

12.3.2 is an Officer of CPA Ontario; or

12.3.3 is a Member of a Committee; or

12.3.4 has undertaken, or, with the direction of CPA Ontario is about to undertake, any liability on behalf of CPA Ontario or any organization controlled by CPA Ontario, whether in the person’s personal capacity or as a Council Member or Officer or employee or volunteer of such corporation,

shall be indemnified and saved harmless (including, for greater certainty, the right to receive the first dollar payout, and without deduction or any co-payment requirement) to a maximum limit per claim made as established by the Council from time to time, from and against all costs, charges and expenses which such protected person sustains or incurs:

12.3.5 in or in relation to any demand, action, suit or proceeding which is brought, commenced or prosecuted against such protected person in respect of any act, deed, matter or thing whatsoever, made, done or permitted or not permitted by such protected person, in or in relation to the execution of the duties of such office or in respect of any such liability; or

12.3.6 in relation to the affairs of CPA Ontario generally,

save and except such costs, charges or expenses as are occasioned by the failure of such protected person to act honestly and in good faith in the performance of the duties of office.

Such indemnity will only be effective:

12.3.7 upon the exhaustion of all available and collectible insurance provided to protected persons by CPA Ontario inclusive of whatever valid and collectible insurance has been collected; and

Amended February 21, 2014

12.3.8 providing the protected person has carried out all duties assigned to him which are subject of the claim in complete good faith so as to comply with the conditions of the insurance policy concerning entitlement to coverage.

Amended February 21, 2014

CPA Ontario shall also, upon approval by the Council from time to time, indemnify any such protected person, firm or corporation in such other circumstances as any legislation or laws permit or require.

Nothing in this Bylaw shall limit the right of any person, firm or corporation entitled to indemnity to claim indemnity apart from the provisions of this Bylaw to the extent permitted by any legislation or law.

13. DOCUMENTS AND FINANCIAL MATTERS

13.1 Cheques, Drafts, Notes, Etc.

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by the Officer or Officers or person or persons and in the manner from time to time prescribed by the Council.

13.2 Execution of Documents

Documents requiring execution by CPA Ontario shall be signed by an elected officer and the President and CEO, or his delegate for the purpose, or in such other manner as the Council may determine by resolution.

13.3 Books and Records

CPA Ontario shall cause to be kept all necessary books and records required by the bylaws or by any applicable statute to be kept.

13.4 Retention of Documents

All information and documents in the possession of CPA Ontario, the Council or any Committee shall be retained and destroyed in accordance with the regulations.

13.5 Banking

The Council shall designate, by resolution, the Officers and other persons authorized to transact the banking business of CPA Ontario, or any part thereof, with the bank, trust company, or other corporation carrying on a banking business that the Council has designated as CPA Ontario's banker, to have the authority set out in the resolution, including, unless otherwise restricted, the power to:

13.5.1 operate CPA Ontario's accounts with the banker;

- 13.5.2 make, sign, draw, accept, endorse, negotiate, lodge, deposit or transfer any of the cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money;
- 13.5.3 issue receipts for and orders relating to any property of CPA Ontario;
- 13.5.4 execute any agreement relating to any banking business and defining the rights and powers of the parties thereto; and
- 13.5.5 authorize any Officer of the banker to do any act or thing on CPA Ontario's behalf to facilitate the banking business.

13.6 *Deposit of Securities*

The securities held by CPA Ontario shall be deposited for safe keeping with one or more bankers, trust companies or other financial institutions to be selected by the Council. Any and all securities so deposited may be withdrawn, from time to time, only upon the written order of CPA Ontario signed by such Officer or Officers, agent or agents of CPA Ontario, and in such manner, as shall from time to time be determined by resolution of the Council and such authority may be general or confined to specific instances. The institutions which may be so selected as custodians of the Council shall be fully protected in acting in accordance with the directions of the Council and shall in no event be liable for the due application of the securities so withdrawn from deposit or the proceeds thereof.

13.7 *Borrowing*

Subject to the limitations set out in the bylaws or in the Act, the Council may:

- 13.7.1 borrow money on the credit of CPA Ontario;
- 13.7.2 issue, sell or pledge securities held by CPA Ontario; or
- 13.7.3 charge, mortgage, hypothecate or pledge all or any of the real or personal property of CPA Ontario, including book debts, rights, powers, franchises and undertakings, to secure any securities or any money borrowed, or other debt, or any other obligation or liability of CPA Ontario,

provided that, except where CPA Ontario borrows on the security of its real or personal property, its borrowing power shall be limited to borrowing money for current operating expenses.

13.8 *Specific Borrowing Authority*

From time to time the Council may authorize any Council Member, Officer or employee of CPA Ontario or any other person to make arrangements with reference to the money so borrowed or to be borrowed and as to the terms and conditions of the loan thereof, and as to the security to be given therefore, with power to vary or modify such arrangements, terms and conditions and to give such additional security as the Council may authorize, and generally to manage, transact and settle the borrowing of money by the Council.

13.9 Investments

Council or its delegate may invest and re-invest the funds of CPA Ontario in such prudent manner as determined by Council. Council may employ, at such remuneration as it deems fit, such technical or professional assistance as it may require in the purchase, sale and management of CPA Ontario's investments.

13.10 Affiliations

13.10.1 CPA Ontario is affiliated with the Chartered Professional Accountants of Ontario Foundation, a charitable organization incorporated under the laws of Ontario. CPA Ontario may also, by resolution of Council, establish and continue affiliated foundations and other entities whose work supports CPA Ontario and authorize transfers of funds to affiliated foundations and such other entities.

13.10.2 CPA Ontario may, by resolution of the Council, enter into an affiliation agreement with a university, college, school, corporation or other entity that supports CPA Ontario's objects.

13.11 Grants and Donations

The receipt, management and investment of contributions, donations and bequests from Members and others for benevolent and charitable purposes shall be the responsibility of the Chartered Professional Accountants of Ontario Foundation, unless the Council by resolution determines otherwise.

13.12 Financial Year

The financial year of CPA Ontario shall terminate on the last day of March in each year or on such other date as the Council may from time to time by resolution determine.

Amended February 21, 2014

13.13 Auditors

The Members entitled to vote shall at each Annual Meeting appoint an auditor to audit the books of CPA Ontario, to hold office until the next Annual Meeting, provided that the Council may fill any casual vacancy in the office of the auditor. The remuneration of the

auditor shall be fixed by the Members entitled to vote or by the Council, if authorized to do so by the Members entitled to vote.

14. NOTICE

14.1 Method of Notice

Except where otherwise provided in the bylaws, regulations or rules, notice shall be validly given if given by telephone, and notice shall also be validly given or a document sent if given or sent:

14.1.1 by personal delivery;

14.1.2 by ordinary mail;

14.1.3 by facsimile;

14.1.4 by e-mail;

14.1.5 by other electronic method; or

14.1.6 by inclusion in Checkmark magazine, or other successor or similar publication mailed to the Member,

addressed to the person for whom intended at the last address shown on CPA Ontario's records; or in lieu of the foregoing;

14.1.7 by posting such notice on the Web Site maintained by CPA Ontario.

Any such notice shall be deemed given:

14.1.8 in the case of telephone, at the time of the telephone call;

14.1.9 in the case of personal delivery, when delivered;

14.1.10 in the case of mailing, on the third day after mailing;

14.1.11 in the case of posting on the Web Site, on the date of posting; and

14.1.12 in all other cases, when transmitted.

Notice given by the methods contained in Subsections 14.1.1 through 14.1.6, inclusive, is notice given to the Members individually.

14.2 *Computation of Time*

In computing the date when notice must be given under any provision of the Bylaws requiring a specified number of days' notice of any meeting or other event, the date of giving the notice is, unless stated otherwise, not included.

14.3 *Omissions and Errors*

The accidental omission to give notice of any meeting of the Council, a Committee or Members or the non-receipt of any notice by any Council Member or Member or by the auditor of CPA Ontario or any error in any notice not affecting its substance does not invalidate any resolution passed or any proceedings taken at the meeting. Any Council Member, Member or the auditor of CPA Ontario may at any time waive notice of any meeting and may ratify and approve any or all proceedings taken thereat.

14.4 *Electronic Mail Address*

Notwithstanding any provision in the bylaws to the contrary, the Council may establish regulations requiring Members, Students, Applicants, membership candidates or firms to maintain a valid electronic mail address registered with CPA Ontario for the purposes of receiving communications from or delivering documents to CPA Ontario, in lieu of which CPA Ontario may charge a service fee for communication to such persons by means other than electronic mail, and/or provide a discount in fees to those receiving or delivering communications by electronic mail.

14.5 *Notices to CPA Ontario*

Unless otherwise specifically provided in the bylaws, regulations or rules, any notice or document required to be given or sent to CPA Ontario by a Member, Student, Applicant, membership candidate or firm pursuant to the bylaws, regulations or rules, may be given by personal service or may be sent by ordinary mail, by fax, by courier or by electronic mail, provided that anything required to be in a form prescribed by CPA Ontario is in such form, that anything required to be signed is signed, and that anything required to be received at CPA Ontario within a prescribed time or by a prescribed date is received within such time or by such date.

14.6 *Electronic Signatures*

Unless otherwise specifically provided in the bylaws, regulations or rules, any document permitted or required to be signed may be signed by electronic signature, so long as the means of electronic signature permits a reliable determination by CPA Ontario that the

document was created or communicated by or on behalf of the person permitted or required to sign the document.

15. BY-LAWS AND AMENDMENTS, ETC.

15.1 Enactment

Bylaws may be enacted, repealed, amended, altered, added to or re-enacted in the manner contemplated in, and subject to the provisions of, the Act.

15.2 Repeal

15.2.1 Subject to the provisions of Sections 15.3 and 15.4 hereof, all prior bylaws, resolutions and other enactments of CPA Ontario inconsistent in either form or content with the provisions of this Bylaw heretofore enacted or made are repealed.

15.2.2 Notwithstanding Subsection 15.2.1, no bylaws, resolutions or other enactments of CPA Ontario that would otherwise be repealed on the enactment of the Bylaws of 2011 shall be repealed until such time as the Bylaws of 2011 come into force.

15.3 Exception

The provisions of Section 15.2 shall not extend to any bylaw or resolution heretofore enacted for the purpose of providing to the Council the power or authority to borrow.

15.4 Proviso

Provided however that the repeal of prior bylaws, resolutions and other enactments shall not impair in any way the validity of any act or thing done pursuant to any such repealed bylaw, resolution or other enactment.

BYLAWS

15.5 *Effective*

These Bylaws shall come into force on June 16, 2011.

ENACTED as a Bylaw of The Institute of Chartered Accountants of Ontario this 15th day of April, 2011.

“Gregory Gallant”

Chair

“Marrienne Bridge”

Secretary

APPROVED by the Members in accordance with the *Act* on the 16th day of June, 2011.

“Gregory Gallant”

Chair

“Marrienne Bridge”

Secretary

REGULATIONS

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Repealed

SPECIALTY OF PRACTICE REGULATION

Repealed

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Repealed

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Repealed

COUNCIL REGULATION: ADMISSION TO MEMBERSHIP

Repealed

REGULATION IN RESPECT OF UFE CANDIDATES OF THE QUÉBEC ORDRE

Repealed

REGULATION I – A regulation in respect of students

Repealed

REGULATION II – A regulation in respect of Certified Public Accountants from the United States of America and members of other recognized accounting bodies outside Canada with which the Institute has reciprocal recognition

Repealed

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 3-1
COUNCIL ELECTION PROCESS**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on February 24, 2012, as amended to June 18, 2014.**

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**REGULATION 3-1
COUNCIL ELECTION PROCESS**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on February 24, 2012, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws; and
 - 1.1 “candidate” means a Member in good standing nominated for election to the Council of CPA Ontario;
 - 1.2 “election materials” includes the Nomination Form, Candidate Biography, Candidate Statement, and photograph;
 - 1.3 “nominator” means a Member in good standing nominating a candidate.

Eligibility

2. Every Member who meets the requirements of Article 3.3 of the bylaws is eligible for election to the Council.
3. A candidate who ceases to be eligible at any time prior to the meeting at which the election takes place shall forthwith notify the Office of the General Counsel of that fact.

Nominations

4. At least sixty days prior to the meeting at which elections are to take place, the Secretary shall provide notice of the Call for Nominations to the membership by any of the methods of notice set out in bylaw 14.1.

Amended June 18, 2014

5. Any two Members in good standing may nominate another Member for election by completing and signing the Nomination Form ([Form 3-1A](#)).
6. The nominators and candidate may use an electronic signature to sign the Nomination Form, but a nomination containing an electronic signature shall not be considered filed unless and until the signature is verified by the Office of the General Counsel.
7. The candidate, by signing the Nomination Form, certifies that he or she is eligible for election to the Council, and that all information provided is accurate and complete.

8. Along with the Nomination Form, the candidate may complete the Candidate Biography ([Form 3-1B](#)), the Candidate Statement ([Form 3-1C](#)) and provide a photograph.
9. The photograph shall be a colour head and shoulders view at least 2" x 3", preferably digital, with a minimum resolution of 300 dpi.
10. Election materials containing information or a document that is false or misleading shall result in the rejection of the nomination, regardless of whether the nomination has been accepted.
11. The Nomination Form and other election materials must be filed at the Office of the General Counsel by 5 p.m. on the thirty-fifth day prior to the meeting at which the election is to take place. Neither the day of that deadline nor the day of the meeting shall be included in calculating the deadline.
12. The Nomination Form and other election materials shall be sent by electronic or ordinary mail, courier, or personal service.
13. It is the responsibility of the candidate to ensure all election materials are filed prior to the deadline set out in section 11, and CPA Ontario accepts no responsibility or liability for any election materials lost, misdirected, or delayed.
14. Election materials not filed by the deadline set out in section 11 will not thereafter be accepted.
15. The Candidate Biography, Candidate Statement, and photograph, if filed, will be published in the Council election booklet posted on CPA Ontario's website for the information of Members, and, by filing election materials, the candidate consents to that publication.
16. CPA Ontario reserves the right to edit any Candidate Biography and Candidate Statement for uniformity of presentation and space requirements and, while reasonable efforts will be made to contact the candidate prior to making such changes, the candidate acknowledges and agrees such changes may be made without his or her knowledge or express consent.

Disqualification

17. A candidate shall be disqualified from the election process if he or she:
 - 17.1 ceases to be eligible for election, as set out in section 2;
 - 17.2 fails to file required election materials by the deadline set out in section 11;

- 17.3 files election materials containing false or misleading information or statements;
or
- 17.4 is disqualified by the Council Election Commission.

Voting

18. The scrutineer retained to manage the meeting at which the election takes place shall act as scrutineer for the election.
19. A ballot and proxy containing, in alphabetical order, the names of all candidates whose Nomination Forms have been filed in accordance with this regulation and who have not been disqualified pursuant to section 17, shall be sent to each Member in good standing at the same time as the notice of the meeting at which the election is to take place.
20. Each Member in good standing may vote in person at the meeting at which the election takes place or by proxy prior to that meeting, in accordance with the voting and proxy provisions contained in bylaw 5 – Meetings of the Members.

Amended June 18, 2014

21. Each Member in good standing may vote for up to the number of candidates to be elected, and any ballot or proxy containing more votes than that number shall be considered spoiled and be rejected and not counted by the scrutineer.
22. A Member may not cast more than one vote for any one candidate.
23. It is the responsibility of the Member voting to ensure his or her ballot or proxy is received as required by the scrutineer, and neither the scrutineer nor CPA Ontario accepts any responsibility or liability for any lost, delayed or misdirected ballot or proxy.

Tabulation of Results

24. The scrutineer shall tabulate all votes received by proxy or in person at the meeting at which the election takes place, and shall prepare a list with the name of each candidate and the number of votes received by that candidate
25. Candidates shall be elected to the Council in the order of votes received, until all vacancies are filled. Should there be one or more vacancies for a term of less than three years all vacancies for the three year terms shall be filled first, followed by those of two years, if any, followed by those of one year, if any.

Amended June 18, 2014

26. If two or more candidates receive the same number of votes, and that equality of votes would result in one or more of the candidates not being elected or being elected for a

term less than three years, the candidate(s) to be elected or the term, as the case may be, shall be decided by lot drawn by the Chair of the meeting in the presence of the scrutineer and the candidate(s) affected, if present at the meeting.

Amended June 18, 2014

27. The Chair of the meeting shall, upon fulfillment of the requirements of sections 24 – 26, announce to the meeting the names of the candidates elected and the term for which each is elected.

Certificate of Results

28. The scrutineer shall prepare, sign and deliver to the Office of the General Counsel a certificate of the results of the election showing the total number of votes cast for each candidate.
29. The certificate of results shall be retained by the Office of the General Counsel and a copy of that certificate shall be made available to any Member on written request made within one year of the date of the meeting at which the election took place.
30. Except as provided in section 29, all voting papers, documents and records pertaining to the Council election shall be destroyed after 30 days following the meeting at which the election took place.

Council Election Commission

31. The Council Election Commission shall consist of the Chair and two recent past Chairs, and shall:
- 31.1 monitor, review and make recommendations respecting the election process;
 - 31.2 make rulings on eligibility of candidates, propriety of election materials, and any other matters related to the election process;
 - 31.3 address, as it deems appropriate, any matter related to the election process impacting on the integrity of that process or on the reputation of the profession, the membership or any Member thereof, or CPA Ontario; and
 - 31.4 fulfill any other duties as directed by the Council from time to time.
32. A decision of the Council Election Commission under subsections 31.2 or 31.3 is final.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-1
ADMISSION TO MEMBERSHIP**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 4-1
ADMISSION TO MEMBERSHIP**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “regulatory organization” includes any organization with the authority to regulate any person, service, goods, or market;
 - 1.2 “Uniform Evaluation” means the qualifying evaluation for admission to membership that is in effect until August 31, 2015.
Amended April 15, 2014
 - 1.3 “Common Final Examination” means the qualifying examination for admission to membership that is in effect from September 1, 2015.
New April 15, 2014

Admission

2. The Registrar shall admit to membership in CPA Ontario anyone who otherwise meets all the requirements of this regulation and is a member of the Certified Management Accountants of Ontario or The Certified General Accountants Association of Ontario, or:
Amended June 18, 2014
 - 2.1 makes an application in the appropriate form for membership and pays the prescribed fee;
 - 2.2 provides evidence of good character satisfactory to the Registrar;
 - 2.3 is not an undischarged bankrupt;
 - 2.4 has paid all dues and other amounts levied by CPA Ontario;
 - 2.5 has provided all information and produced all documents and other materials requested by CPA Ontario or anyone acting on its behalf; and:
 - 2.5.1 is a student registered with CPA Ontario who has fulfilled, to the satisfaction of the Registrar, all of the requirements in the applicable registration category, as set out in Regulation 6-1 or Regulation 6-4;

REGULATIONS

2.5.2 is a member in good standing of a provincial body and has been granted or permitted to use the designation “chartered accountant” by the provincial body;

Amended June 18, 2014

2.5.3 has fulfilled, to the satisfaction of the Registrar, the requirements set out in Regulation 6-2, and any other requirements made applicable by the regulation; or

2.5.4 is not a student registered with CPA Ontario but is registered as a student with another provincial body and:

2.5.4.1 has passed the Uniform Evaluation or the Common Final Examination; and

2.5.4.2 has completed the educational and practical experience requirements prescribed by the other provincial body; and

2.5.4.3 is unable to become a member of the other provincial body due to any legal restriction in that province which is not also a legal restriction in Ontario in respect of membership in CPA Ontario.

Amended April 15, 2014

3. Anyone applying for membership shall disclose whether he or she is the subject of an investigation or is or has been the subject of disciplinary proceedings by a regulatory organization, whether or not he or she is a member of that organization; and shall provide a consent permitting the Registrar to access information regarding such investigation or disciplinary proceedings from that organization.
4. Notwithstanding section 2, the Registrar may defer consideration of an application for membership until such time as any investigation or discipline proceeding disclosed pursuant to section 3 has been concluded.

Conditional Admission

5. Anyone applying for membership in CPA Ontario shall disclose to the Registrar forthwith upon:
 - 5.1 becoming a bankrupt;
 - 5.2 making a proposal to creditors;
 - 5.3 becoming the subject of a formal proceeding as an insolvent debtor; or

REGULATIONS

- 5.4 having a business of which he or she is an owner placed under a receiving order, as defined in the *Bankruptcy and Insolvency Act*.
6. The disclosure referenced in section 5 shall be in writing, and shall include:
- 6.1 all documentation pertaining to the subject of the disclosure or, if all documentation is not yet available, an undertaking to provide the documentation as soon as it becomes available;
 - 6.2 the pleadings related to the subject of the disclosure or, if the pleadings are not yet filed, an undertaking to provide the pleadings as soon as they become available;
 - 6.3 all documentation pertaining to the financial circumstances of the individual making the disclosure, including, but not limited to, income tax returns, financial statements and financial records; and
 - 6.4 a consent permitting CPA Ontario to directly access information and documents related to the subject of the disclosure from the trustee in bankruptcy, the superintendent in bankruptcy, or the official receiver, as the case may be.
7. The individual making the disclosure shall also provide forthwith any other information or documents requested by or on behalf of the Registrar, unless the individual is asserting in good faith and on reasonable grounds the specific document requested is subject to legal privilege and that privilege is not waived.
8. Notwithstanding section 2, the Registrar shall consider the disclosure and the information and documentation provided pursuant to sections 5 through 7, and shall, provided the individual otherwise meets the requirements of this regulation:
- 8.1 admit the individual to membership in CPA Ontario;
 - 8.2 admit the individual to membership on the individual abiding by one or more of the following terms and conditions:
 - 8.2.1 satisfactorily completing, within a time specified, prescribed courses or examinations;
 - 8.2.2 engaging, for a time specified, an advisor, counsellor or tutor;
 - 8.2.3 satisfactorily completing a period of supervised practice or employment;

REGULATIONS

- 8.2.4 restricting his or her practice or employment in a specified manner for a specified period of time;
 - 8.2.5 reporting as specified to the Registrar on the progress of the subject of the disclosure; or
 - 8.2.6 any other terms and conditions the Registrar deems appropriate;
 - 8.3 refuse to admit the individual to membership in CPA Ontario.
9. The Registrar, in making a decision provided for in section 8, shall consider appropriate factors, which may include, but are not limited to:
- 9.1 the circumstances pertaining to the event requiring disclosure under section 5 and to the conduct of the individual making the disclosure;
 - 9.2 the extent to which the event requiring disclosure may put at risk the interests of:
 - 9.2.1 any client or employer associated with the individual making the disclosure; or
 - 9.2.2 any other party impacted or affected by the event;
 - 9.3 the number and nature of creditors affected;
 - 9.4 whether any potential civil or criminal liability has arisen as a result of the event requiring disclosure;
 - 9.5 the current financial circumstances of the individual making the disclosure;
 - 9.6 the anticipated date of release from insolvency; and
 - 9.7 whether the individual is competent and capable of performing, as a chartered professional accountant, without impairment the essential duties of any current or anticipated employment, business or practice.

Amended April 15, 2014

Factors

10. The Registrar shall not admit anyone under this regulation without being satisfied that such admission will not:
- 10.1 place the public or any member of the public at risk; or

- 10.2 bring the reputation of the profession into disrepute.

Reference

11. Prior to making a decision provided for in this regulation, the Registrar may refer the matter to the Membership Committee for advice.
- 11.1 The Chair of the Membership Committee shall determine whether a reference pursuant to this section 11 shall be conducted as a review of the disclosure, information and documents provided to the Registrar, or as a hearing, and the decision of the Chair is final.
- 11.2 A hearing under this section 11 shall be conducted in accordance with the Rules of Practice and Procedure.
- 11.3 The parties to a hearing under this section 11 are the individual making the disclosure and the Registrar.
- 11.4 The Membership Committee shall consider the matter and give advice to the Registrar.
- 11.5 The Registrar shall consider any advice provided under this section 11 and shall make a decision provided for in this regulation.

Denial of Membership

12. The Registrar shall not admit to membership in CPA Ontario anyone who:
- 12.1 fails to make any disclosure or provide any information or document required by this regulation; or
- 12.2 provides information or a document that is false or misleading,
- unless the Registrar is satisfied that the omission, falsehood, or misleading information is not material and that it was made inadvertently.

Amended April 15, 2014

Appeal

13. An individual who is denied membership in CPA Ontario or who is admitted on terms and conditions may appeal the decision of the Registrar to the Membership Committee.
14. The parties to an appeal are the individual appealing and the Registrar.
15. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.

16. No member of the Membership Committee who provided advice to the Registrar shall be a member of the tribunal hearing the appeal in the same matter.
17. The decision of the Membership Committee is final.

Membership Certificate

18. Upon admission as a Member of CPA Ontario, a Member is entitled to receive a certificate certifying that membership, under the seal of the Institute.
19. The membership certificate is the property of CPA Ontario, and shall be returned forthwith to the Registrar upon the Member ceasing to be a Member in good standing of CPA Ontario, or upon request of the Registrar.

Class of Membership

20. Anyone admitted to CPA Ontario as a Member under this regulation is an Associate of Chartered Professional Accountants of Ontario.
Amended June 18, 2014

Affiliates

21. *Repealed – June 18, 2014*

Designations

22. All individuals admitted to membership in CPA Ontario shall be granted the designation “chartered professional accountant”.
New – April 15, 2014

23. All individuals admitted to membership in CPA Ontario pursuant to:

- 23.1 Fulfillment of the requirements of Regulation 6-2 or 6-4;

- 23.2 Clause 2.5.2 of this regulation; and
Amended June 18, 2014

- 23.3 Clause 2.5.4 of this regulation, but only if, had the individual been admitted by the provincial body referenced therein, that individual would have been granted or permitted to use the designation “chartered accountant” by that provincial body,

shall, in addition to the designation granted by section 22 of this regulation, be granted or permitted to use the designation “chartered accountant”.

New – April 15, 2014

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-2
DUES**

**Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the
Bylaws on June 16, 2011, as amended to February 24, 2017.**

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**REGULATION 4-2
DUES**

Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the Bylaws on June 16, 2011, as amended to February 24, 2017.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “CPA Canada” means Chartered Professional Accountants of Canada;
Amended February 21, 2014
 - 1.2 “firm” includes a sole proprietorship;
 - 1.3 “Registrar” means the person appointed to that office by the Council and, for matters related to students, the Vice President, Student Services; and
New – February 26, 2016
 - 1.4 “related business or practice” has the same definition as in Regulation 4-6.

General Obligation

2. Every person shall pay such dues as required by the bylaws and regulations by the dates set by CPA Ontario in the amounts set out in the Schedule of Dues to this regulation.
3. The dues shall include payment of all applicable taxes.
4. Any amount not remitted by the date set by CPA Ontario shall have added to it an amount for late payment and those amounts together shall constitute the relevant dues.

Membership Dues

5. Each Member shall pay the following dues on an annual basis on the first day of the financial year of CPA Ontario:
Amended February 21, 2014
 - 5.1 annual membership dues;
 - 5.2 the amount charged to CPA Ontario by CPA Canada on behalf of the Member; and
Amended February 21, 2014
 - 5.3 any special purpose assessment levied by resolution of the Council.
- 5A. *Repealed February 26, 2016*

Licence Fee

6. Each Member who is licensed as a public accountant shall pay the fee for the issuance or renewal of that licence pursuant to Regulation 9-1.

Specialty of Practice Dues

7. *Repealed February 26, 2016*

Firm Dues

8. Every firm shall pay the fee for registration or renewal of registration on an annual basis.
9. Every professional corporation shall pay the fee for a registration certificate and the annual renewal of that certificate.
10. Every professional corporation engaged in the practice of public accounting shall pay the fee for a certificate of authorization and the annual renewal of that certificate.
11. Every firm engaged in the practice of public accounting or in providing accounting services to the public shall pay a practitioner fee on an annual basis in respect of each Member residing or practising in the Province of Ontario who:
 - 11.1 is a proprietor, partner, shareholder or employee of the firm; or
 - 11.2 provides public accounting or accounting services for or on behalf of the firm on any basis, or otherwise receives any income, excluding pension or retirement investment income, from the firm, including through the engagement by or employment with a related business or practice;provided that only one practitioner fee shall be payable for a Member annually.
12. Every firm shall pay a practice inspection fee for an inspection pursuant to Regulation 10-1 at the hourly rate established by the Council.

Admission Fee

13. An individual applying for membership in CPA Ontario shall remit the admission fee with the application, and no application will be accepted without the payment of the fee.

Student Dues

14. An individual wishing to register or reregister as a Student shall remit the appropriate fee with the application for registration or reregistration, and no application will be accepted without payment of the fee.
15. Students shall pay an annual student fee to maintain registration.

REGULATIONS

16. Students shall pay any other fees required to assess suitability, including the fee for any transcript assessment.
- 16A. Students enrolled in CPA Preparatory Courses, shall pay the fees set for each course, and a failure to pay the fee for a course shall result in the Vice President, Student Services refusing to enroll the individual or, if already enrolled, cancelling the enrollment.

Amended February 26, 2016

- 16B. Students registered under Regulation 6-1 shall pay the fees set for each component of the required CPA Professional Education Program, and failure to pay the fee for a component shall result in the Student not being permitted to attend that component, or, if the component has already been undertaken, having the completion of the component disregarded.

New – June 18, 2014

17. Students registered under Regulation 6-4 shall pay the fees set for each component of the required Professional Program, and a failure to pay the fee for a component shall result in the Student not being permitted to attend that component or, if the component has already been undertaken, having the completion of the component disregarded.

Amended June 18, 2014

18. Students shall pay the fees set for any materials and services they choose to access, including the fees for any examination preparation or review, and for residence if required.

Amended June 18, 2014

Applicant Dues

19. An individual wishing to register or reregister as an Applicant shall remit the appropriate fee with the application for registration or reregistration, and no application will be accepted without payment of the fee.

Amended February 21, 2014

20. Applicants shall pay an annual applicant fee to maintain registration.

21. Applicants shall pay the fees set for any required assessment, evaluation, program examination, or other requirement, and the failure to pay the fees shall result in the Applicant not being permitted to attend or complete such or, if completed, having the result disregarded.

Amended June 18, 2014

22. Applicants shall pay the fees set for any materials and services they choose to access, including the fees for any examination preparation or review.

Miscellaneous Dues

23. Individuals wishing to partake in programs or services offered by CPA Ontario shall pay such dues as set out for those programs and services.
24. Council may require the payment of any other fees or charges, including, but not limited to, a reinstatement fee, a readmission fee, late payment fee, and administrative charges.

Reduction, Waiver, Exemption

25. Council may provide for a reduction of any dues if such dues are paid within an early payment period as set by CPA Ontario.
26. Reduced annual membership dues shall be paid by Members who:
- 26.1 reside in a province or territory in Canada or in Bermuda, and are also Members of another provincial body and pay the full annual membership dues of that body;
Amended June 18, 2014
- 26.2 migrate from another province or from Bermuda, who, in the year of migration, have paid that year's full annual membership dues to another provincial body;
Amended June 18, 2014
- 26.3 reside outside Canada and do not provide accounting services to the public in the Province of Ontario.
Amended February 21, 2014
27. Members who have attained the age of 65 or more and who have been granted retired-member status in another provincial body or an accounting body listed in the Schedules to Regulation 6-2 and have completed at least one year of membership in good standing in CPA Ontario, CGA Ontario or CMA Ontario shall be exempt from payment of the annual membership dues.
New – February 27, 2015
28. Members who have attained the age of 55 or more and whose:
- 28.1 gross annual income, excluding pension or other retirement income and investment income, is not greater than CAD 25,000; and
- 28.2 age and the total number of years of continuous membership in good standing held in CPA Ontario, CGA Ontario, CMA Ontario, and one or more provincial bodies or an accounting body recognized by the Council equals or exceeds the sum 70;
Amended February 27, 2015
- shall be exempt from the payment of the annual membership dues.

REGULATIONS

29. Members who have retired-member status in another provincial body or accounting body listed in the Schedules to Regulation 6-2 and have completed 15 years of continuous membership in good standing in CPA Ontario, or who have retired member status with CGA Ontario or CMA Ontario shall be exempt from the payment of the annual membership dues.

Amended February 27, 2015

30. A Life Member in CPA Ontario shall be exempt from the payment of annual membership dues and any special purpose assessments levied by resolution of the Council, but not from any other dues.

31. A Member shall pay 50% of the full annual membership dues in respect of a fiscal year if:

Amended February 21, 2014

- 31.1 prior to September 30th of that year;

- 31.1.1 the Member ceases to reside in the Province of Ontario and becomes a Member of another provincial body to which the Member pays that body's full annual membership fee;

Amended June 18, 2014

- 31.1.2 the Member meets the criteria of section 26; or

- 31.1.3 the Member was not a Member of CPA Ontario; or

- 31.2 the Member's written application to resign from membership has been received by CPA Ontario prior to June 30th of that year and is accepted by the Registrar.

New – February 21, 2014

32. Notwithstanding any other provision of this regulation, a Member who has paid a fee pursuant to section 15 in the same calendar year as he or she is admitted to membership may pay reduced dues pursuant to subsections 5.1 and 5.2 as set out in the Schedule of Dues.

Amended February 26, 2016

33. *Repealed June 18, 2014*

34. The Registrar may waive or defer the payment by a Member of:

- 34.1. the annual membership dues and any special purpose assessments levied by resolution of the Council in extraordinary circumstances of financial hardship of a Member and in accordance with the policies of the Council passed from time to time;

Amended February 21, 2014

- 34.2. any special purpose assessments levied by resolution of the Council, if the Registrar is satisfied that there are exceptional, medical or compassionate circumstances in respect of a Member;

Amended February 27, 2015

- 34.3. any other dues of a Member if the Registrar is satisfied that there are extraordinary circumstances of financial hardship or other exceptional, medical or compassionate circumstances in respect of a Member.

New – February 21, 2014

- 34A. The Vice President, Student Services may defer the payment by a Student of the annual student fee set out in section 15 in extraordinary circumstances of financial hardship or other exceptional circumstances of a Student and in accordance with the policies of the Council passed from time to time.

New – February 26, 2016

Suspension and Revocation

35. The Registrar or Vice President, Student Services, as the case may be, shall suspend the membership, registration or certificate of any person who has not paid any dues within three calendar months of the date for payment set by CPA Ontario.

Amended February 21, 2014

36. Upon receipt of an application for reinstatement (Form 4-3S or equivalent prescribed form) and payment of the dues owed by a person, the Registrar or Vice President, Student Services, as the case may be, may reinstate the membership, registration or certificate of that person.

Amended June 14, 2016

37. Notwithstanding section 36, the Registrar or Vice President, Student Services, as the case may be, shall revoke or terminate the membership, registration or certificate of any person who remains suspended pursuant to section 35 for a period of more than two months, unless the person:

37.1. is the subject of a practice inspection;

37.2. is the subject of an investigation, proposed settlement agreement or Allegation by the Professional Conduct Committee; or

37.3. has not fully complied with a settlement agreement or order of a Committee.

Appeals

38. A Member whose membership is suspended or revoked and a Student or Applicant who is deregistered may appeal the decision of the Registrar or Vice President, Student Services, as the case may be, to the Membership Committee.

REGULATIONS

39. The parties to an appeal are the individual appealing and the Registrar or Vice President, Student Services, as the case may be.
40. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.
41. The decision of the Membership Committee is final.

Delegation

42. The Council delegates its authority to establish, alter and revoke, including the amounts and names, all dues, except those dues set pursuant to sections 5, 11, and 12, to its Finance Committee.

Amended February 22, 2013

43. All dues passed by the Finance Committee pursuant to section 42 shall be ratified by the Council within one year of being so passed, unless superseded by that date.

Amended February 22, 2013

REGULATIONS

Schedule of Dues

Dues listed do not include applicable taxes.

Member Dues

Annual Membership Dues:

– Full	\$580.00
– Reduced	\$290.00
– Prior Year Student Fee Rebated (prior year admissions January 1 to March 31 for those who were previously Students)	\$130.00
– Dues Exempt Stub-Period (current year admissions January 1 to March 31 for those who were previously Students)	\$0.00
– Student Fee Rebated (current year admissions April 1 to September 30 for those who were previously Students)	\$280.00
– Other Reduced Dues (current year admissions October 1 to December 31 for those who were previously Students)	\$290.00

CPA Canada Dues:

– Full	\$380.00
– Reduced Dues (reside outside Canada or Bermuda and do not provide accounting services to the public in the Province of Ontario)	\$325.00
– Reduced Dues (current year admissions October 1 to December 31 to those who were previously Students)	\$190.00
– Dues Exempt Stub-Period (current year admissions January 1 to March 31 to those who were previously Students)	\$0.00
– Dues Exempt (member of another provincial body)	\$0.00

Reinstatement Fee – Insurance	\$500.00
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Reinstatement Fee – Other	\$250.00
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Readmission Fee – Insurance	\$1,000.00
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Readmission Fee – Other (per year or partial year since revocation to a maximum multiple of 5)	\$580.00
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Readmission Fee – Following Resignation	\$0.00
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REGULATIONS

Public Accounting Licensing Fee – New Application	\$190.00
Public Accounting Licensing Fee – Annual Renewal Fee	\$190.00
Public Accounting Licensing – PALE Examination	\$900.00

Firm Dues

Practitioner Fee – Per Practitioner	\$260.00
Professional Corporation – Registration Fee	\$180.00
Professional Corporation – Annual Registration Renewal Fee	\$0.00
Professional Corporation – Authorization Fee	\$123.81
Professional Corporation – Annual Authorization Renewal Fee	\$0.00
Practice Inspection – Hourly Rate	\$205.00
Firm – Registration Fee	\$100.00
Firm – Annual Registration Renewal Fee	\$0.00
Reinstatement Fee – Firm	\$500.00

Admission Fee

Admission to Membership Fee	\$500.00
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Applicant Dues

Initial Administration Fee	\$100.00
Annual Applicant Fee	\$150.00
Reinstatement Fee (following suspension)	\$100.00
Reregistration Fee (following deregistration)	\$250.00
CA Reciprocity Examination (CARE) each part	\$475.00

REGULATIONS

CA Reciprocity Examination Preparation Course Part 1 (excludes practice examination)	\$650.00
CA Reciprocity Examination Preparation Course Part II (excludes practice examination)	\$650.00
CA Reciprocity Examination Preparation Course – materials only Part I	\$500.00
CA Reciprocity Examination Preparation Course – materials only Part II	\$500.00
Mechanical Check of Examination (optional) each part	\$60.00
Practice Examination – Part I	\$75.00
Practice Examination – Part II	\$75.00
CPA, CA Reciprocity Professional Development (CARPD)	\$895.00

Student Fees – Transcript (or equivalent) Assessment

Initial Transcript (or equivalent) Assessment	\$150.00
Transcript (or equivalent) Re-assessment (for requests subsequent to the initial assessment)	\$150.00

Student Dues – Registration

Initial Administration Fee	\$125.00
Annual Student Fee (prorated on a semi-annual basis)	\$600.00
Annual Student Fee – Undergraduate Co-op Student	\$300.00
Annual Student Fee – transfer to/from another region (prorated)	\$600.00
Reinstatement Fee (following suspension)	\$100.00
Reregistration Fee (following deregistration)	\$250.00
Recognition of Pre-registration Experience	\$100.00

Student Dues – Preparatory Courses & CPA Certification Program

Preparatory Courses (non-core) – Distance Learning	\$500.00
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REGULATIONS

Preparatory Courses (core):	
– Distance Learning	\$700.00
– Distance Learning with interactive webinar	\$800.00
– Lecture	\$900.00
Preparatory Courses – Exam Only	\$200.00
Preparatory Courses – Requests for reviewing examination results	\$100.00
PEP Core 1 Module (including exam)	\$1,400.00
PEP Core 2, Elective and Capstone Modules (including exam)	\$1,300.00/ Module
PEP Core and Elective Exams Only	\$400.00/ Exam
Module or course withdrawal penalty (prior to start date)	Lesser of 20% of the module fee or \$500.00
Module or course withdrawal penalty (within first half of course/module)	Lesser of 20% of the module fee or \$500.00 plus the pro-rated portion of the module/ course fee ¹
Module or course withdrawal penalty (after first half of course/module)	100% of module or course fee
Exam deferral (with module) (within 4 weeks of exam date)	\$200.00
Exam withdrawal (without module) (prior to exam date)	Lesser of 20% of the exam fee or \$500.00
Module or Exam Wait List Fee	\$200.00
Late exam upload penalty	\$200.00
PEP Missed workshop make up	\$295.00 (per day missed)
PEP Requests for reviewing examination results	\$195.00
Common Final Examination (All 3 Days)	\$1,500.00
Common Final Examination (Day 1 Only)	\$650.00

REGULATIONS

Common Final Examination (Days 2 & 3 Only)	\$1,150.00
Requests for reviewing examination results (All 3 Days)	\$725.00
Requests for reviewing examination results (Day 1 Only)	\$275.00
Requests for reviewing examination results (Days 2 & 3 Only)	\$500.00
Performance Review Analysis ("PAR") (Day 1 Only)	\$450.00
Performance Review Analysis ("PAR") (Day 2 & 3 Only)	\$900.00

Other

Bank Draft Administration	\$50.00
Non-Sufficient Funds (NSF)	\$50.00
Cancellation, Transfer or Withdrawal Fee (minimum)	\$50.00
Late Fee (based upon payment amount outstanding) (on amount equal or greater than \$500.00)	\$100.00
Late Fee (based upon payment amount outstanding) (on amount between \$100.00 and \$499.99)	\$45.00
Late Fee (based upon payment amount outstanding) (on amount less than \$100.00)	\$25.00
Late fee – filing documents or declaration	\$25.00
Other Fees – Membership Certificate Replacement	\$50.00
Letters of Good Standing	\$0.00
Transcript Requested by Active Members and Students	\$15.00
Transcript Requested by all Others	\$100.00

¹ Pro-rated portion based on the number of weeks completed before the withdrawal date

Amended February 24, 2017; ratified by Council March 10, 2017

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-3
OBLIGATIONS AND STANDING**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 4-3
OBLIGATIONS AND STANDING**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws; and
 - 1.1 “regulatory organization” includes any organization with the authority to regulate any person, service, goods, or market.

Standing and Suspension

2. All Members, regardless of standing, are responsible for all obligations of membership, but only Members in good standing have the rights and privileges of membership and may provide chartered professional accounting services.

Amended June 18, 2014

3. The Registrar shall suspend the membership of any Member and the registration of any Student, Applicant or firm, upon the breach by that person of any obligation imposed by CPA Ontario, and such suspension shall remain in effect until the obligation is satisfied, unless otherwise provided in the bylaws or regulations.
4. The Registrar shall suspend the membership of any Member upon the date he or she:
 - 4.1 is declared by a court to be a mentally incompetent person or is found incapable of managing his or her affairs through mental infirmity pursuant to the *Mental Incompetency Act*, R.S.O. 1990, c. M. 9, or other statute for the time being in force;
 - 4.2 is certified incompetent to manage his or her estate or appoints the Public Trustee as committee of his or her estate pursuant to the *Mental Health Act*, R.S.O. 1990, c. M. 7, or other statute for the time being in force;
 - 4.3 is admitted as or becomes an involuntary patient in a psychiatric facility or continues therein by virtue of a certificate of renewal, pursuant to the *Mental Health Act*, or other statute for the time being in force; or
 - 4.4 is found on account of insanity unfit to stand trial on a criminal or similar offence, or, when he or she is determined to be not guilty of a criminal or similar offence by reason of insanity.

REGULATIONS

5. A Member who is suspended pursuant to section 4 of this regulation may apply to the Capacity Committee for a hearing to determine whether the Member is incapacitated, and such hearing shall be governed by Regulation 8-2.
6. The Registrar shall suspend the membership of any Member who was admitted to membership pursuant to bylaw 4.4.2 forthwith upon such Member ceasing to become a member in good standing of CGA Ontario or CMA Ontario, as the case may be, and such suspension shall remain in effect until good standing in the relevant organization is regained, unless otherwise provided in the bylaws or regulations.

Amended June 18, 2014

7. A Member or firm shall forthwith upon being suspended return to CPA Ontario any certificate or licence issued by CPA Ontario.

Bankruptcy

8. A Member shall disclose to the Registrar forthwith upon:
 - 8.1 becoming a bankrupt;
 - 8.2 making a proposal to creditors;
 - 8.3 becoming the subject of a formal proceeding as an insolvent debtor; or
 - 8.4 having a business of which the Member is an owner placed under a receiving order, as defined in the *Bankruptcy and Insolvency Act*.
9. The disclosure referenced in section 8 shall be in writing, and shall include:
 - 9.1 all documentation pertaining to the subject of the disclosure or, if all documentation is not yet available, an undertaking to provide the documentation as soon as it becomes available;
 - 9.2 the pleadings related to the subject of the disclosure or, if the pleadings are not yet filed, an undertaking to provide the pleadings as soon as they become available;
 - 9.3 all documentation pertaining to the financial circumstances of the individual making the disclosure, including, but not limited to, income tax returns, financial statements and financial records; and
 - 9.4 a consent permitting CPA Ontario to directly access information and documents related to the subject of the disclosure from the trustee in bankruptcy, the superintendent in bankruptcy, or the official receiver, as the case may be.

REGULATIONS

10. The individual making the disclosure shall also provide forthwith any other information or documents requested by or on behalf of the Registrar, unless the individual is asserting in good faith and on reasonable grounds the specific document requested is subject to legal privilege and that privilege is not waived.
11. The Registrar shall consider the disclosure and the information and documentation provided pursuant to sections 8 through 10, and shall, provided the individual otherwise meets the requirements of this regulation:
 - 11.1 take no further action;
 - 11.2 require the Member to abide by one or more of the following terms and conditions:
 - 11.2.1 satisfactorily complete, within a time specified, prescribed courses or examinations;
 - 11.2.2 engage, for a time specified, an advisor, counsellor or tutor;
 - 11.2.3 satisfactorily complete a period of supervised practice or employment;
 - 11.2.4 restrict his or her practice or employment in a specified manner for a specified period of time;
 - 11.2.5 report as specified to the Registrar on the progress of the subject of the disclosure; or
 - 11.2.6 any other terms and conditions the Registrar deems appropriate; or
 - 11.3 suspend the membership of the Member until the fulfillment of terms and conditions imposed by the Registrar.
12. The Registrar, in making a decision provided for in section 11, shall consider appropriate factors, which may include, but are not limited to:
 - 12.1 the circumstances pertaining to the event requiring disclosure under section 8 and to the conduct of the Member making the disclosure;
 - 12.2 the extent to which the event requiring disclosure may put at risk the interests of:
 - 12.2.1 any client or employer associated with the Member making the disclosure;or

- 12.2.2 any other party impacted or affected by the event;
- 12.3 the number and nature of creditors affected;
- 12.4 whether any potential civil or criminal liability has arisen as a result of the event requiring disclosure;
- 12.5 the current financial circumstances of the Member making the disclosure;
- 12.6 the anticipated date of release from insolvency; and
- 12.7 whether the Member is competent and capable of performing, as a chartered professional accountant, without impairment the essential duties of any current or anticipated employment, business or practice.

Resignation or Surrender

- 13. A person may apply in writing in [Form 4-3A](#) to the Registrar to resign or surrender any membership or registration granted or licence or certificate issued by CPA Ontario.
- 14. The Registrar shall not accept any application made under section 13 if the person:
 - 14.1 is all or part of a practising unit that is the subject of a practice inspection or a practice reinspection;
 - 14.2 is the subject of an investigation, proposed settlement agreement or Allegations by the Professional Conduct Committee;
 - 14.3 has not fully complied with a settlement agreement or order of a Committee of CPA Ontario;
 - 14.4 owes any dues to CPA Ontario.
- 15. The Registrar may require a person to fulfill such terms and conditions as, in the discretion of the Registrar, are necessary to protect the public interest and the reputation of the profession prior to accepting the application for resignation or surrender.

Reinstatement and Revocation

- 16. Unless otherwise provided in the bylaws or regulations, the Registrar shall revoke the membership of any Member and the registration or certificate of any person:

REGULATIONS

- 16.1 on the third anniversary date of any suspension imposed under the bylaws or regulations unless, prior to that date, the person has taken all necessary steps, including the payment of any fee, to complete an application for reinstatement; or
 - 16.2 if the Member was admitted pursuant to bylaw 4.4.2, forthwith upon such Member ceasing to be a Member of CGA Ontario or CMA Ontario, as the case may be.
- New – June 18, 2014*

Readmission

- 17. An individual who resigned from membership in CPA Ontario while in good standing or whose membership was revoked, other than pursuant to an order of a Committee, may apply to the Registrar to be readmitted by:
 - 17.1 making an application in [Form 4-3B](#) and paying all required fees;
 - 17.2 filing a declaration that the requirements of Regulation 4-5 have been met;
 - 17.3 filing a declaration that the individual has not engaged in any conduct, other than as specifically set out in the declaration, that:
 - 17.3.1 could reasonably be considered a violation of the provisions of the *Chartered Accountants Act, 2010*;
 - 17.3.2 if engaged in by a member, could reasonably be considered a violation of the Rules of Professional Conduct, bylaws, regulations, or provisions of the *Public Accounting Act, 2004*; or
 - 17.3.3 is the subject of an investigation or is or has been the subject of disciplinary proceedings by a regulatory organization, whether or not the individual is a member of that organization
 - 17.4 providing all information and consents and producing all documentation and other materials as requested by the Registrar including, if applicable, proof of membership in CGA Ontario or CMA Ontario; and
- Amended June 18, 2014*
- 17.5 if the individual has not been a member in good standing of CPA Ontario, another provincial body, or an accounting body listed in Schedules A through D of Regulation 6-2 in the five years immediately preceding filing an application for readmission, successfully completing such course(s) and examination(s) as required by the Registrar.

REGULATIONS

18. The Registrar shall consider the application for readmission, and may investigate any matter disclosed by the application, and shall:
- 18.1 accept the application and readmit the individual to membership;
 - 18.2 accept the application and readmit the individual to membership upon the individual fulfilling specified terms and conditions; or
 - 18.3 reject the application.
19. In making a determination pursuant to section 18, the Registrar shall consider the appropriate factors and circumstances, which may include, but are not limited to:
- 19.1 information provided by the individual seeking readmission;
 - 19.2 the conduct of the individual prior to the application for readmission;
 - 19.3 whether the individual is of good character;
 - 19.4 whether the individual is competent to practise as a chartered professional accountant; and
Amended June 18, 2014
 - 19.5 the extent to which the individual has fulfilled the terms of any order or other requirement of a regulatory organization.
20. The Registrar shall not readmit to membership in CPA Ontario or, if the individual has been readmitted, shall revoke the readmission of anyone who:
- 20.1 fails to make any disclosure or provide any information or document required by this regulation; or
 - 20.2 provides information or a document that is false or misleading, unless the Registrar is satisfied that the falsehood or misleading is not material and that it was made inadvertently.

Appeal

21. A Member or former Member whose membership is suspended or revoked or whose application for readmission is rejected, and a Student or Applicant who is deregistered may appeal the decision of the Registrar to the Membership Committee.
Amended February 24, 2012
22. The parties to an appeal are the individual appealing and the Registrar.

REGULATIONS

23. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.
24. The decision of the Membership Committee is final.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-4
PROFESSIONAL LIABILITY INSURANCE**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws
on June 16, 2011, as amended to June 18, 2014.**

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REGULATION 4-4

PROFESSIONAL LIABILITY INSURANCE

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws.

Insurance Coverage

2. Professional liability insurance coverage shall be maintained by:
 - 2.1 every sole proprietor and firm engaged in the practice of public accounting or providing accounting services to the public in Ontario; and
 - 2.2 every Member engaged in the practice of public accounting or providing accounting services to the public in Ontario who is a partner in any organization other than those included in subsection 2.1.
3. The minimum amount of professional liability insurance required to be maintained is:
 - 3.1 for a sole proprietor or Member as set out in subsection 2.2, \$1 million;
 - 3.2 for a firm or sole proprietorship of two or three Members, \$1.5 million;
 - 3.3 for a firm or sole proprietorship of four or more Members, \$2 million.
- 3A. Notwithstanding sections 2 and 3 of this regulation, until December 31, 2015, every legacy CGA and CMA Member, and every firm registered with CGA Ontario or CMA Ontario, shall comply with the professional liability insurance requirements set out in the bylaws and regulations of CMA Ontario and CGA Ontario, as the case may be, and shall be exempt from the requirements of this regulation.

New – June 18, 2014

Maximum Allowable Deductible

4. Any deductible amount shall be reasonable in relation to the total revenues of the sole proprietor or firm and shall not exceed fifty per cent of the required minimum amount of insurance to be maintained.
5. Each sole proprietor or firm shall ensure that assets are set aside at least equal in value to the amount of the deductible that is specified in the professional liability insurance policy. The assets set aside for this purpose must be in:

REGULATIONS

- 5.1 cash (or demand deposits); or
 - 5.2 cash equivalents such as a letter of credit or short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.
6. Section 5 does not apply to a sole proprietor or firm that has certified to CPA Ontario pursuant to the provisions of section 9 that the firm has self-insured for the required amount of professional liability insurance.

Self-insurance

- 7. The Registrar may permit a sole proprietor or firm that, having made reasonable efforts, cannot obtain professional liability insurance coverage in the amount required due to the size of the practice or firm and its risk exposure to self-insure.
- 8. The decision of the Registrar whether to permit self-insurance is final.
- 9. A sole proprietor or firm permitted to self-insure shall certify to CPA Ontario that the sole proprietor or firm has self-insured for the amount required by CPA Ontario by setting aside assets at least equal in value to the amount of insurance required pursuant to section 3.
- 10. The requirement in section 9 to set aside assets shall be fulfilled by an insurance company that is formed directly or indirectly by the firm, or by an association in which the firm is a member, or for members by a global network of firms, and that insurance company provides professional liability insurance coverage for the firm.

Duration of Coverage

- 11. Professional liability insurance in an unreduced amount shall continue to be maintained for a period of at least six years following:
 - 11.1 the withdrawal of a partner or Member employee of a firm from engaging in the practice of public accounting or providing accounting services to the public, whether or not that partner or employee continues to carry on providing accounting services to the public elsewhere;
 - 11.2 the merger, dissolution or cessation of practice of a firm or sole proprietorship;
 - 11.3 the suspension, revocation or non-renewal of a firm or sole proprietorship's registration, or the dissolution or discontinuance of a firm or sole proprietorship;
 - 11.4 the suspension, revocation or non-renewal of a professional corporation's certificate of authorization, or the dissolution or discontinuance of a professional corporation; or

- 11.5 the withdrawal of a shareholder, officer, director or Member employee of a professional corporation, whether or not that shareholder, officer, director or Member employee continues to carry on the practice of public accounting or providing accounting services to the public elsewhere, to cover acts or omissions occurring prior to the changes listed in the subsections above.

Proof of Coverage

12. Satisfactory proof of the maintenance of professional liability insurance coverage or certification of self-insurance as required by this regulation shall be provided to CPA Ontario in Form 4-4A:
- 12.1 within two months of the commencement of engaging in the practice of public accounting or providing accounting services to the public in Ontario; and
- 12.2 on an annual basis thereafter, on the date set by CPA Ontario.
13. A Form 4-4A that is not filed by the date set in section 12 will not be accepted for filing without payment of a late fee, as provided in Regulation 4-2.

Exception – Quality Control Services

14. A Member solely providing quality control services for firms that perform audits and reviews of financial statements and other assurance engagements may, instead of filing a Form 4-4A for each firm, file a listing of every firm for which services are provided and a declaration in Form 4-4B that each firm is insured as required by this regulation.

Failure to Comply

15. A failure to comply with any section of this regulation is a breach of member obligations as defined in Regulation 4-3.

Notification of Insurance Cancellation or Reduction

16. Every professional liability insurance contract shall be endorsed with the requirement that the insurer notify CPA Ontario immediately of:
- 16.1 the cancellation of the insurance coverage; or
- 16.2 the reduction of the insurance coverage below the level required pursuant to section 3.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-5
CONTINUING PROFESSIONAL DEVELOPMENT**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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REGULATION 4-5
CONTINUING PROFESSIONAL DEVELOPMENT
Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:

1.1 “public interest entity” is one where there is a high degree of outside interest in the entity from large numbers and diverse classes of stakeholders and either:

1.1.1 the entity has a social responsibility because of the nature of its operations; or

1.1.2 the substantial majority of the entity’s stakeholders depend on financial reporting, as they have no other way of obtaining financial information about the entity;

and, without limiting the generality of the foregoing, a public interest entity as defined in clauses 1.1.1 and 1.1.2 includes

1.1.3 a deposit-taking institution; and

1.1.4 a not-for-profit organization, charity, foundation, hospital, health authority, publicly funded educational institution, social service agency or co-operative business enterprise that has annual gross revenue greater than \$100,000.

1.2 “Recognized Professional Accounting Body” means a provincial body, or a professional accounting body that is recognized by the Council pursuant to Regulations 6-1, 6-2 or 6-4.

1.3 “Reliance Services” means activity undertaken by a Member where it is reasonable to believe that another party is relying on the Member’s skills as a chartered professional accountant and includes, but is not limited, to:

1.3.1 serving on the board or governing body of a reporting issuer as defined in Rule of Professional Conduct 204;

1.3.2 serving on the board or governing body of a public interest entity;

1.3.3 providing accounting services to the public; and

REGULATIONS

- 1.3.4 providing other professional service(s) for which the Member is remunerated and the gross annual revenue from such service(s) exceeds \$25,000.
- 1.4 “retired” means the Member has ceased full-time practice, full-time employment or full-time business activity and
 - 1.4.1 the sum of the Member’s age and the total number of years of aggregate membership in CPA Ontario, CMA Ontario, CGA Ontario or any combination thereof, equals or exceeds “70”;
 - 1.4.2 the sum of the Member’s age and the total number of years of aggregate membership in CPA Ontario, CMA Ontario, CGA Ontario and a Recognized Professional Accounting Body, equals or exceeds “70”;
 - 1.4.3 prior to April 1, 2014, the Member was a retired member of CMA Ontario; or
 - 1.4.4 prior to July 2, 2014, the Member was a retired member of CGA Ontario.
Amended June 18, 2014
- 1.5 “Unverifiable continuing professional development” means independent and informal learning activities and may include:
 - 1.5.1 on-the-job training for new software, systems, procedures or techniques for application in a professional role;
 - 1.5.2 self-study that does not involve an examination or other objective certification of completion, such as conference reference material or self-study by electronic media or device;
 - 1.5.3 casual reading of professional journals or magazines that is not part of research for a specific application in a professional role.
- 1.6 “Verifiable continuing professional development” means that the learning can be objectively verified by a competent source and may include:
 - 1.6.1 participation in courses, conferences and seminars;
 - 1.6.2 organized employer-based in-house training sessions;

- 1.6.3 research or study projects in areas that expand the professional knowledge of the Member and that result in presentations, reports or similar documentation;
- 1.6.4 research, including reading professional literature or journals for specific application in a professional role;
- 1.6.5 participation and work on technical committees;
- 1.6.6 published professional writing or academic work;
- 1.6.7 writing technical articles, papers or books;
- 1.6.8 teaching a course or a continuing professional development session in an area that is relevant to a professional role;
- 1.6.9 participation as a speaker in conferences, briefing sessions or discussion groups;
- 1.6.10 formal study such as leading to a degree or diploma;
- 1.6.11 pre-professional re-examination or formal testing;
- 1.6.12 self-study involving successful completion of an examination or leading to a designation.

Continuing Professional Development Requirements

Obligation

- 2. Every Member, unless otherwise exempt, shall undertake continuing professional development relevant and appropriate to the work and professional responsibilities of the Member.

Content

- 3. The content of the Member's professional development activity shall:
 - 3.1 be quantifiable, meaning that it must be specifically identifiable and be able to be expressed in terms of a specific time requirement;
 - 3.2 be directly related to the competencies needed to carry on the Member's employment or practice;
 - 3.3 be relevant to the Member's current professional needs and/or long-term career interests; and

- 3.4 contain significant intellectual or practical content.

Required Hours

4. The minimum amount of continuing professional development that a Member must complete, unless the Member is exempt, shall be:
- 4.1 20 hours annually; and
- 4.2 120 hours in every three-year period.

Triennial Period

5. For the purposes of this regulation, the first triennial, or three-year, period for all legacy CA Members commenced on January 1, 2010 and terminated December 31, 2012, and the first triennial period for all legacy CGA and CMA Members will commence January 1, 2016 and terminate December 31, 2018, and the triennial periods thereafter commence on the January 1 next following and terminate on December 31 of the third year following.

Amended June 18, 2014

Verifiable and Unverifiable Hours

6. At least fifty (50) percent of both the annual and triennial hours set out in section 4 shall consist of Verifiable continuing professional development. The remaining hours may consist of Unverifiable continuing professional development.

Documentation

Retention

7. Every Member shall retain documentation, records and other evidence satisfactory to CPA Ontario of the professional development activities undertaken by the Member.

Production

8. A Member shall, upon request, produce any documentation, record, declaration, evidence or other item relating to professional development activities undertaken or to the Member's compliance with the requirements of this regulation.

Annual Declaration

9. On or before the date prescribed, every Member shall submit annually a completed [Form 4-5A](#) compliance declaration, attesting that the continuing professional development requirement:
- 9.1 has been complied with;

- 9.2 has not been complied with, or
- 9.3 the Member is exempt.

Plan of Action

- 10. A Member who indicates in the compliance declaration ([Form 4-5A](#)) that the continuing professional development requirement was not complied with shall file contemporaneously with the [Form 4-5A](#):
 - 10.1 a plan of action in [Form 4-5B](#) detailing how the Member intends to complete the required continuing professional development; or
 - 10.2 a request for an exemption, reduction or other special consideration from the requirements of this regulation in accordance with section 19.
- 11. The Registrar shall review the plan of action to determine whether it is complete and contains sufficient detail of how the Member intends to complete the required continuing professional development, and shall:
 - 11.1 accept the plan of action and so notify the Member in writing or by other electronic means that the plan of action has been accepted and the date of acceptance; or
 - 11.2 reject the plan of action, and:
 - 11.2.1 notify the Member in writing or by other electronic means of the deficiencies in the plan of action; and
 - 11.2.2 require the Member to file a corrected plan of action along with any other supporting documents within 14 days from such notice.
- 12. A Member shall complete a plan of action and file [Form 4-5C](#) attesting to the completion with the Registrar within 120 days from the date of acceptance of the plan.
- 13. Subject to the provisions of sections 19 and 20, the Registrar shall not accept more than one plan of action from a Member pertaining to any single triennial period.

Exemption - Other Professional Memberships

Other Provincial Bodies

- 14. Where a Member holds membership in more than one provincial body, the Member shall report continuing professional development to the provincial body where the Member holds prime membership.

Non-residents

15. A Member not residing in Canada or Bermuda who holds membership in a Recognized Professional Accounting Body which has continuing professional development requirements substantially similar to those of CPA Ontario, shall meet and attest, on a [Form 4-5A](#) compliance declaration, that the Member has met the requirements of that body.

Exemption - Retired Members

16. A Member who is retired shall be exempt from the requirement to complete continuing professional development, except as otherwise set out in section 17.

Exception

17. A retired Member who:

17.1 is licensed to practise public accounting; or

17.2 provides any Reliance Services;

must complete the relevant continuing professional development requirements as prescribed in Schedule 1.

Decision by Registrar

18. Despite a declaration on [Form 4-5A](#) by a Member that he or she is exempt by reason of retirement, the Registrar may determine that the Member is not eligible to claim the exemption in section 17.

Exemption, Reduction, Special Consideration

19. A Member may, by submitting [Form 4-5D](#) and any additional information and documents in support, request the Registrar grant an exemption, reduction or special consideration of the continuing professional development requirements of this regulation.

20. Upon receipt of a completed [Form 4-5D](#), the Registrar shall review the request and consider all the information and documents provided and may:

20.1 exempt the Member from all or a portion of the continuing professional development requirement;

20.2 require the Member to provide forthwith any additional information or documents in order to consider the request;

- 20.3 require that the Member file a plan of action ([Form 4-5B](#)) and, if applicable, prescribe a date by which the Member must file [Form 4-5C](#) (declaration of completion);
- 20.4 consider and, if found acceptable, approve a plan of action ([Form 4-5B](#)) or other proposal by a Member to remedy any contravention of this regulation or to complete continuing professional development;
- 20.5 take steps or actions necessary to ensure the Member complies with this regulation and the integrity of the continuing professional development program is maintained.

Registrar

Reference

- 21. Prior to making a decision provided for in this regulation, the Registrar may refer the matter to the Membership Committee for advice.
- 22. The Membership Committee shall consider any matter referred to it under section 21 and give advice to the Registrar.
- 23. The Registrar shall consider any advice provided under section 22 and shall make a decision provided for in this regulation.

Discretion

- 24. The Registrar shall not exercise the discretion granted by this regulation to exempt a Member from any or all of the requirements of section 4 unless the Member's ability to practise or earn a livelihood has been interrupted or significantly impaired.
- 25. In determining whether circumstances exist of such a nature to justify the exercise of the discretion granted by this regulation, the Registrar shall consider the relevant circumstances of the Member, which may include, but are not limited to:
 - 25.1 the nature of the circumstances;
 - 25.2 the likely duration of the circumstances;
 - 25.3 the continuing professional development history of the Member, including any previous requests for the exercise of discretion;
 - 25.4 the nature of the practice, employment or business of the Member, and the Member's current professional competence; and

25.5 the impact of any exercise of discretion on the Member's competence to act as a chartered professional accountant and, if licensed, as a licensed public accountant.

Amended June 18, 2014

Notice

26. The Registrar shall give prompt notice in writing or by other electronic means to the Member of any decision made under this regulation.

Decision Final

27. A decision of the Registrar made under this regulation is final.

Compliance Audit

28. The Registrar shall annually select Members to be audited for compliance with this regulation.

29. The Registrar shall give notice in writing or by other electronic means to the Members selected for audit, and such notice shall specify the information required from the Member and the format in which the information is to be provided.

30. A Member shall comply with the notice pursuant to section 29 within 30 days of the date of that notice, by providing all information as required by the notice.

31. The Registrar shall review the information provided pursuant to section 30, and may require the Member to provide further information, including documentation, explanations, and declarations, relating to or in support of the information provided pursuant to that section.

32. A Member shall comply with the requirements of the Registrar within the time period provided by the Registrar, such time period not to be less than 10 days from the date of the notice of the requirement.

Failure to Comply

33. A failure to comply with any section of this regulation is a breach of member obligations as defined in Regulation 4-3.

SCHEDULE 1: CONTINUING PROFESSIONAL DEVELOPMENT

FOR RETIRED MEMBERS PROVIDING RELIANCE SERVICES

Minimum Continuing Professional Development Requirement	Activity by Retired Member
<p>Retired Member must meet the Continuing Professional Development Requirements set out in section 4 of Regulation 4-5.</p>	<ul style="list-style-type: none"> ▪ Licensed to practise public accounting (subsection 17.1) ▪ Serving on the board or governing body of a reporting issuer as defined in Rule of Professional Conduct 204 (subsection 17.2 and clause 1.3.1) ▪ Providing accounting services to the public or other professional services and the aggregate gross annual revenue from such services exceeds \$75,000 (subsection 17.2, clauses 1.3.3 and 1.3.4)
<p>Retired Member must meet the following:</p> <ul style="list-style-type: none"> ▪ 10 hours annually of continuing professional development and 60 hours in each three year reporting period. ▪ At least 50 percent of these hours shall be Verifiable continuing professional development. The remaining hours may consist of Unverifiable professional development. 	<ul style="list-style-type: none"> ▪ Serving on the board or governing body of a public interest entity (subsection 17.2 and clause 1.3.2) ▪ Providing accounting services to the public or other professional services and the aggregate gross annual revenue from such services exceeds \$25,000 but not \$75,000 (subsection 17.2, clauses 1.3.3 and 1.3.4)

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-6
PRACTICE STRUCTURE**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 4-6
PRACTICE STRUCTURE**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “cross-referenced” means, in relation to a practice of public accounting or a practice providing accounting services to the public and one or more other businesses or practices,
 - 1.1.1 reference in the advertising, promotional or other material of any of them to any of the others, or
 - 1.1.2 use by any of them of any name, word, design or other feature or characteristic of presentation or communication,

which, in the view of the reasonable observer, would imply that the practice of public accounting or practice providing accounting services to the public, or any of its proprietors,
 - 1.1.3 has proprietary interest or management influence in any of the other businesses or practices, or
 - 1.1.4 has any other ongoing economic association or relationship with any of the other businesses or practices.
 - 1.2 “firm” includes a sole proprietorship;
 - 1.3 “regulatory organization” includes any organization with the authority to regulate any person, service, goods, or market; and
 - 1.4 “related business or practice” means a business or practice which is related to a practice of public accounting or a practice providing accounting services to the public by reason of being cross-referenced,
 - 1.4.1 with a practice of public accounting or a practice providing accounting services to the public, or

- 1.4.2 with any other business or practice which is cross-referenced with a practice of public accounting or a practice providing accounting services to the public.

Forms of Practice

2. A Member offering services to the public may adopt any practice structure permitted by the Act and Bylaws, including a sole proprietorship, partnership, limited liability partnership, and professional corporation.
3. No Member shall engage in the practice of public accounting or provide accounting services to the public without the practice being registered with CPA Ontario as a firm.

Practice Name

4. A firm shall register with CPA Ontario the name under which the firm engages in the practice of public accounting, provides accounting services to the public, or carries on a related business or practice.
5. The Registrar shall not register a firm whose name does not comply with the Rules of Professional Conduct, the bylaws, the *Business Names Act* and, if applicable, *Ontario Business Corporations Act* and the regulations adopted pursuant to that Act.

Amended October 19, 2012

6. The Registrar shall not continue the registration of a firm whose name does not comply, or no longer complies, with the Rules of Professional Conduct and legislation.
7. Notwithstanding section 6, a registered firm may apply to the Registrar to continue to use a non-compliant name, and the Registrar may grant such permission for a single period not exceeding six (6) months.
8. No firm, and no Member of any firm, shall engage in public accounting or provide accounting services to the public in any name other than the registered name or names.

Firm Registration

9. No firm or any office or location of that firm shall engage in the practice of public accounting, provide accounting services to the public or carry on a related business or practice without being currently registered in good standing with CPA Ontario.

Amended February 24, 2012

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- 9A. Notwithstanding sections 3 and 9 of this regulation, a Member or firm, other than a Member or firm engaged in the practice of public accounting, that is registered with, and maintains that registration with CGA Ontario or CMA Ontario, is, until January 1, 2015, exempt from the requirement to register with CPA Ontario.

New – June 18, 2014

10. The Registrar shall register, and renew the registration of, any firm that:
- 10.1 makes an application in the appropriate form and pays the prescribed fee;
 - 10.2 has paid all dues and other amounts levied by CPA Ontario;
 - 10.3 has provided all information and produced all documents and other materials as requested by the Registrar; and
 - 10.4 meets all the requirements of the Act, Bylaws and this regulation.
11. Any firm applying for registration or renewal of registration shall disclose whether it or any of its partners or shareholders is the subject of an investigation or is or has been the subject of disciplinary proceedings by CPA Ontario or any other regulatory organization, whether or not it is a member of that organization; and shall provide a consent permitting the Registrar to access information regarding such investigation or disciplinary proceedings from that organization.
12. Notwithstanding section 10, the Registrar may defer consideration of an application for registration or renewal until such time as any investigation or discipline proceeding disclosed pursuant to section 11 has been concluded.
13. Upon registration with CPA Ontario, a firm shall designate with CPA Ontario a Member to be the designated representative of the firm.
14. Every firm shall, upon registration, provide the Registrar:
- 14.1 the name, business address, telephone number, facsimile number and email address of each office or location to which section 9 pertains and the name, title and business address of the Member having personal charge and management of that office or location;
 - 14.2 the name, title and business address of each Member who is:
 - 14.2.1 the senior officer(s) of the firm in Canada;
 - 14.2.2 the senior officer(s) having responsibility for the Ontario operations of the firm;

14.2.3 the officer(s) having responsibility for the operations of the firm in any region or geographic territory in Ontario that involves more than one office; and

14.2.4 licensed to practise public accounting in Ontario.

Amended February 24, 2012

15. A firm shall notify the Registrar forthwith upon any changes to the information set out in section 14.

Professional Corporations

16. No professional corporation composed of Members shall carry on any business or practice in Ontario without holding a valid registration certificate.

17. No professional corporation shall engage in the practice of public accounting without holding a valid certificate of authorization.

18. The Registrar shall issue a registration certificate to, and renew the certificate of, any professional corporation that:

18.1 makes an application in the appropriate form and pays the prescribed fee;

18.2 has paid all dues and other amounts levied by CPA Ontario;

18.3 has provided all information and produced all documents, including articles of incorporation, and other materials as requested by the Registrar; and

18.4 meets all the requirements of the *Act*, the *Ontario Business Corporations Act*, the Bylaws and this regulation.

19. The Registrar shall issue a certificate of authorization to, and renew the certificate of, any professional corporation that meets the requirements of section 18 of this regulation, provided that at least one shareholder of the professional corporation holds a valid public accounting licence.

20. The Registrar shall record in CPA Ontario's records:

20.1 the name and business address of the professional corporation;

20.2 the name(s) of the shareholder(s) who legally and beneficially own(s), directly or indirectly, the shares of the professional corporation;

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- 20.3 the name(s) of the officer(s) and director(s) of the professional corporation;
 - 20.4 any term, condition, limitation or restriction imposed on the professional corporation;
 - 20.5 any suspension or revocation of any certificate of authorization; and
 - 20.6 whether the professional corporation holds a certificate of authorization.
21. Any professional corporation applying for issuance or renewal of a registration certificate or certificate of authorization shall disclose whether it or any of its shareholders is the subject of an investigation or is or has been the subject of disciplinary proceedings by CPA Ontario or any other regulatory organization, whether or not it is a member of that organization; and shall provide a consent permitting the Registrar to access information regarding such investigation or disciplinary proceedings from that organization.
22. Notwithstanding sections 18 and 19, the Registrar may defer consideration of an application for issuance or renewal until such time as any investigation or discipline proceeding disclosed pursuant to section 21 has been concluded.
23. Upon registration with CPA Ontario, a professional corporation shall:
- 23.1 designate with CPA Ontario a shareholder to be the representative of the professional corporation; and
 - 23.2 provide the Registrar the name, business address, telephone number, facsimile number and email address of each office or location of the professional corporation and the name, title and business address of the Member having personal charge and management of that office or location.
- Amended February 24, 2012*
24. A professional corporation shall notify the Registrar forthwith of any changes to the information set out in section 20.

Bankruptcy

25. A firm shall disclose to the Registrar forthwith upon:
- 25.1 becoming a bankrupt;
 - 25.2 making a proposal to creditors;
 - 25.3 becoming the subject of a formal proceeding as an insolvent debtor;

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- 25.4 being placed under a receiving order; or
- 25.5 having a business of which the firm or any partner or shareholder of the firm is an owner placed under a receiving order,
- as defined in the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act*.
26. The disclosure referenced in section 25 shall be in writing, and shall include:
- 26.1 all documentation pertaining to the subject of the disclosure or, if all documentation is not yet available, an undertaking to provide the documentation as soon as it becomes available;
- 26.2 the pleadings related to the subject of the disclosure or, if the pleadings are not yet filed, an undertaking to provide the pleadings as soon as they become available;
- 26.3 all documentation pertaining to the financial circumstances of the firm making the disclosure, including, but not limited to, income tax returns, financial statements and financial records; and
- 26.4 a consent permitting CPA Ontario to directly access information and documents related to the subject of the disclosure from the trustee in bankruptcy, the superintendent in bankruptcy, or the official receiver, as the case may be.
27. The individual making the disclosure shall also provide forthwith any other information or documents requested by or on behalf of the Registrar, unless the individual is asserting in good faith and on reasonable grounds the specific document requested is subject to legal privilege and that privilege is not waived.
28. The Registrar shall consider the disclosure and the information and documentation provided pursuant to sections 26 and 27, and shall:
- 28.1 suspend the registration and any certificates held by the firm;
- 28.2 require the firm to practice subject to one or more of the following terms and conditions:
- 28.2.1 engaging, for a time specified, an advisor or supervisor;
- 28.2.2 restricting the practice in a specified manner for a specified period of time;

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- 28.2.3 reporting as specified to the Registrar on the progress of the subject of the disclosure; or
 - 28.2.4 any other terms and conditions the Registrar deems appropriate; or
 - 28.3 take no further action.
29. The Registrar, in making a decision provided for in section 28, shall consider appropriate factors, which may include, but are not limited to:
- 29.1 the circumstances pertaining to the event requiring disclosure and to the conduct of the subject of the disclosure;
 - 29.2 the extent to which the event requiring disclosure may put at risk the interests of:
 - 29.2.1 any client or employer associated with the subject of the disclosure; or
 - 29.2.2 any other party impacted or affected by the event;
 - 29.3 the number and nature of creditors affected;
 - 29.4 whether any potential civil or criminal liability has arisen as a result of the event requiring disclosure;
 - 29.5 the current financial circumstances of the subject of the disclosure;
 - 29.6 the anticipated date of release from insolvency; and
 - 29.7 whether the firm is competent and capable of performing without impairment the essential duties of any current or anticipated business or practice.

Other Obligations

- 30. A firm shall ensure that the Registrar is notified in writing of any significant change in practice, composition or structure, as set out in the Bylaws.
- 31. No firm shall discontinue or surrender its registration or certificate(s) while the subject of a complaint or disciplinary proceeding or order, and, should its registration or certificate(s) expire during that time, the firm shall remain subject to the authority and jurisdiction of CPA Ontario as though it had not.

Registrar

32. The Registrar shall not register or issue any certificate or renew any certificate or registration pursuant to this regulation to a firm or professional corporation that:
- 32.1 fails to make any disclosure or provide any information or document required by this regulation; or
 - 32.2 provides information or a document that is false or misleading, unless the Registrar is satisfied that the falsehood or misleading is not material and that it was made inadvertently.
33. A decision of the Registrar made pursuant to this regulation is final.

Failure to Comply

34. A failure to comply with any section of this regulation is a breach of member obligations as defined in Regulation 4-3.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-7
ISSUANCE AND USE OF DESIGNATIONS**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on October 19, 2012, as amended to September 22, 2016.**

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**REGULATION 4-7
ISSUANCE AND USE OF DESIGNATIONS**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on October 19, 2012, as amended to September 22, 2016.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws.

Issuance

2. Every Member in good standing of CPA Ontario, other than to whom section 6A applies, shall have the right to the designation “Chartered Professional Accountant” and the initials “CPA” or “C.P.A.”, and the Registrar shall cause to be issued to every Member forthwith and thereafter upon the Member’s admission to membership a certificate bearing that designation.

Amended September 22, 2016

3. A legacy CA Member in good standing of CPA Ontario shall, in addition to the right in section 2 of this regulation, have the right to the designation “Chartered Accountant” and the initials “CA” or “C.A.”, and the Registrar shall cause to be issued to every Member upon their admission to membership a certificate bearing that designation.

Amended April 15, 2014

4. A Fellow in good standing of CPA Ontario shall, in addition to the right in section 2 of this regulation, have the right to the title “Fellow of CPA Ontario” and the initials “FCPA” or “F.C.P.A.”, and the Registrar shall cause to be issued to every Fellow upon their election or deemed election as a Fellow a certificate bearing that title.

Amended April 15, 2014

5. *Repealed June 14, 2016.*

6. A Member elected or deemed elected as a Life Member shall not thereby gain the right to use any designation or initials, but the Registrar shall cause to be issued to the Life Member a certificate indicating that election.

Amended April 15, 2014

- 6A. Every individual elected an Honorary Member of CPA Ontario pursuant to Bylaw subsection 4.8.1, shall have the right to the titles “Honorary Member of CPA Ontario” and “CPA (Honorary),” and the Registrar shall cause to be issued to every such Honorary Member upon their election to membership, a certificate bearing those titles.

New – September 22, 2016

Use of Designation, Initials or Title

7. Every legacy CA Member shall use the designation or initials set out in section 2 of this regulation followed by the designation or initials set out in section 3 of this regulation, with the designations or initials separated by a comma, as follows: “John / Jane Doe, CPA [or Chartered Professional Accountant or C.P.A.], CA [or Chartered Accountant or C.A.]”.

Amended June 18, 2014

- 7A. Every legacy CMA Member shall use the designation or initials set out in section 2 of this regulation followed by the designation or initials signifying membership CMA Ontario, separated by a comma, as follows: “John / Jane Doe, CPA [or Chartered Professional Accountant or C.P.A.], CMA [or Certified Management Accountant or C.M.A.]”.

Amended June 18, 2014

- 7B. Every legacy CGA Member shall use the designation or initials as set out in section 2 of this regulation followed by the designation or initials signifying membership in CGA Ontario, separated by a comma, as follows: “John / Jane Doe, CPA [or Chartered Professional Accountant or C.P.A.], CGA [or Certified General Accountant or C.G.A.]”.

Amended June 18, 2014

8. Every legacy CA Member who is elected a Fellow of CPA Ontario, or to whom section 9 applies, shall be permitted to use the designations and initials as set out in section 7 of this regulation, except that the letter “F” shall precede both sets of initials, as follows: “Jane / John Doe, FCPA [or F.C.P.A.], FCA [or F.C.A.]”.

Amended June 14, 2016

- 8A. Every legacy CMA Member and legacy CGA Member:

8A.1 who is deemed elected a Fellow Member of CPA Ontario by reason of Bylaw 4.6.3;

8A.2 who is elected a Fellow of CPA Ontario; or

8A.3 to whom section 9 applies,

shall be permitted to use the designations and initials as set out in section 7A or 7B of this regulation, as the case may be, except that the letter “F” shall precede both sets of initials, as follows: “Jane / John Doe, FCPA [or F.C.P.A.], FCMA [or F.C.M.A.], or FCGA [or F.C.G.A.]” as the case may be.

Amended June 14, 2016

9. Every Member in good standing who has been made a Fellow by another provincial body shall, unless Council or any Committee orders to the contrary, be permitted to use the initials “FCPA” or “F.C.P.A.” or title “Fellow”.

New – June 14, 2016

10. *Repealed June 18, 2014*

11. *Repealed June 18, 2014*

11A. Every Honorary Member shall have the right to use the titles set out in section 6A of this regulation as follows: "John / Jane Doe, CPA [or C.P.A.] (Honorary)" and shall not have the right to use any designation set out in sections 2 through 5 of this regulation.

New – September 22, 2016

12. No Member shall use any designation or initials set out in sections 2 through 5 of this regulation except as provided in sections 7 through 11A of this regulation.

13. A Member who is not in good standing shall not use any designation or initials set out in this regulation.

Amended June 18, 2014

Use of Other Designations

14. Until December 31, 2018, but not thereafter, a legacy CA Member in good standing may use the specialty of practice designations "IFA" and "IT" if the Member has fulfilled all the requirements for that specialty as at December 31, 2014 and paid all required fees, by adding such initials immediately following the "CA" or "FCA", separated by a dot or period.

Amended November 27, 2014

14A. A Member in good standing may use the specialist designations Certified Financial Forensics (CFF) and Certified Information Technology Professional (CITP) issued by the American Institute of Certified Public Accountants if the Member has fulfilled all the requirements of that certification and paid all required fees, by adding the designation or initials immediately following the designations or initials as set out in sections 7 through 11 of this regulation.

New November 27, 2014

15. A Member of CPA Ontario in good standing may use a designation granted by an organization with jurisdiction in Ontario if the Member is a member in good standing of that organization and permitted by that organization to use the designation by adding the designation or the initials signifying the designation following the designations or initials used as set out in sections 7 through 11 of this regulation, separated by a comma.

16. A Member of CPA Ontario in good standing may use a designation granted by an accounting body outside Ontario, or the initials signifying that designation only if, and so long as:

16.1 The Member is a member in good standing of the accounting body outside Ontario and is permitted by that body to use the designation or initials;

16.2 The designation or initials is or are followed immediately by the name of the state, province or country, in parentheses, of that accounting body; and

- 16.3 The designation or initials is on a separate and subordinate line to the Member's name and CPA Ontario and any other Ontario designation(s) or initials.
17. A Member who is not in good standing, or an individual who is not a Member shall not use any designation or initials referenced in section 16 of this regulation.

Firm Names

18. Every firm registered with CPA Ontario on or before March 31, 2014, may, following and as part of the registered name, use either or both "Chartered Professional Accountant(s)" and "Chartered Accountant(s)" and the initials "CPA" or "C.P.A.", and "CA" or "C.A."

Amended April 15, 2014

19. Notwithstanding section 18 of this regulation, a firm registered with CPA Ontario that has one or more partners who are not legacy CAs , or are professional corporations with one or more shareholders who are not legacy CAs may use, if permitted by law, following and as part of the registered name, "Chartered Professional Accountants" and the initials "CPA" or "C.P.A.", but shall not use any other designation or initials, except that a firm registered with CMA Ontario on or before March 31, 2014 or with CGA Ontario on or before July 1, 2014 may, until December 31, 2017, continue to use such designations or initials as are part of the firm name as of that firm's registration with CMA Ontario or CGA Ontario, as the case may be, provided that the use of the designations or initials is permitted by the bylaws of, and so long as the firm maintains its registration with, CMA Ontario or CGA Ontario, as the case may be.

Amended June 18, 2014

20. Notwithstanding sections 18 and 19 of this regulation, as of January 1, 2018, every firm registered with CPA Ontario shall only use, following and as part of the registered name, "Chartered Professional Accountant(s)" or the initials "CPA" or "C.P.A."

Amended November 29, 2012

21. An entity that is not registered with CPA Ontario shall not use "Chartered Professional Accountant(s)", "Chartered Accountant(s)", or the initials "CPA", "C.P.A.", "CA" or "C.A." in any manner whatsoever.

Failure to Comply

22. A failure to comply with any section of this regulation is a breach of member obligations as defined in Regulation 4-3.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 6-1
STUDENT REGISTRATION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to March 10, 2017.**

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NOTE: Due to the extensive amendments made to this regulation on November 27, 2014, the amendments of that date and prior to have not been individually noted throughout.

**REGULATION 6-1
STUDENT REGISTRATION**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011 as amended to March 10, 2017.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “academic institution” means an education institution such as a university that has been established or accredited by a statute or other governmental approval and offers a program or programs of post-secondary academic education, including but not limited to:
 - 1.1.1 an academic institution that is a member of the Association of Universities and Colleges of Canada or the Association of Canadian Community Colleges and is accredited by the appropriate regulatory authorities in Canada to grant degrees;
 - 1.1.2 an academic institution recognized in the International Handbook of Universities published by the International Association of Universities or by a similar recognition service;
 - 1.1.3 an academic institution in the United States of America that has been accredited by an accreditation agency recognized by the United States Department of Education;
 - 1.2 “Common Final Examination” or “CFE” means the qualifying examination prepared by the Board of Evaluators of CPA Canada on behalf of the provincial bodies and required to be successfully written for admission to membership after August 31, 2015;
 - 1.3 “CPA Accredited Program” means a program of academic study at an academic institution that has been accredited by the Council in accordance with the accreditation standards established in the *CPA National Recognition and Accreditation Standards for Post-Secondary Institutions* (Schedule B);
 - 1.4 “credit hour” means each instruction hour per week of a one-semester course of academic learning, or the equivalent, that:
 - 1.4.1 is recognized by the degree-granting institution of higher education that offers it as a degree-credit course; and
 - 1.4.2 is a three-credit hour course which provides:

- 1.4.2.1 a minimum of three hours instruction time per week over a minimum 12 week term; or
 - 1.4.2.2 a maximum of twelve hours instruction time per week over a minimum three week term, provided that if a Student is enrolled in one or more such courses during a shortened term, the Student must be limited to a total of 12 instruction hours per week;
- 1.5 “degree” means an undergraduate degree or other equivalent indicator of academic achievement granted by an academic institution;
Amended August 1, 2016
- 1.6 “degree-credit course” means a course of academic study and evaluation that is recognized for credit by the degree-granting academic institution towards the completion of a university degree or equivalent that is awarded by that degree-granting academic institution and that is successfully completed through enrolment in or registration with such institution;
- 1.7 “PEP commencement date” means the date which is the earliest of:
- 1.7.1 the first day of any module of the CPA Professional Education Program in which the Student is enrolled;
 - 1.7.2 the date on which the Student first challenges any CPA Professional Education Program module examination;
 - 1.7.3 the date on which the Student commences either the Graduate Diploma or Masters Program of a CPA Accredited Program approved by the Council (Schedule B);
Amended November 29, 2016
 - 1.7.4 July 1, 2016, for Students registered pursuant to subsections 5.11, 5.12 or 5.13 for whom clause 1.8.3 does not apply; and
New – November 29, 2016
 - 1.7.5 July 1, 2022, for Students registered pursuant to subsections 5.11, 5.12 or 5.13 and for whom clause 1.8.3 applies;
New – March 10, 2017
- 1.8 “PREP Commencement Date” means the date which is the earlier of:
- 1.8.1 the first day of any CPA Preparatory Course in which the Student is enrolled;
Amended November 29, 2016

- 1.8.2 the date on which the Student first challenges any CPA Preparatory Course examination; and
Amended November 29, 2016
- 1.8.3 July 1, 2016, for Students registered pursuant to subsections 5.11, 5.12 or 5.13;
New – June 21, 2016
- 1.9 “post-secondary academic education” means a program or programs of academic study beyond the general and compulsory primary and secondary levels of schooling required by the government of the country, state, or province as the case may be;
- 1.9A “Registrar” means the person appointed to that office by the Council and, for matters related to students other than the initial registration of students registered pursuant to subsections 5.4 or 5.5 (which remains with the Registrar), the Vice President, Student Services; and
- 1.10 “university degree” means:
- 1.10.1 a four-year undergraduate degree or other equivalent indicator of academic achievement comprising 120 credit hours or equivalent: or
- 1.10.2 a post-graduate degree or other equivalent indicator of academic achievement beyond the level of an undergraduate degree or equivalent that is granted by an academic institution.

Registration

2. The Registrar or Vice President, Student Services, as the case may be, shall register as a Student with CPA Ontario anyone who:
- 2.1 makes an application in Form 6-1A and pays the prescribed fee;
- 2.2 provides proof of identity, including legal and any assumed name, satisfactory to the Registrar or Vice President, Student Services, as the case may be;
- 2.3 provides evidence of good character satisfactory to the Registrar or Vice President, Student Services, as the case may be;
- 2.4 has access to a computer that meets the minimum configuration requirements as set by CPA Ontario from time to time, including Internet access and a valid email address, unless exempted from this requirement by the Registrar or Vice President, Student Services, as the case may be;

- 2.5 meets the requirements for one of the registration categories as set out in section 5;
 - 2.6 provides a signed declaration that the individual understands and agrees to abide by the *CPA Ontario Academic Code of Conduct*;
 - 2.7 meets the employment requirements as set out in this regulation or approved by the Council from time to time; and
 - 2.8 provides all information and produces all documents and other materials as requested by the Registrar or Vice President, Student Services, as the case may be, or, in extraordinary circumstances where such documentation is not available, provides alternative proof satisfactory to the Registrar or Vice President, Student Services, as the case may be.
3. It is the responsibility of the Student to ensure the application is complete and accurate, and is received by the Registrar or Vice President, Student Services, as the case may be.
- 3A. An individual shall be required to register as a Student with CPA Ontario effective April 1, 2014, if on that date the individual was enrolled in the CPA Prerequisite Education Program.
4. In making any decision pursuant to this regulation, the Registrar and Vice President, Student Services, as the case may be, shall act in accord with the Act, bylaws, and regulations of CPA Ontario and shall be guided by the policies and guidelines passed by the Council from time to time.

Registration Categories

5. An individual may register in only one of the following categories and shall not also be registered under the Advanced Certificate in Accounting and Finance, as an Applicant pursuant to Regulation 6-2, or as a Legacy CA Student pursuant to Regulation 6-4 at any time during the period of registration, and may not change categories without the permission of the Registrar or Vice President, Student Services, as the case may be:
Amended June 21, 2016

5.1 ***University Graduate*** – an individual who has completed all the academic requirements for the conferral of a degree.
Amended August 1, 2016

5.2 ***Co-operative Degree Program*** – an individual who is enrolled at an academic institution in a co-operative university degree program approved by the Council (Schedule A).

- 5.3 **CPA Accredited Program** – an individual who is enrolled in the graduate-level component of a CPA Accredited Program as defined in subsection 1.3.
- 5.4 **Accounting Body Outside Canada** – an individual who:
- 5.4.1 is a member in good standing with a professional accounting body outside Canada that is a Member Body in good standing of the International Federation of Accountants at the date of the individual's application for registration or a professional or regulatory body or authority for accountants or auditors in a country other than Canada that has been established by statute to qualify, certify, regulate, license or authorize individuals to practise as accountants or auditors in that country; and
Amended March 22, 2016
- 5.4.2 *Repealed March 22, 2016*
- 5.4.3 is not eligible to register as a Student pursuant to subsection 5.5.
- 5.5 **Accounting Body Outside Canada – Specified** – an individual who is a member in good standing with an accounting body listed in Schedule C, and who meets the conditions for registration contained in a memorandum of understanding or agreement between that body and CPA Ontario.
- 5.6 **Transfer** – an individual registered currently and in good standing with another provincial body who within three months of the date of registration with CPA Ontario, discontinues or terminates registration with any other provincial body.
Amended March 10, 2017
- 5.6.1 *Repealed March 10, 2017*
- 5.6.2 *Repealed March 10, 2017*
- 5.7 *Repealed March 10, 2017*
- 5.8 **Mature** – an individual who may not have a degree and:
Amended June 21, 2016
- 5.8.1 has at least eight years of relevant accounting or business experience satisfactory to the Registrar or Vice President, Student Services, as the case may be;
- 5.8.2 will complete the academic prerequisite requirements in accordance with section 16;
Amended March 22, 2016

- 5.8.3 provides letters of reference and any other requested documentation satisfactory to the Registrar or Vice President, Student Services, as the case may be; and
 - 5.8.4 satisfies the Registrar or Vice President, Student Services, as the case may be, that the individual does not meet the requirements of any other category of student registration as set out in this section.
 - 5.9 **Legacy CGA Student** – a student who prior to September 1, 2015 is registered with CGA Ontario in the process to attain the CGA designation.
 - 5.10 **Legacy CMA Student** – a student who prior to February 1, 2015 is registered with CMA Ontario in the process to attain the CMA designation.
 - 5.11 **Transitional CA Student** - a Student registered with CPA Ontario who is not eligible to qualify for the CA designation.
 - 5.12 **Transitional CGA Student** – a student registered with CGA Ontario who is not eligible to qualify for the CGA designation.
 - 5.13 **Transitional CMA Student** – a student registered with CMA Ontario who is not eligible to qualify for the CMA designation.
6. Notwithstanding section 5, a Student may register in both the Co-operative Degree Program and CPA Accredited Program categories if the Student meets the requirements of each of those categories.

Conditional Registration

7. A Student who is currently enrolled in a program leading to a degree, or has completed at least 30 credit-hours at an academic institution, but has not yet completed all of the academic requirements for registration pursuant to subsection 5.1 (University Graduate), may register in that category on a conditional basis for a maximum period of seven years.

Amended August 1, 2016

- 7A. A Student who has not completed at least one year at an academic institution but has completed at least three years of relevant accounting or business work experience satisfactory to the Registrar or Vice President, Student Services, as the case may be, may register pursuant to subsection 5.8 (Mature) on a conditional basis for a maximum period of seven years and must satisfy the requirements of subsection 5.1 (University Graduate) or 5.8 (Mature) before commencing the PEP.

Amended November 29, 2016

Period of Registration

8. The date of registration shall be the date upon which the individual provides the Registrar or Vice President, Student Services, as the case may be, with proof of compliance with all the requirements of section 2.

9. A Student shall renew registration on an annual basis by making an application for renewal in Form 6-1B and paying the prescribed fee, and providing all information and producing all documents and other materials as requested by the Registrar or Vice President, Student Services, as the case may be.
10. The Registrar or Vice President, Student Services, as the case may be, shall suspend the registration of any Student who fails to comply with any provision of this regulation, or of the bylaws or regulations, and shall deregister a Student as required by the bylaws or regulations or pursuant to the *CPA Ontario Academic Code of Conduct*.
11. The Registrar or Vice President, Student Services, as the case may be, shall deregister any Student whose registration has been suspended for a cumulative period of one year, unless otherwise provided in the bylaws or regulations.
- 11A. Failure to comply with the requirements of section 5 shall result in the Student being deregistered.
New – June 21, 2016
12. A Student who has been deregistered pursuant to section 11 may apply for re-registration upon complying with the requirements for registration in effect at the time of that application.
13. The Registrar or Vice President, Student Services, as the case may be, shall deregister a Student as of the earliest of:
 - 13.1 the seventh anniversary of the date of conditional registration pursuant to section 7 or 7A if by that date the Student has not met all the requirements for registration under section 5;
Amended November 29, 2016
 - 13.2 for Students registered pursuant to subsections 5.11, 5.12 and 5.13, the sixth anniversary of the Student's PREP Commencement Date, unless the requirements of section 16 have been met to the satisfaction of the Vice President, Student Services, prior to that date;
Amended November 29, 2016
 - 13.3 the sixth anniversary of the Student's PEP Commencement Date, unless he or she has completed PEP as defined in section 29 prior to that date;
Amended November 29, 2016
 - 13.4 *Repealed November 29, 2016*
 - 13.5 the seventh anniversary of the Student's PEP Commencement Date, unless the Practical Experience Requirement of Regulation 6-6, or legacy program in the case of Students registered pursuant to subsections 5.11, 5.12 or 5.13, have

been completed to the satisfaction of the Vice President, Student Services, prior to that date;

Amended November 29, 2016

13.6 45 days following the release of the result of the Student's third unsuccessful attempt of any module of the CPA Professional Education Program, pursuant to sections 37 and 37B, or the third unsuccessful attempt on the Common Final Examination or, if an appeal of that result has been filed, immediately upon the denial of such appeal;

Amended November 29, 2016

13.7 except for Students registered pursuant to subsection 5.12, the tenth anniversary of the date of initial registration; and

Amended November 29, 2016

13.8 June 30, 2020 for Students registered pursuant to subsections 5.9 and 5.12, unless he or she has provided proof satisfactory to the Registrar or Vice President, Student Services, as the case may be, prior to that date, of the conferral of a 90 credit hour degree.

New – November 29, 2016

14. A Student who has been deregistered shall not be reregistered except at the discretion of, and on such terms and conditions deemed appropriate by, the Registrar or Vice President, Student Services, as the case may be.

14A. A Student who has been deregistered pursuant to section 11A shall not retain credit for the fulfillment of any of the requirements of this regulation except in the discretion of the Registrar or Vice President, Student Services, as the case may be.

New – June 21, 2016

CPA Program Completion

15. Unless otherwise specified in the regulations, every Student shall successfully complete:

15.1 the academic prerequisites; and

15.2 the CPA Certification Program, which consists of:

15.2.1 the CPA Professional Education Program; and

15.2.2 *Repealed November 29, 2016*

15.2.3 the Practical Experience Requirement pursuant to Regulation 6-6.

Academic Prerequisites

16. Unless otherwise exempted by this regulation, a Student shall fulfill the academic prerequisites in accordance with the CPA Ontario policies adopted by the Council, the *CPA Harmonized Education Policies* and the *CPA National Recognition and Accreditation Standards for Post-Secondary Institutions* or any successor policies or documents approved by the Council from time to time by successfully completing:

Amended June 21, 2016

- 16.1 at one or more academic institutions, either before or after registration as a Student with CPA Ontario, degree-credit courses or equivalent academic learning acceptable to the Vice-President, Student Services;
 - 16.2 the CPA Preparatory Courses (PREP); or
 - 16.3 a combination acceptable to the Vice-President, Student Services, of degree credit-course(s) or equivalent academic learning meeting the requirements set out in subsection 16.1 and one or more modules of the PREP.
- 16A. A Student shall not be permitted to re-take a required prerequisite introductory financial accounting course to increase his or her average after having successfully completed one or more advanced-level financial accounting course(s).

New – June 21, 2016

Exemptions to Academic Prerequisites

17. Unless otherwise specified in this regulation, including the schedules to this regulation, Students in the following categories of registration are exempt from the requirement to complete the academic prerequisites prescribed in section 16:

- 17.1 CPA Accredited Program;
- 17.2 *Repealed March 10, 2017*
- 17.3 Legacy CMA Student;
- 17.4 Legacy CGA Student;
- 17.5 Transitional CA Student;
- 17.6 Transitional CGA Student; and
- 17.7 Transitional CMA Student.

Amended November 29, 2016

18. Students in the Accounting Body Outside Canada and Accounting Body Outside Canada – Specified categories of registration are exempt from the requirement to complete the academic prerequisites prescribed in section 16.

Amended March 22, 2016

19. Notwithstanding section 18, Students in the Accounting Body Outside Canada and Accounting Body Outside Canada – Specified categories of registration must successfully complete, prior to applying for admission to membership, such course(s) and/or program(s) of professional development in Canadian taxation, Canadian business law, ethics and the Rules of Professional Conduct as may be prescribed by the Council.

Amended March 22, 2016

CPA Preparatory Courses (PREP)

20. A Student is eligible to enroll in and attend the PREP if the Student:

20.1 makes an application and pays the prescribed fee;

20.2 has provided proof satisfactory to the Registrar or Vice President, Student Services, as the case may be, of any required pre-requisites in accordance with the CPA Ontario policies adopted by the Council; and

Amended June 21, 2016

20.3 has provided all information and documents requested by the Registrar or Vice President, Student Services, as the case may be.

21. *Repealed June 21, 2016*

22. A Student may apply for exemption from a course or courses and such applications shall be considered by the Vice President, Student Services.

Amended June 21, 2016

23. Other than as set out in this regulation, a Student who does not meet the requirements and prerequisites for the PREP or a course shall not be permitted to enroll in the PREP or such course.

24. A Student who is unsuccessful on the third examination attempt at the examination for a course may not:

24.1 re-enroll in that course; or

24.2 attempt the examination;

and such Student must:

24.3 successfully complete the appropriate course(s) at an academic institution; and

24.4 thereafter seek an exemption from the relevant course.

25. *Repealed November 29, 2016*

26. *Repealed November 29, 2016*

27. A Student requiring special accommodation may request such accommodation for any PREP course or examination by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

27A. A Student may request special consideration due to circumstances arising during an examination by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

28. PREP courses shall not be recognized for the purpose of applying for a public accounting licence under Regulation 9-1.

Amended November 29, 2016

CPA Professional Education Program (PEP)

29. Unless otherwise specified in this regulation, all Students shall enroll in and successfully complete, while registered in good standing, the PEP, consisting of:

29.1 two mandatory core modules:

29.1.1 Core 1; and

29.1.2. Core 2; and

29.2 any two elective modules chosen by the Student from among:

29.2.1 Taxation;

29.2.2 Assurance;

29.2.3 Finance;

29.2.4 Performance Management; and

29.3 two mandatory capstone modules:

29.3.1 Capstone 1; and

29.3.2 Capstone 2; and

29.4 the Common Final Examination.

New – November 29, 2016

29A. Unless otherwise exempted by this regulation, a Student shall complete the PEP in accordance with the CPA Ontario policies adopted by the Council, *the CPA Harmonized Education Policies* and the *CPA National Recognition and Accreditation Standards for Post-Secondary Institutions* or any successor policies or documents approved by the Council from time to time.

New – November 29, 2016

30. To be eligible to apply for a public accounting licence upon admission to membership in CPA Ontario, a Student must successfully complete the elective modules in Taxation and Assurance or equivalent through a CPA accredited program and meet the requirements of section 51.

Amended November 29, 2016

31. Unless otherwise specified in this regulation,

31.1 subject to sections 32A and 32B, the Core 2 module shall not be completed prior to, but may be completed contemporaneously with the completion of the Core 1 module and the Capstone 1 and Capstone 2 modules shall be completed in sequential order;

Amended March 10, 2017

31.2 the Core 1 and Core 2 modules must be successfully completed, or been exempted from to be eligible to enroll in any elective modules;

Amended November 29, 2016

31.3 two elective modules must be successfully completed, or been exempted from to be eligible to enroll in the capstone modules; and

Amended November 29, 2016

31.4 the Core 1 and Core 2 modules, two elective modules and Capstone 1 and Capstone 2 modules shall be successfully completed, or been exempted from to be eligible to enroll in the Common Final Examination.

Amended November 29, 2016

32A. On or before April 30, 2019, a Student who has been granted exemption from the requirement to attend or complete any PEP module and is required to only write the examination(s) of such module may complete the Core 1, Core 2 and elective modules in any order.

Amended November 29, 2016

32B. A Student may only complete the Core 1 and Core 2 modules contemporaneously if he or she enters the PEP with a minimum grade point average of 75%, or other equivalent alpha or numerical grade, in the core courses as defined in the *CPA Harmonized Education Policies*.

New – March 10, 2017

Eligibility for Enrollment

33. A Student is eligible to enroll in the PEP as per subsections 29.1, 29.2 or 29.3, or, if applicable, enroll for any of the PEP module examinations if the Student:

Amended November 29, 2016

33.1 makes an application in Form 6-1C (PEP) and pays the prescribed fee;

33.2 has either:

33.2.1 successfully completed or been exempted from the academic prerequisites; or

33.2.2 signed a declaration that the requirements in clause 33.2.1 will be completed prior to the PEP Commencement Date; and

33.3 has either:

33.3.1 unless exempted by this regulation:

33.3.1.1 obtained a university degree or university degrees and, if applicable, graduate diploma(s); and

33.3.1.2 successfully completed at least 120 credit hours or equivalent of post-secondary academic education acceptable to the Vice-President, Student Services; or

33.3.2 signed a declaration indicating that the requirements in clause 33.3.1 will be completed prior to the PEP Commencement Date; and

33.4 has provided all information and documents requested by the Registrar or Vice President, Student Services, as the case may be.

34. A Student shall:

34.1 complete the requirements of clauses 33.2.1 and 33.3.1 prior to the Student's PEP Commencement Date, failing which the Student's enrollment shall be cancelled; and

34.2 provide proof satisfactory to the Registrar or Vice President, Student Services, as the case may be, of the fulfillment of the requirements of clauses 33.2.1 and 33.3.1.

Amended June 21, 2016

35. A Student who is unsuccessful on the examination for a core or elective module may attempt that examination at a subsequent sitting.

36. A Student who is unsuccessful on two attempts at the examination for a core or elective module must re-take the module before making a third attempt at the examination if the most recent attempt was a challenge to the examination, otherwise they shall challenge the examination.

Amended March 22, 2016

37. A Student who is unsuccessful on three attempts at any core or capstone module shall be deregistered.

Amended March 22, 2016

37A. A Student who is unsuccessful on three attempts at any elective module may not re-enroll in that module or attempt the examination, but may enroll in a different elective.

New – March 22, 2016

37B. Notwithstanding section 37A, a Student who is unsuccessful on three attempts at each of two different elective modules shall be deregistered.

New – March 22, 2016

Exemptions

38. Students in the CPA Accredited Program registration category are exempted from any specific PEP modules as set out in Schedule B.

39. Students in the following categories of registration are exempt from the requirement to complete the PEP:

39.1 *Repealed March 10, 2017*

39.2 Legacy CMA Student, and

39.3 Legacy CGA Student.

40. Students in the Accounting Body Outside Canada category of registration are exempt from:

40.1 the requirements of subsection 33.3; and

40.2 the requirement to enrol in and successfully complete the modules for Core 1, Core 2 and the electives prior to attempting the examinations for each of Core 1 and Core 2 if they have satisfied the Registrar of:

40.2.1 having obtained a university degree and the completion of a minimum of three years of relevant experience; or

40.2.2 the completion of a minimum of eight years of relevant experience.

Amended March 22, 2016

40A. Students in the Accounting Body Outside Canada – Specified category of registration shall be exempt from any PEP modules or PEP examinations as specified in a memorandum of understanding or agreement between the accounting body and CPA Ontario.

New – March 22, 2016

41. Notwithstanding subsection 40.2, Students in the Accounting Body Outside Canada and Accounting Body Outside Canada – Specified categories of registration who are unsuccessful in any Core 1, Core 2, or elective examination must successfully complete the module for that examination prior to making any further attempt at that examination.

New – March 22, 2016

41A. Notwithstanding sections 40 and 40A, to be eligible to apply for a public accounting licence upon admission to membership, Students in the Accounting Body Outside Canada and the Accounting Body Outside Canada – Specified categories of registration must successfully complete the elective modules in Taxation and Assurance.

Amended March 22, 2016

Transition

42. Students in the Transitional CMA Student category of registration shall:

42.1 complete the Transitional Bridging Program in order to be eligible to enroll in any subsequent PEP module or challenge any PEP module examination;

42.2 enroll in the PEP by the applicable date set out in Schedule D; and

42.3 complete the requirements applicable to their CMA Bridging Category as set out in Schedule D.

43. Students in the Transitional CA Student category of registration shall:

43.1 complete the Transitional Bridging Program in order to be eligible to enroll in any subsequent PEP module or challenge any PEP module examination; and

- 43.2 complete the requirements applicable to their CA Bridging Category as set out in Schedule E.
- 44. Students in the Transitional CGA Student category of registration shall:
 - 44.1 complete the Transitional Bridging Program in order to be eligible to enroll in any subsequent PEP module or challenge any PEP module examination; and
 - 44.2 complete the requirements applicable to their CGA Bridging Category as set out in Schedule F.

General

- 45. To be eligible to apply for a public accounting license upon admission to membership in CPA Ontario, a Student must comply with the requirements of Regulation 9-1.
- 46. A Student requiring special accommodation may request such accommodation for any PEP module or examination by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

- 47. A Student may request special consideration due to circumstances arising during an examination by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

Common Final Examination

- 48. A Student is eligible to enroll for and attempt the Common Final Examination if the Student:
 - 48.1 has successfully completed, or been exempted from the requirements of section 31;
Amended November 29, 2016
 - 48.2 makes an application in Form 6-1D and pays the prescribed fee; and
 - 48.3 has provided all information and documents requested by the Registrar or Vice President, Student Services, as the case may be.
- 49. No Student registered pursuant to this regulation, other than a Legacy CMA Student or a Legacy CGA Student shall be exempted from the requirement to pass the CFE.
- 50. *Repealed March 10, 2017*
- 51. To be eligible to apply for a public accounting licence upon admission to membership in CPA Ontario a Student must demonstrate, in the CFE, depth of competency

development in both Financial Reporting and Assurance, in addition to demonstrating the breadth of competency development as defined in *The Chartered Professional Accountant Competency Map* or any successor document approved by the Council.

52. A Student requiring special accommodation may request such accommodation for the CFE by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

53. A Student may request special consideration due to circumstances arising during the CFE by submitting a request to the Registrar or Vice President, Student Services, as the case may be.

Amended November 29, 2016

Appeals

54. A decision of the Registrar or Vice President, Student Services, as the case may be, not to register or reregister an individual as a Student or to deregister a Student may be appealed by the individual or Student to the Membership Committee.

55. The parties to an appeal are the individual appealing and the Registrar or Vice President, Student Services, as the case may be.

56. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.

57. The decision of the Membership Committee is final.

SCHEDULE A**UNIVERSITY CO-OPERATIVE DEGREE PROGRAMS**

University	Degree program
Algoma	Bachelor of Business Administration
Brock	Bachelor of Business Administration
Brock	Bachelor of Accounting
Carleton	Bachelor of Commerce
Dalhousie	Bachelor of Commerce
Guelph	Bachelor of Commerce, Honours Program – Accounting, Co-operative Education Program (HBComm)
McMaster	Bachelor of Commerce (Internship)
McMaster	Master of Business Administration
Ottawa	Honours Bachelor of Commerce in Accounting
Redeemer	Bachelor of Arts, Honours Business Major-Accounting
Toronto (Mississauga)	Masters in Management and Professional Accounting
Toronto (Scarborough)	Bachelor of Business Administration (Program in Management)
Waterloo	Bachelor of Accounting and Financial Management (Honours)
Waterloo	Bachelor of Mathematics (Chartered Accountancy)
Waterloo	Bachelor of Science (Honours Chartered Accountancy)
Wilfrid Laurier/ Waterloo	Honours Bachelor of Business Administration
Wilfrid Laurier/ Waterloo	Honours Bachelor of Business Administration (Laurier)/Bachelor of Computer Science (Waterloo)

Effective for students graduating after Dec 31, 2010

REGULATIONS

University	Degree program
Wilfrid Laurier	Honours Bachelor of Business Administration
Wilfrid Laurier	Honours Bachelor of Arts (Economics)
Wilfrid Laurier	Honours Bachelor of Business Administration/ Bachelor of Science in Computer Science <i>Effective for students graduating after Dec 31, 2010</i>
Wilfrid Laurier	Honours Bachelor of Business Administration/ Bachelor of Science in Computing and Computer Electronics <i>Effective for students graduating after Dec 31, 2010</i>
Wilfrid Laurier	Honours Bachelor of Business Administration/ Bachelor of Arts in Financial Mathematics <i>Effective for students graduating after Dec 31, 2010</i>
Windsor	Bachelor of Commerce

SCHEDULE B**CPA ACCREDITED PROGRAMS**

University	CPA Accredited Program	PEP exemptions	PEP requirements
Brock University	Masters of Business Administration, Accounting Stream	Core 1 Core 2	Electives Capstone 1 Capstone 2 Common Final Examination
Brock University	Combined Bachelor of Accounting Program (or equivalent) and Graduate Diploma in Accounting	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
Brock University	Combined Bachelor of Accounting (or equivalent) and Masters of Accounting Program	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
Carleton University	Combined Bachelor of Commerce (Accounting Stream) (or equivalent) and Masters in Accounting Program	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
University of Guelph	Bachelor of Commerce (BComm), Accounting Major program (or equivalent), combined with one of: The Graduate Diploma in Accounting (GDA); or The Masters of Arts in Management (MAM) – Accounting Field	Core 1 Core 2 Assurance Elective Taxation Elective	Capstone 1 Capstone 2 Common Final Examination

REGULATIONS

University	CPA Accredited Program	PEP exemptions	PEP requirements
Lakehead University (Diploma is subject to the university Senate approval)	Combined Honours Bachelor of Commerce (HBComm), Accounting Stream (or equivalent) and Graduate Diploma in Accounting (GDA)	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
McMaster University	Combined Bachelor of Commerce, Accounting Stream (or equivalent) and Graduate Diploma in Accounting Program	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
McMaster University	Combined Masters of Business Administration, Accounting Stream (or equivalent) and Graduate Diploma in Accounting Program	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
Queen's University	Combined Bachelor of Commerce, Accounting Stream (or equivalent) and Graduate Diploma in Accounting	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
Ryerson University, School of Accounting and Finance (SAF)	Combined Bachelor of Commerce (BComm) – Accounting Stream and Professional Masters Diploma in Accounting (PDip Accounting)	Core 1 Core 2 Assurance Elective Taxation Elective Performance Management Elective	Capstone 1 Capstone 2 Common Final Examination
Seneca College, School of Accounting and Financial Services (SAFS)	Combined Bachelor of Commerce – International Accounting and Finance (BComm-IAF) – Accounting Stream and Certificate at the Graduate Level in Professional Accountancy (ACY)	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination

REGULATIONS

University	CPA Accredited Program	PEP exemptions	PEP requirements
University of Ontario Institute of Technology	Combined Bachelor of Commerce (Accounting Stream) (or equivalent) and Graduate Diploma in Accounting	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
University of Ottawa, Telfer School of Management	Combined Honours Bachelor of Commerce (HBComm) – Specialization in Accounting and Graduate Diploma in Chartered Professional Accountancy (Offered in both English and French)	Core 1 Core 2 Assurance Elective Taxation Elective Performance Management Elective	Capstone 1 Capstone 2 Common Final Examination
University of Toronto Mississauga	12-month Master of Management of Professional Accounting Programs (MMPA) program coupled with one of (or the equivalent of): <ul style="list-style-type: none"> • the Bachelor of Commerce (BComm), Accounting Specialist Program from the University of Toronto, Mississauga; or • the Bachelor of Commerce (BComm), Accounting Specialist Program from the University of Toronto, St. George; or • the Bachelor of Business Administration (BBA), Specialist in Management and Accounting Program from the University of Toronto, Scarborough. 	Core 1 Core 2 Electives* Capstone 1	Capstone 2 Common Final Examination
University of Toronto Mississauga	24 or 27 month Master of Management of Professional Accounting (MMPA) Program	Core 1 Core 2 Electives* Capstone 1	Capstone 2 Common Final Examination

REGULATIONS

University	CPA Accredited Program	PEP exemptions	PEP requirements
University of Waterloo	Combined School of Accounting and Finance Masters of Accounting Program and completion of the accounting stream in one of (or equivalent of): <ul style="list-style-type: none"> • Bachelor of Accounting and Financial Management Program; • Bachelor of Mathematics/CPA Program; or • Bachelor of Science (Biotechnology)/CPA Program 	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
Western University	Combined Graduate Diploma in Accounting Program (or specified additional courses deemed equivalent until the GDAP receives final government approval) and completion of either the Honours Bachelor of Administration, accounting stream (or equivalent) or the Bachelor of Management and Organizational Studies	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
Wilfrid Laurier University	Combined Graduate Diploma in Accounting Program (or specified additional courses deemed equivalent until the GDAP receives final government approval) and completion of the accounting stream in one of (or the equivalent of): <ul style="list-style-type: none"> • Bachelor of Business Administration • Bachelor of Business Administration Double Degree Program • Bachelor of Arts Economics and Accounting Program 	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination

REGULATIONS

University	CPA Accredited Program	PEP exemptions	PEP requirements
Wilfred Laurier University	Masters of Business Administration, CPA Stream	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
University of Windsor, Odette School of Business	<p>Combined Masters of Business Administration, Professional Accounting Specialization (MBA-PAS) and completion of the accounting stream in one of (or equivalent of):</p> <ul style="list-style-type: none"> • Bachelor of Commerce (Honours Business Administration) Co-operative Education Program • Bachelor of Commerce (Honours Business Administration) • Bachelor of Commerce (Honours Business Administration and Computer Science) Co-operative Education Program • Bachelor of Commerce (Honours Business Administration and Economics) • Bachelor of Commerce (Honours Business Administration and Computer Science) • Post-Graduate Certificate in Accounting (PGCA) 	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
York University Schulich School of Business	<p>Combined Graduate Diploma in Accounting Program (or specified additional courses deemed equivalent until the GDAP receives final government approval) and completion of the accounting stream in one of (or equivalent of):</p> <ul style="list-style-type: none"> • Bachelor of Business Administration • International Bachelor of Business Administration 	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination

REGULATIONS

University	CPA Accredited Program	PEP exemptions	PEP requirements
York University Schulich School of Business	Combined Masters of Accounting Program and completion of the accounting stream in one of (or equivalent of): <ul style="list-style-type: none"> • Bachelor of Business Administration • International Bachelor of Business Administration • Master of Business Administration* 	Core 1 Core 2 Electives* Capstone 1 Capstone 2	Common Final Examination
York University Schulich School of Business	Master of Business Administration, Accounting Stream*	Core 1 Core 2 Electives*	Capstone 1 Capstone 2 Common Final Examination
York University Schulich School of Business	Master of Business Administration	Core 1 Core 2	Electives Capstone 1 Capstone 2 Common Final Examination
York University, School of Administrative Studies (SAS)	Combined Bachelor of Administrative Studies (BAS) – Accounting Stream (or equivalent) and Graduate Diploma in Professional Accounting (GDPA)	Core 1 Core 2 Electives	Capstone 1 Capstone 2 Common Final Examination

Amended March 10, 2017

*Students have the option of which courses to choose and therefore may choose courses that map to Assurance, Taxation, Finance or Performance Management Electives.

SCHEDULE C

SPECIFIED ACCOUNTING BODIES

- The Institute of Chartered Accountants of India
- The Institute of Chartered Accountants of Pakistan

SCHEDULE D**CMA BRIDGING CATEGORIES**

Transitional CMA Students must enroll in the CPA PEP by March 31, 2017 or in Capstone 1 by June 1, 2017. Failure to enroll in the CPA PEP by the applicable date shall result in the loss of eligibility for exemption from any of the CPA modules.

Amended November 29, 2016

Transition Points from the CMA Strategic Leadership Program to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completed SLP and did not attempt or failed the Board Report	September 2015	Core 1 Core 2 Electives	None	Required	Capstone 1 Capstone 2 Common Final Examination
Completed Year 1 and passed the Case Examination	September 2015	Core 2	Core 1 Performance Management	Required	Relevant module(s) and exam if not successful in challenge exams Two Electives If successful in challenge of Performance Management exam, only one other elective required Capstone 1 Capstone 2 Common Final Examination

REGULATIONS

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completed Year 1 but failed the Case Examination	October 2014	None	Core 1 Core 2	Required	Relevant core module(s) and exam if not successful in challenge exams Two Electives Capstone 1 Capstone 2 Common Final Examination

Amended June 21, 2016

Transition Points from the CMA Accelerated Program to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completed Academic Prerequisites but failed or did not attempt Entrance Examination	October 2013	None	None	Required	Core 1 Core 2 Two electives Capstone 1 Capstone 2 Common Final Examination

Transition Points from Accredited Programs to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completion of a CMA Accredited Program by December 2015	December 2015	None	Core 1 Core 2	Required	Relevant module(s) if not successful in two challenge exams Two electives Capstone 1 Capstone 2 Common Final Examination

New – November 29, 2016

Transition Points from Approved Paths to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completion of a CMA Approved Path by December 2015	December 2015	None	None	Required	Core 1 Core 2 Two electives Capstone 1 Capstone 2 Common Final Examination

New – November 29, 2016

Transition Points from the CMA Executive Program to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completed Executive Program and did not attempt or failed the Board Report	September 2015	Core 1 Core 2 Electives	None	Required	Capstone 1 Capstone 2 Common Final Examination

Transition Points from the CMA MBA Program to CPA PEP

CMA Bridging Category	Last CMA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	Transitional Bridging Program	CPA PEP Requirements
Completed CMA/MBA and did not attempt or failed the Case Examination or the Board Report	September 2015	Electives	Core 1 Core 2	Required	Capstone 1 Capstone 2 Common Final Examination

SCHEDULE E**CA BRIDGING CATEGORIES**

CA Bridging Category	Last CA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges (subject to the examinations being challenged on or before April 30, 2019)	Transitional Bridging Program	CPA PEP Requirements
Completed Waterloo MAcc before 2015 and staff training program or equivalent UFE not completed (not attempted or unsuccessful attempt)	June 2015 (Supplemental UFE)	Core 1 Core 2 Electives	None	Required	Capstone 1 Capstone 2 Common Final Examination
SOA Successfully Completed or Exempt UFE not completed (not attempted or unsuccessful attempt)	June 2015 (Supplemental UFE)	Core 1 Core 2 Electives	None	Required	Capstone 1 Capstone 2 Common Final Examination
Completed CKE SOA not completed (not attempted or unsuccessfully attempted)	May 2014 (CKE) November 2014 SOA	Core 1 Core 2	Assurance and Taxation Electives	Required	Relevant module(s) if not successful in two challenge exams Capstone 1 Capstone 2 Common Final Examination
Met or exempt from education requirements of Reg 6-4 CKE not complete (did not attempt or unsuccessful attempt)	May 2014 (CKE)	None	Core 1 Core 2 Assurance Taxation	Required	Relevant module(s) if not successful in two challenge exams Capstone 1 Capstone 2 Common Final Examination

Amended November 29, 2016

SCHEDULE F**CGA BRIDGING CATEGORIES**

CGA Bridging Category	Last CGA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	CPA PEP Requirements
<p>Category A:</p> <p>Did not complete PA 1 or PA 2 but completed any TWO of AU2, FN2, TX2</p>	PA exams Summer 2015	Corresponding CPA Assurance Tax or Finance Elective	None	Core 1 Core 2 Recognized Degree Capstone 1* Capstone 2 Common Final Examination
<p>Category B:</p> <p>Did not complete PA 1 or PA 2 but completed any ONE of AU2, FN2, TX2</p>	Summer 2015	Corresponding CPA Assurance Tax or Finance Elective	None	Core 1 Core 2 One Elective Recognized Degree Capstone 1* Capstone 2 Common Final Examination
<p>Category C:</p> <p>Completed PA 1 or PA 2</p>	Summer 2015	Core 1 Core 2	None	Electives Recognized Degree Capstone 1* Capstone 2 Common Final Examination

REGULATIONS

CGA Bridging Category	Last CGA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	CPA PEP Requirements
<p>Category D:</p> <p>Completed PA 2 and MU 1</p>	<p>Summer 2015</p>	<p>Core 1 Core 2 Performance Management</p>	<p>None</p>	<p>One Elective Recognized Degree Capstone 1* Capstone 2 Common Final Examination</p>
<p>Category E:</p> <p>Completed one or two PAs and any TWO of: AU2, FN2, TX2</p>	<p>Summer 2015</p>	<p>Core 1 Core 2 Corresponding CPA Assurance Tax or Finance Electives</p>	<p>None</p>	<p>Recognized Degree Capstone 1* Capstone 2 Common Final Examination</p>
<p>Category F:</p> <p>Completed PA1 or PA2 and any one of: AU2, FN2, TX2</p>	<p>August 2015</p>	<p>Core 1 Core 2 Corresponding CPA Assurance Tax or Finance Elective</p>	<p>None</p>	<p>One Elective Recognized Degree Capstone 1* Capstone 2 Common Final Examination</p>

REGULATIONS

CGA Bridging Category	Last CGA Evaluation	CPA Module Exemptions	Allowed PEP Examination Challenges	CPA PEP Requirements
Category G: All other Students (those who do not meet the requirements of Categories A through F)	Not applicable	None	None	Academic Prerequisites Core 1 Core 2 Electives Recognized Degree Capstone 1* Capstone 2 Common Final Examination

**Providing proof satisfactory to the Registrar or Vice President, Student Services, as the case may be, of the conferral of a 90 credit hour degree is a prerequisite for enrollment*

Amended November 29, 2016

SCHEDULE G

REGULATION 6-1 GUIDELINES:

**ASSESSMENT OF COMPETENCIES OF STUDENTS: Members of
Professional Accounting Bodies Outside of Canada
Passed by the Council, April 15, 2014, as amended to June 21, 2016.**

INTRODUCTION

These Guidelines apply to Students registered in the following categories pursuant to Regulation 6-1 on or after September 1, 2014:

- Accounting Body Outside Canada (section 5.4);
- Accounting Body Outside Canada – Specified (section 5.5).

The Guidelines attached to Regulation 6-4 apply to Students registered in the Accounting Body Outside Canada (section 5.4) and Accounting Body Outside Canada – Specified (section 5.5) categories of registration on or before August 31, 2014.

EXEMPTION FROM CANADIAN BUSINESS LAW COURSE REQUIREMENT

A member of an Accounting Body Outside Canada ordinarily will not have completed a course in Canadian business law as part of their university degree or professional accounting body's qualification program.

However, a Student from an Accounting Body Outside Canada who has completed one or more university degree-credit course(s), or equivalent, in Canadian business law may apply for an exemption. Alternatively, the Student may apply for an exemption from this requirement if the Student believes the required knowledge of Canadian business law has been acquired, through the Student's professional qualification(s) and accounting experience. For example, working in a role administering contracts in Canada may demonstrate an understanding and knowledge of one area of Canadian business law.

Amended June 21, 2016

Exemption based on course equivalence

The Student must provide a copy of the official, certified transcript or other certified document or documents confirming successful completion of the course(s) and the detailed course description(s) listing or specifying the topics or subject areas covered in course(s), all of which must be clearly identifiable as being issued or published by the degree-granting institution or equivalent.

Amended June 21, 2016

Overall, the course should provide an introduction to, and a general understanding of the following topics:

Law of Torts – scope – (intentional torts, negligence, professional liability and other torts).

Law of Contracts – definition, role, formation – (offer/acceptance, consideration, intention to create legal relation, capacity, legality, certainty of terms);

- Grounds upon which a contract may be impeached – mistake, misrepresentation, undue influence, duress;
- The requirement of writing – statute of frauds, essentials of a written memorandum, doctrine of past performance;
- Interpretation of contracts – relationship between formation and interpretation, interpretation of excess terms parol evidence rule, implied terms as a method of interpretation;
- Privity of contract and the assignment of contractual rights – privity, novation, vicarious performance, exceptions to the privity of contract rule, nature of an assignment of rights, equitable assignments, statutory assignments, negotiable instruments;
- Discharge of contracts – various ways, by performance, by agreement, by frustration, by operation of law;
- Effect of breach – implications, repudiation and failure of performance; and
- Remedies of breach – types, damages, equitable remedies, quantum meruit.

Bailment and Introduction to Agency – definition;

- Classes – benefit of bailor, benefit of bailee, benefit of both;
- Duty and care of bailor and bailee;
- Remedies of bailee and bailor – storage, transportation and finders;
- Contractual relationship between principal and agent;
- Contractual relationship between principal and third parties – express authority, apparent authority (Estoppel), ratification;
- Duties of principal and third parties; and
- Liability of agent to principal and third parties.

Law of Real Property and Mortgages of Land

- Interests in land – freehold, leasehold;
- Joint ownership of estates;
- Other interests in land – easements, required evidence;
- Possessory rights in land – limitations act, required evidence;
- Title to real property – deed or transfer, will or descent, possessory title, escheat of forfeiture;
- Government registrations of ownership – registry and land title systems;
- Conveyance of real property – agreement of purchase and sale;
- Restrictions on land use – government, common law; and
- Mortgages of land – concept of mortgage, rights of mortgagee and mortgagor under common law and equity, mortgages remedy of sale upon default, second mortgages.

Partnerships, Corporations and the Management and Operation of a Corporation

- Partnership – partnership act, nature, agreement, limited partnership, limited liability partnership; and
- Corporations and the management of corporations – nature of corporations, methods of incorporation, governance, liability of directors, shareholders' agreements.

Exemption based on experience equivalence

The Student must provide a detailed job description(s) including information as to how the responsibilities carried out or functions performed in the position(s) fulfilled the knowledge requirements outlined above.

EXEMPTION FROM PRESCRIBED PRACTICAL EXPERIENCE REQUIREMENTS

A Student may request exemptions from some or all of the practical experience requirements set out in the *CPA Practical Experience Requirements* or any successor document approved by the Council. The determination to be made by the Registrar upon review of such request is whether the Student has acquired as a result of his or her professional qualification(s) and previously acquired experience in accounting, the *depth* and *breadth* of competency development required for the entry-level CPA at the time of admission to membership in CPA Ontario, as established by the *CPA Practical Experience Requirements*, or any successor document approved by the Council.

SCHEDULE H

**REGULATION 6-1 GUIDELINES
CPA PREREQUISITE EDUCATION PROGRAM**

Passed by the Council June 26, 2013, repealed June 21, 2016.

SCHEDULE I

**REGULATION 6-1 GUIDELINES
CPA PROFESSIONAL EDUCATION PROGRAM**

**Passed by the Council April 15, 2014, as amended to
November 27, 2014, repealed June 21, 2016.**

SCHEDULE J

ACADEMIC PREREQUISITE REVIEW AND RECOGNITION STANDARDS

**under Regulation 6-1 (Student Registration), as approved
by Council May 9, 2014, repealed June 21, 2016.**

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 6-2
APPLICANT REGISTRATION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 21, 2016.**

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**REGULATION 6-2
APPLICANT REGISTRATION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 21, 2016.**

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws; and
 - 1.1 “Applicant” includes an individual who, prior to January 1, 2015, was registered with CPA Ontario in the repealed section 4.4 (Evaluation of Experience) category of registration of this regulation.
New – February 27, 2015
 - 1.2 “becoming a resident of Canada” means the date of landing in Canada as evidenced by government documentation, excluding any period of time of temporary residency in Canada under a temporary visa or student visa following the expiry of which residency in Canada ceased or ceased for a continuous period of at least one year prior to returning to Canada;
Amended February 21, 2014
 - 1.3 “Evaluation of Experience” means the Evaluation of Experience category of registration in the repealed section 4.4 of this regulation;
New – February 27, 2015
 - 1.4 “institution of higher education” means an educational institution outside Canada which provides post-secondary academic education and which, if in the United States of America, has been accredited by an accreditation agency recognized by the United States Department of Education, and if outside the United States of America, is a university recognized in the International Handbook of Universities as published by the International Association of Universities;
New – February 22, 2013
 - 1.5 “returning as a resident to Canada” means the date on which an individual re-acquires residency in Canada as defined in the *Income Tax Act*, or as evidenced by government documentation;
 - 1.6 “university degree” means a four-year undergraduate degree comprising at least 120 credit hours, or equivalent, that has been granted or conferred by an institution of higher education.
New – February 22, 2013

Registration

2. An Applicant seeking to register with CPA Ontario shall submit an application in Form 6-2A along with:
 - 2.1 payment of the prescribed fee;
 - 2.2 proof of identity, including legal name, satisfactory to the Registrar;
 - 2.3 evidence of good character satisfactory to the Registrar; and
 - 2.4 evidence satisfactory to the Registrar of meeting the requirements for one of the registration categories as set out in section 4.
3. It is the responsibility of the Applicant to ensure the application is complete and accurate, and received by the Registrar, and:
 - 3.1 An application submitted without the items required by section 2 shall be returned forthwith to the address provided by the Applicant and shall not be considered by the Registrar, and;
 - 3.2 An Applicant who fails to provide all information and produce all documents and other materials as requested, and within the time required, by the Registrar or, in extraordinary circumstances where such documentation is not available, provides alternative proof satisfactory to the Registrar, shall not be registered pursuant to this regulation and shall forfeit the fee paid under subsection 2.1.

Amended September 28, 2012

Registration Categories

4. An individual who meets all the criteria of one of the subsections of this section meets the requirements of subsection 2.4:
 - 4.1 **U.S. CPA** – an individual who:
 - 4.1.1 is in good standing with a state board of accountancy listed in Schedule A;
 - 4.1.2 holds a CPA certificate in good standing, and a licence or permit to practice if such is available in that jurisdiction, from that state board of accountancy;
 - 4.1.3 was not registered with CPA Ontario or a provincial body as a Student in the five years prior to, or at the time of, writing the first part of the uniform CPA examination; and

Amended February 21, 2014

4.1.4 if one or more part(s) of the uniform CPA examination was written while being a resident of Canada or after becoming a resident of, or returning as a resident to, Canada provides proof satisfactory to the Registrar of either:

4.1.4.1 having obtained a university degree from a degree- granting institution of higher education in the United States of America as a result of having attended the institution in person for classroom instruction on a full-time basis; or

4.1.4.2 having obtained in the United States of America at least one year of full-time practical experience in accounting.

Amended February 22, 2013

4.2 **Reciprocal Membership Body** – an individual who:

4.2.1 is a member in good standing with an accounting body outside Canada listed in Schedule B and, at either or both the time of the termination of the membership and its commencement, the accounting body was recognized;

4.2.2 was not registered with CPA Ontario or a provincial body as a Student in the five years prior to, or at the time of, writing any part of the normal qualifying examination(s); and

Amended February 21, 2014

4.2.3 if one or more part(s) of the normal qualifying examination(s) was written while being a resident of Canada or after becoming a resident of, or returning as a resident to, Canada provides proof satisfactory to the Registrar of either:

4.2.3.1 having obtained a university degree from a degree- granting institution of higher education as a result of having attended the institution in person for classroom instruction on a full-time basis; or

4.2.3.2 having obtained in the country in which the body relied on in section 4.2.1 has jurisdiction at least one year of full-time practical experience in accounting.

Amended February 22, 2013

4.3 **Recognized Accounting Body** – an individual who:

4.3.1 is a member in good standing of an accounting body outside Canada listed in Schedule C and, at either or both the time of the termination of

the membership and its commencement, the accounting body was recognized;

- 4.3.2 was not registered with CPA Ontario or a provincial body as a Student in the five years prior to, or at the time of, writing any part of the normal qualifying examination(s); and

Amended February 21, 2014

- 4.3.3 if one or more part(s) of the normal qualifying examination(s) was written while being a resident of Canada or after becoming a resident of, or returning as a resident to, Canada provides proof satisfactory to the Registrar of either:

4.3.3.1 having obtained a university degree from a degree-granting institution of higher education as a result of having attended the institution in person for classroom instruction on a full-time basis; or

4.3.3.2 having obtained in the country in which the body relied on in section 4.3.1 has jurisdiction at least one year of full-time practical experience in accounting.

Amended February 22, 2013

5. An Applicant may only register in one registration category, and shall not also be registered as a Student pursuant to Regulations 6-1 or 6-4 or under the Advanced Certificate in Accounting and Finance at any time during the period of registration.

Amended June 21, 2016

Period of Registration

6. The date of registration shall be the date upon which the Registrar is satisfied the individual has complied with all the requirements of section 2 of this regulation.

Amended September 28, 2012

- 6A. Failure to comply with the requirements of section 5 of this regulation shall result in the Applicant being deregistered.

New – June 21, 2016

7. An Applicant shall renew registration on an annual basis by making an application for renewal in Form 6-2B and paying the prescribed fee, and providing all information and producing all documents and other materials as requested by the Registrar.

8. The Registrar shall suspend the registration of any Applicant who fails to comply with any provision of this regulation, or of the bylaws or regulations, and shall deregister an Applicant as required by the bylaws.

9. The Registrar shall deregister any Applicant whose registration has been suspended for a cumulative period of one year.
10. The Registrar shall deregister an Applicant on the fifth anniversary of that Applicant's initial date of registration or six months from the date the Applicant is informed all the requirements of this regulation have been fulfilled or, subject to section 17, on the date of the Applicant's fourth unsuccessful attempt of the CA Reciprocity Examination, Part I, whichever occurs first.

Amended September 28, 2012

11. An Applicant who has been deregistered may apply for reregistration at any time after the first anniversary of the date of deregistration or expiry and upon complying with the requirements for registration in effect at the time of that application.

Amended November 29, 2012

12. An Applicant shall not be reregistered except at the discretion of the Registrar, and such reregistration may be subject to terms and conditions imposed by the Registrar.

13. *Repealed June 21, 2016*

14. An Applicant who is reregistered or who is subsequently registered as a Student shall not retain credit for the fulfillment of any of the requirements of this regulation occurring during any other period of registration, except in the discretion of the Registrar.

Amended February 24, 2012

Completion of Program

15. Unless otherwise specified in this regulation, every Applicant shall complete the following during the period of registration in good standing:

15.1 Evaluation Requirement; and

15.2 Practical Experience Requirement.

Evaluation and Professional Development Requirements

16. During the period of registration and not more than three years prior to applying for membership under Regulation 4-1:

16.1 every Applicant registered pursuant to section 4.1 or 4.3 shall successfully complete, in no more than four attempts, the CA Reciprocity Examination, Part I;

Amended February 21, 2014

16.2 every Applicant registered pursuant to section 4.2 who intends to apply for a public accounting licence under Regulation 9-1 after admission to membership

shall successfully complete, in no more than four attempts, the CA Reciprocity Examination, Part I;

New – February 21, 2014

- 16.3 every Applicant registered pursuant to sections 4.1, 4.2 or 4.3 who intends to apply for a public accounting licence under Regulation 9-1 after admission to membership shall successfully complete, in no more than four attempts, the CA Reciprocity Examination, Part II, or such other course(s) and examination(s) prescribed by the Council in lieu of that examination.

Amended February 21, 2014

17. Every Applicant shall, by the second anniversary of the date of admission to membership pursuant to Regulation 4-1, successfully complete such course(s) and/or program(s) of professional development as may be prescribed by the Council, and a failure to comply with the requirements of this section is a breach of member obligations as set out in Regulation 4-3.

Amended February 21, 2014

18. Evaluation of Experience Applicants are not eligible to apply for a public accounting licence under Regulation 9-1 after admission to membership.

Amended – February 27, 2015

Practical Experience Requirement

19. Every Applicant registered pursuant to section 4.1 or 4.3 shall provide proof of prior practical experience by completing Form 6-2C and providing further information and documents in support.

Amended September 28, 2012

20. The Registrar shall assess the proof of practical experience provided by the Applicant against the required competencies of an entry-level Chartered Accountant, as set out in Schedule E, on a substantial equivalency basis, and determine either that:

20.1 the Applicant has at least three years of practical experience and has achieved the Entry-Level Competencies set out in Schedule E of this regulation; or

20.2 the Applicant must acquire further practical experience to complete the three years of practical experience or achieve one or more of the Entry-Level Competencies set out in Schedule E of this regulation.

Amended September 28, 2012

21. The Registrar shall require the Applicant, if a decision is made under subsection 20.2 of this regulation, to complete a further period of practical experience of up to three years.

22. The Registrar shall require the further period of practical experience required under section 21 of this regulation to be completed either:

- 22.1 in the same form and manner, and be subject to the same constraints and prescriptions, as though it were a period of practical experience under Regulation 6-1; or
- 22.2 under the supervision of a Member in good standing of CPA Ontario.
- 23. The Registrar shall not register an Applicant, or renew registration of an Applicant, of any person who:
 - 23.1 fails to make any disclosure or provide any information or document required by this regulation; or
 - 23.2 provides information or a document that is false or misleading, unless the Registrar is satisfied that the falsehood or misleading is not material and that it was made inadvertently.

New – February 21, 2014

Discretion and Appeals

- 24. In making any decision pursuant to this regulation, the Registrar shall act in accord with the Act, Bylaws, and regulations of CPA Ontario and shall be guided by the policies and guidelines, if any, passed by the Council from time to time.
- 25. A decision of the Registrar not to register or reregister an individual as an Applicant or to deregister an Applicant may be appealed by the individual or Applicant to the Membership Committee.
- 26. The parties to an appeal are the individual appealing and the Registrar.
- 27. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.
- 28. The decision of the Membership Committee is final.

SCHEDULE A

Amended October 26, 2015

Recognized State Boards of Accountancy

Alabama State Board of Public Accountancy

Arkansas State Board of Public
Accountancy

California State Board of Accountancy (with
additional proof of compliance with the 150 hour
education requirement)

District of Columbia Board of Accountancy

Colorado State Board of Accountancy (with
additional proof of compliance with the 150 hour
education requirement)

Florida Board of Accountancy

Georgia State Board of Accountancy

Guam Board of Accountancy

Idaho State Board of Accountancy

Illinois Department of Financial &
Professional Regulation

Indiana Board of Accountancy

Iowa Accountancy Examining Board

Kansas Board of Accountancy

Kentucky State Board of Accountancy

State Board of CPAs of **Louisiana**

Maine Board of Accountancy

Maryland State Board of Public
Accountancy

Massachusetts Board of Public
Accountancy

Michigan Board of Accountancy

Minnesota State Board of Accountancy

Mississippi State Board of Public
Accountancy

Missouri State Board of Accountancy

Montana State Board of Public Accountants

Nebraska State Board of Public
Accountancy

Nevada State Board of Accountancy

New Hampshire Board of Accountancy

New Jersey State Board of Accountancy

New Mexico Public Accountancy Board

New York State Board for Public
Accountancy

North Carolina Board of CPA Examiners

North Dakota State Board of Accountancy

Accountancy Board of **Ohio**

Oklahoma Accountancy Board

Oregon State Board of Accountancy

Pennsylvania State Board of Accountancy

South Carolina Board of Accountancy

South Dakota Board of Accountancy

Tennessee State Board of Accountancy

Texas State Board of Public Accountancy

Utah Board of Accountancy

Vermont Board of Public Accountancy

Virginia Board of Accountancy

Washington State Board of Accountancy

West Virginia Board of Accountancy

Wisconsin Accounting Examining Board

Wyoming Board of Certified Public
Accountants

SCHEDULE B

Amended September 28, 2012.

Reciprocal Membership Bodies

The Institute of Chartered Accountants of Australia

The Institute of Chartered Accountants in England and Wales

The Hong Kong Institute of Certified Public Accountants - having completed the Qualifying Program (Professional Program and Final Professional Examination) after January 1, 2002

The Institute of Chartered Accountants of Ireland

New Zealand Institute of Chartered Accountants

The Institute of Chartered Accountants of Scotland

The South African Institute of Chartered Accountants

The Institute of Chartered Accountants of Zimbabwe - having registered in the Qualifying Program on or after January 1, 1996

SCHEDULE C

Amended September 28, 2012.

Recognized Accounting Bodies

Instituto Mexicano de Contadores Publicos (must have obtained the CPC designation)

L'Institut des Réviseurs d'Entreprises de Belgique

Ordre des experts comptables de France

The Japanese Institute of Certified Public Accountants

The Netherlands Institute of Chartered Accountants (Nederlandse Beroepsorganisatie van Accountants)

SCHEDULE D

Amended February 24, 2012

SPECIFIED ACCOUNTING BODIES

The Association of Chartered Certified Accountants (United Kingdom)
The Australian Society of Certified Practising Accountants
The Institute of Chartered Accountants of India
The Institute of Chartered Accountants of Pakistan
Chamber of Public Accountants (Germany) Wirtschaftsprüferkammer (WPK)

SCHEDULE E

**GUIDELINES:
ASSESSMENT OF COMPETENCIES OF APPLICANTS**

Pursuant to Section 20 of Regulation 6-2, the Registrar shall assess the proof of practical experience provided by the Applicant against the required competencies of an entry-level Chartered Professional Accountant. The determination to be made by the Registrar is whether the Applicant has acquired as a result of his or her previously acquired experience in accounting, the competency development required for the entry-level CPA at the time of admission to membership in CPA Ontario.

The Registrar's determination shall be based upon an assessment of the totality of the Applicant's previous professional accounting experience completed for the purpose of qualifying for admission to membership in the particular accounting body and subsequent to admission to membership in that body. The assessment should take into account:

- the Applicant's depth and breadth of competency development;
- the duration of the period(s) of accounting experience (i.e. the number of months or years);
- the nature of the place(s) of employment or practice in which the accounting experience was obtained;
- the position(s) held by the applicant; and
- the progression of the applicant's career in professional accounting.

DEPTH AND BREADTH OF COMPETENCY DEVELOPMENT

The entry-level competencies are grouped into the following six categories:

- Performance Measurement and Reporting
- Assurance
- Taxation
- Governance, Strategy and Risk Management
- Management Decision-Making
- Finance

Depth of competency development must be demonstrated in any one of the competency areas. Breadth of competency development must be demonstrated in two areas.

Depth

To meet the *depth* of competency development requirement, an applicant must satisfy the Registrar that he or she:

- has gained sufficient direct working experience in all or most of the specific competencies listed for any one of the competency areas
- if depth is achieved in any one of the following areas:
 - Taxation

- Governance, Strategy & Risk Management
- Management Decision-Making
- Finance

one of the breadth areas must be in Performance Measurement & Reporting. Within this breadth area, Level Two proficiency (see below) must be achieved in the following three specific competencies:

- Evaluates the impact of alternative and/or new accounting standards/policies
- Reviews, proposes or accounts for the entity's transactions, including complex transactions
- Prepares and/or reviews financial statements and accompanying notes
- has demonstrated an awareness of emerging topics in his or her areas of depth, either independently or as part of a team with little direction or supervision

For qualifying practical experience in an area of depth, an applicant must demonstrate a Level 2 proficiency in the majority of the competencies in the area, and a Level 1 proficiency in the balance of the depth requirement.

Breadth

To meet the *breadth* of competency development requirement, an applicant must satisfy the Registrar that he or she has gained sufficient direct working experience in at least half of the specific competencies listed in two of the other competency areas, excluding the competency that fulfills the depth of competency requirement, and demonstrate the ability to work at a Level 2 proficiency in at least half of those.

Proficiency levels

For the purposes of demonstrating depth and breadth of competency development, the *proficiency levels* are as follows:

Level 1 (works under supervision): The Applicant has the basic knowledge and skill required to complete the task assigned but does not complete the task without supervision or assume responsibility for its execution. The Applicant requires supervision and direction in completing the tasks as he/she begins applying their education to practice.

Level 2 (works independently): The applicant can apply the underlying knowledge and skill in a practical setting and is able to complete tasks independently or as part of a team with minimal direction or supervision. The Applicant assumes responsibility for execution of the task and performs all work with diligence and due care. The Applicant treats each situation as an opportunity to further develop their professional judgement and/or expand their knowledge base.

Duration of professional accounting experience

The *duration of professional accounting experience* required for admission to membership in CPA Ontario is a minimum term of three years of experience acceptable to CPA Ontario. An Applicant who has not obtained at least three years of previous professional accounting

experience acceptable to CPA Ontario is required to fulfill a period of experience in accounting as prescribed by the Registrar such that the applicant will have obtained by the date of admission to membership in CPA Ontario an amount of acceptable accounting experience that in aggregate is at least three years in duration.

Nature of the place(s) of employment or practice

The factors that should be considered by the Registrar in respect of the *nature of the place of employment or practice* are:

- As applicable,
 - The nature or line of business (for example, financial services, manufacturing, natural resources, retailing, information technology) and examples of the major clients, customers or recipients of the products or services, or
 - The nature of the professional services provided, including whether the services were public accounting or related areas (for example, assurance/attestation, taxation, advisory services) and examples of the major clients, customers or recipients of the products or services
- The size of the business or practice, with reference to such matters as total number of staff, number of partners, total annual revenues or budget
- The corporate structure (e.g. for-profit corporation, not-for-profit corporation, public sector/governmental organization, academic institution, partnership, proprietorship) and in respect of a corporate entity, whether it is/was a publicly listed or publicly traded entity or a privately owned/not publicly listed entity.

The position(s) held by the applicant

In respect of the *positions(s) held by the Applicant*, the Registrar should consider:

- the title of each position held;
- the level or seniority of the position within the place of employment or practice, with reference to such matters as to whom (position) the Applicant directly reported or was accountable and the placement of such position within the overall management or governance structure;
- the breadth and complexity of the responsibilities assigned to the Applicant in the position held;
- the breadth and depth of competency development during the period in which the Applicant held the position.

The progression of the applicant's career in professional accounting

Position-specific indicators that should be considered by the Registrar when determining an Applicant's progression through his or her career in professional accounting include demonstration of work functions or the provision of professional services in defined positions that:

- require increasing competency development;
- require the ability of the applicant to handle increasingly complex tasks;
- involve increasing levels of responsibility;

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- provide increased ability and opportunity to supervise, manage and mentor others and decreased level of supervision of the applicant throughout his or her career path, which may be measured by
 - number of supervisors;
 - number of direct reports;
 - changes in position or job titles;
 - changes to job responsibilities and accountabilities;
- provide opportunities for the applicant to learn from supervisors who are deemed experts in their field (exposed to or mentored by other professionals).

Progression to successively more senior positions and/or demonstration of progressively higher levels of proficiency over the course of the Applicant's employment or practice with a particular entity or throughout the Applicant's total period(s) of accounting experience should also ordinarily indicate greater breadth and depth of competency development. An Applicant who has achieved through their previous employment or practice a position or level as a partner, senior executive, director or officer should ordinarily be considered to have achieved a higher level of proficiency as well as greater breadth and depth of competency development than an Applicant who would have held a less senior position.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 6-4
LEGACY CA STUDENT REGISTRATION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011 as Regulation 6-1, renamed and re-numbered as
Regulation 6-4, as amended to November 29, 2016.**

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NOTE: Due to the extensive amendments made to this Regulation effective November 27, 2014, the amendments of that date and prior to have not been individually noted throughout.

REGULATION 6-4

LEGACY CA STUDENT REGISTRATION

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011 as Regulation 6-1, renamed and re-numbered as Regulation 6-4, as amended to November 29, 2016.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “academic institution” means an education institution such as a university that has been established or accredited by a statute or other governmental approval and offers a program or programs of post-secondary academic education, including but not limited to:
 - 1.1.1 an academic institution that is a member of the Association of Universities and Colleges of Canada or the Association of Canadian Community Colleges and is accredited by the appropriate regulatory authorities in Canada to grant degrees;
 - 1.1.2 an academic institution recognized in the *International Handbook of Universities* published by the International Association of Universities or by a similar recognition service; and
 - 1.1.3 an academic institution in the United States of America that has been accredited by an accreditation agency recognized by the United States Department of Education;
 - 1.2 “Approved Training Office” means:
 - 1.2.1 a practising office or unit, approved for the training of Students under Regulation 6-6, and includes:
 - 1.2.1.1 a single office of a member, firm or professional corporation;
 - 1.2.1.2 two or more offices of a member, firm or professional corporation that are a single practising unit for the purpose of being designated for Student training;
 - 1.2.1.3 two or more offices of two or more members, firms or professional corporations which have formed an association acceptable CPA Ontario for the purpose of being designated for training Students;

- 1.2.2 an organization as defined in the Bylaws of CPA Ontario that has been approved by CPA Ontario for the training of Students in accordance with the policy adopted by the Council;
- 1.3 “Common Final Examination “ (CFE) means the final qualifying examination prepared by the Board of Evaluators of CPA Canada on behalf of the provincial bodies, required to be successfully written after August 31, 2015 to qualify for admission to membership;
- 1.4 “CPA Accredited University Program” means a program of academic study at an academic institution that has been accredited by the Council in accordance with the CPA National Recognition and Accreditation Standards for Post-Secondary Institutions (Regulation 6-1, Schedule B);
- 1.5 “credit hour” means each classroom or instruction hour per week of a one-semester course of academic learning, or the equivalent, that:
- 1.5.1 is recognized by the degree-granting institution of higher education that offers it as a degree-credit course; and
- 1.5.2 is a three-credit hour course which provides:
- 1.5.2.1 a minimum of three hours instruction time per week over a minimum 12 week term; or
- 1.5.2.2 a maximum of twelve hours instruction time per week over a minimum 3 week term, provided that if Student is enrolled in one or more such courses during a shortened term, the Student must be limited to a total of twelve instruction hours per week;
- 1.6 “degree-credit course” means a course of academic study and evaluation that is recognized for credit by the academic institution towards the completion of a university degree or equivalent that is awarded by that academic institution and that is successfully completed through enrolment in or registration with such institution;
- 1.7 “external audit approved training office” means an Approved Training Office which meets the requirements of Regulation 9-1 and provides Students with the necessary experience to be eligible to apply for a licence to practise public accounting upon admission to membership in CPA Ontario;
- 1.7.1 “pre-approved program” means a program meeting the *CPA Practical Experience Requirements* and approved by the Vice President, Student Services in accordance with section 45 or 46 of Regulation 6-6;

- 1.7A “registrar” means the person appointed to that office by the Council and, for matters related to students, the Vice President, Student Services;
- 1.8 “university degree” means:
 - 1.8.1 a four-year undergraduate degree or other equivalent indicator of academic achievement comprising 120 credit hours or equivalent: or
 - 1.8.2 a post-graduate degree or other equivalent indicator of academic achievement beyond the level of an undergraduate degree or equivalent, that is granted by an academic institution.
- 1.9 “Uniform Evaluation” (UFE) means the qualifying evaluation required to be successfully written prior to August 31, 2015 to qualify for admission to membership.

Registration

- 2. The Registrar shall register as a Legacy CA Student with CPA Ontario anyone who, prior to February 1, 2015:
 - 2.1 makes an application in Form 6-4A and pays the prescribed fee;
 - 2.2 provides proof of identity, including legal and any assumed name, satisfactory to the Registrar;
 - 2.3 provides evidence of good character satisfactory to the Registrar;
 - 2.4 has access to a computer that meets the minimum configuration requirements as set by CPA Ontario from time to time, including Internet access and a valid email address, unless exempted from this requirement by the Registrar;
 - 2.5 meets the requirements for one of the registration categories as set out in section 5;
 - 2.6 meets the employment requirements as set out in this regulation or approved by the Council from time to time;
 - 2.7 provides a signed declaration that the individual understands and agrees to abide by the CPA Ontario Academic Code of Conduct; and
 - 2.8 provides all information and produces all documents and other materials as requested by the Registrar or, in extraordinary circumstances where such

documentation is not available, provides alternative proof satisfactory to the Registrar.

- 2.9 Legacy CA Students in the Transfer or Transfer – Quebec categories of registration are exempt from the requirement to register prior to February 1, 2015.
3. It is the responsibility of the individual seeking registration to ensure the application is complete and accurate, and is received by the Registrar.
4. In making any decision pursuant to this regulation, the Registrar and Vice President, Student Services, as the case may be, shall act in accord with the Act, Bylaws, and regulations of CPA Ontario and shall be guided by the policies and guidelines, if any, passed by the Council from time to time.

Registration Categories

5. An individual may register in one of the following categories:
 - 5.1 **University Graduate** – an individual who has completed all the academic requirements for the conferral of a university degree;
 - 5.2 **Co-operative Degree Program** – an individual who is enrolled in a co-operative degree program approved by the Council (Schedule A);
 - 5.3 **CA Accredited University Program** – an individual who is enrolled in an accredited program listed in Schedule B;
 - 5.3A **CPA Accredited University Program** – an individual who is enrolled in the graduate-level component of a CPA Accredited University program as defined in subsection 1.4;
 - 5.4 **Other Ontario Accounting Designation** – an individual who:
 - 5.4.1 has a university degree conferred;
 - 5.4.2 is a member in good standing with The Certified General Accountants Association of Ontario or the Certified Management Accountants of Ontario; and
 - 5.4.3 registered as a Student prior to August 31, 2014.
 - 5.5 **Accounting Body Outside Canada** – an individual who:

- 5.5.1 is a member in good standing with, and certified or licensed to practice by, either a professional accounting body outside Canada that is a member body in good standing of the International Federation of Accountants at the date of the individual's application for registration or a professional or regulatory body or authority for accountants or auditors in a country other than Canada that has been established by statute to qualify, certify, regulate, license or authorize individuals to practise as accountants or auditors in that country;
- 5.5.2 provides evidence satisfactory to the Registrar of the completion of a minimum three years of accounting experience meeting the guidelines established by the Council from time to time; and
- 5.5.3 is not eligible to register as a Legacy CA Student pursuant to subsection 5.6 of this regulation;
- 5.6 **Accounting Body Outside Canada – Specified** – an individual who is a member in good standing with an accounting body listed in Schedule C, and who meets the conditions for registration contained in a memorandum of understanding or agreement between that body and CPA Ontario;
- 5.7 **Transfer** – an individual registered prior to February 1, 2015 and currently and in good standing with another Provincial Body in a program leading to the Chartered Accountant designation who:
 - 5.7.1 has a university degree conferred;
 - 5.7.2 has completed, to the Registrar's satisfaction, some or all of the CA Practical Experience Requirement, which has been accepted by the Provincial Body with which the individual was registered;
 - 5.7.3 has not attempted the UFE or the CFE; and
 - 5.7.4 within three months of the date of registration with CPA Ontario, discontinues or terminates registration with any other Provincial Body;
- 5.8 **Transfer – Quebec** – an individual registered prior to February 1, 2015 and currently in good standing with the Ordre des comptables professionnels agréés du Québec in a program leading to the chartered accountant designation who:
 - 5.8.1 has a university degree conferred;
 - 5.8.2 has successfully completed the UFE or the Common Final Examination while so registered; and

5.8.3 within three months of the date of registration with CPA Ontario, discontinues or terminates registration with the Ordre des comptables professionnels agréés du Québec.

5.9 **Conditional** – an individual who:

5.9.1 is attending an academic institution in a program leading to a university degree on a full-time or part-time basis; and

5.9.2 has fulfilled the employment requirement;

5.10 **Mature** – an individual who:

5.10.1 is at least 25 years of age;

5.10.2 has completed no more than two years or sixty credit hours at an academic institution;

5.10.3 is enrolled at an academic institution in courses that qualify to fulfil the credit hour requirement;

5.10.4 has at least three years' work experience in accounting, business or other relevant area satisfactory to the Registrar; and

5.10.5 satisfies the Registrar that the individual does not meet the requirements of any other category of student registration as set out in this section;

6. A Legacy CA Student may only register in one registration category, and may not also be registered under the Advanced Certificate in Accounting and Finance, as an Applicant pursuant to Regulation 6-2, or as a Student pursuant to Regulation 6-1.

Amended June 21, 2016

7. Notwithstanding section 6, an individual may register in the Co-operative Degree Program, CA Accredited University Program and CPA Accredited University Program categories if the individual meets the requirements of each of those categories.

Period of Registration

8. Unless otherwise specified in this regulation, the date of registration shall be the earlier of the date upon which the individual:

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- 8.1 provides proof of compliance with all the requirements of section 2 of this regulation; and
- 8.2 commences employment with an Approved Training Office or in a Pre-Approved Program, provided that:
 - 8.2.1 proof of such employment satisfactory to the Vice President, Student Services is received within three months of the date set out in subsection 8.1; and
 - 8.2.2 the date of registration shall not be any earlier than three months prior to the date the individual meets the requirements of subsection 8.1.
- 9. A Legacy CA Student shall renew registration on an annual basis by making an application for renewal in Form 6-4B and paying the prescribed fee, and providing all information and producing all documents and other materials as requested by the Registrar and Vice President, Student Services, as the case may be.
- 10. The Registrar or Vice President, Student Services, as the case may be, shall suspend the registration of any Legacy CA Student who fails to comply with any provision of this regulation, or of the bylaws or regulations, and shall deregister a Student as required by the bylaws or regulations or pursuant to the Academic Code of Conduct.
- 11. The Registrar or Vice President, Student Services, as the case may be, shall deregister any Legacy CA Student whose registration has been suspended for a cumulative period of one year, unless otherwise provided in the bylaws or regulations.
- 11A. Failure to comply with the requirements of section 6 of this regulation shall result in the Legacy CA Student being deregistered.
New – June 21, 2016
- 12. A Legacy CA Student who has been deregistered pursuant to section 11 may apply for re-registration upon complying with the requirements for registration in effect at the time of that application.
- 13. The Registrar or Vice President, Student Services, as the case may be, shall deregister a Legacy CA Student as of the earliest of:
 - 13.1 the tenth anniversary of the Legacy CA Student's initial date of registration;
 - 13.2 forty-five days following the release of the result of the Legacy CA Student's fourth unsuccessful attempt of the UFE, or, if an appeal of that result has been filed, immediately upon the denial of such appeal;

- 13.3 forty-five days following the release of the result of the Legacy CA Student's third unsuccessful attempt of the Common Final Examination, or, if an appeal of that result has been filed, immediately upon the denial of such appeal;
- 13.4 the sixth anniversary of the Legacy CA Student's first date of writing any examination in the CPA Professional Education Program if on that anniversary date the Legacy CA Student has not attempted the Common Final Examination;
- 13.5 December 31, 2016, if a Student registered under this Regulation is, or becomes a Member of CPA Ontario, and has not successfully completed the UFE or the Common Final Examination prior to that date; or
Amended November 29, 2016
- 13.6 February 1, 2020.
14. A Legacy CA Student who has been deregistered pursuant to section 13 shall not be reregistered except at the discretion of, and on such terms and conditions deemed appropriate by, the Registrar or Vice President, Student Services, as the case may be, except that an individual who was deregistered pursuant to subsection 13.6 of this regulation may be registered as a Student pursuant to Regulation 6-1 if the individual meets the requirements of that regulation.
- 14A. A Legacy CA Student who has been deregistered pursuant to section 11A shall not retain credit for the fulfillment of any of the requirements of this regulation except in the discretion of the Registrar, or Vice President, Student Services, as the case may be.
New – June 21, 2016

Completion of Program

15. Unless otherwise specified in this regulation, every Legacy CA Student shall successfully complete the following during the period of registration in good standing:
- 15.1 Education Requirement;
- 15.2 Professional Program Requirement; and
- 15.3 Practical Experience Requirement.

Education Requirement

16. Unless otherwise specified in this regulation or not required by the category of registration, all Legacy CA Students shall:
- 16.1 provide proof satisfactory to the Registrar of the conferral of a university degree at the time of registration; and

- 16.2 complete the credit hour requirement.
17. A Legacy CA Student registering as a University Graduate shall provide proof satisfactory to the Registrar of:
- 17.1 the completion of the academic requirements for a university degree; and
- 17.2 within four months of the date of registration, conferral of that degree.
18. A Legacy CA Student registering as a Co-operative Degree Program, CA Accredited University Program, CPA Accredited University Program, or Conditional Student shall provide proof satisfactory to the Registrar or Vice President, Student Services, as the case may be:
- 18.1 at the time of registration, enrolment in an eligible program leading to the conferral of a university degree, and graduate diploma or degree, if applicable; and
- 18.2 within four months of the completion of the academic requirements for that degree or diploma, conferral of the degree, and graduate diploma, if applicable.
19. Unless otherwise exempted by this regulation, all Legacy CA Students shall complete, either prior to or while registered in good standing as a Student, fifty-one (51) credit hours in courses acceptable to the Vice-President, Student Services, as follows, and shall provide proof satisfactory to the Registrar or Vice President, Student Services, as the case may be, of completion of the credit hours:

Courses	Number of credit hours
Financial accounting (introductory, intermediate and advanced)	15
Cost and management accounting	6
Advanced accounting elective	3
Auditing	9
Canadian Taxation (personal & corporate)	6
Business information systems	3
Finance/Financial management	3
Economics	3
Canadian Business Law	3

20. To qualify towards the credit hour requirement:
- 20.1 the courses in Canadian Business Law and Canadian Taxation must have been taken at an academic institution in Canada;
 - 20.2 one of the courses for advanced financial accounting and the advanced accounting elective must be taken at an academic institution in Canada;
 - 20.3 courses taken at an academic institution, subject to the restrictions set out in this section, will be recognized for the credit hour requirement if they are found to be equivalent in content to those at an academic institution in Canada;
 - 20.4 a maximum of twenty-four (24) credit hours may be fulfilled through college diploma transfer credit courses that:
 - 20.4.1 meet CPA Ontario’s requirements;
 - 20.4.2 are recognized by a university under an articulation agreement; and
 - 20.4.3 are in the following subject areas and do not exceed the maximum credit recognition in each area:

Subject Area	Credit hours
Introductory Financial Accounting	3
Introductory Cost and Management Accounting	3
Introductory Auditing	3
Taxation – Personal	3
Business/Management Information Systems	3
Corporate Finance/Financial Management	3
Economics (Macro and Micro)	3
Canadian Business Law	3

- 20.5 a grade point average of B- (B in the University of Toronto MMPA program) or 70.0% or higher, or, if another marking system is used by the institution at which the credit is obtained, the equivalent at the determination of the Vice-President, Student Services, must be obtained overall in the courses in the credit hour requirement; and

- 20.6 the classroom or instruction hours per week and the number of weeks constituting the term or duration of each course, as recorded or reported by the academic institution, meets or exceeds the number of hours per week and the number of weeks set out in subsection 1.5, as determined by the Vice-President, Student Services.

Exemptions

21. Legacy CA Students in the CA Accredited University Program registration category are deemed to have met the credit hour requirement, provided they meet the provisions of subsection 20.5.
22. Legacy CA Students in the CPA Accredited University Program registration category are deemed to have met the credit hour requirement, provided they also meet the following minimum grade requirements:
- 22.1 a minimum overall grade point average of 70% ("B-") in the courses that comprise the CPA accredited stream or program;
- 22.2 a minimum of a passing grade in each degree credit course commenced before May 1, 2014; and
- 22.3 a passing grade or a minimum grade of 60%, whichever is higher, in each course commenced after April 30, 2014.
23. Legacy CA Students in the Transfer – Quebec registration category are exempt from the credit hour requirement.
24. Legacy CA Students in the Accounting Body Outside Canada registration category are exempt from the credit hour requirement except for the requirement to pass an approved course in Canadian Business Law.
25. Legacy CA Students in the Accounting Body Outside Canada – Specified registration category may be exempt from the credit hour requirement, pursuant to the memorandum of understanding or agreement between the accounting body and CPA Ontario.

Professional Program Requirement

26. Unless otherwise specified in Schedule D, all Legacy CA Students shall, while registered in good standing, successfully complete the following elements of the CPA Professional Program (PEP):
- 26.1 two mandatory core modules:
- 26.1.1 Core 1; and

- 26.1.2. Core 2;
- 26.2 two elective modules:
 - 26.2.1 Taxation;
 - 26.2.2 Assurance;
- 26.3 two mandatory capstone modules:
 - 26.3.1 Capstone 1; and
 - 26.3.2 Capstone 2.
- 26.4 Students shall complete the requirements of subsections 26.1 and 26.2 on or before April 30, 2019, by successfully attempting the module examinations without enrolling in the modules, but a Student who is unsuccessful on two attempts at any examination must enrol in and complete the module before making a further attempt at that examination.
Amended November 29, 2016
- 27. Unless otherwise specified in this regulation, a Legacy CA Student must successfully complete or be exempted from the examinations for Core 1 and Core 2 and both elective modules to be eligible to enroll in the capstone modules.
- 28. A Legacy CA Student who is unsuccessful in three attempts of any module in the CPA Professional Program:
 - 28.1 shall not be eligible to proceed further in the CPA Professional Program;
 - 28.2 shall not retain credit for any module examination(s) in which the Legacy CA Student has been successful or any exemptions granted; and
 - 28.3 shall be required to transfer registration to Regulation 6-1 as a Transitional CA Student.

Uniform Examination or Common Final Examination

- 29. A Legacy CA Student may, subject to section 13 of this regulation, attempt the supplemental UFE in June 2015 if the Legacy CA Student:
 - 29.1 has been successful in the supplemental School of Accountancy (SOA) examination in November 2014;
 - 29.2 is a graduate of the MAcc at the University of Waterloo;
 - 29.3 has unsuccessfully attempted the UFE prior to October 31, 2014; or

- 29.4 is granted permission by the Registrar.
30. No Legacy CA Student shall be exempted from the requirement to pass one of the UFE or the Common Final Examination.
31. A Legacy CA Student in the Transfer – Quebec registration category may pass the UFE prior to registration.
32. A Legacy CA Student requiring special accommodation may request such accommodation by submitting a request in accordance with the policies adopted by the Council from time to time.
33. A Legacy CA Student may request special consideration due to circumstances arising during an examination in accordance with the policies adopted by the Council from time to time.

Employment Requirement

34. Unless altered or suspended by Council resolution, or exempted by this regulation, every Legacy CA Student shall, at the time of registration:
- 34.1 be presently employed with an Approved Training Office or in a Pre-Approved Program;
- 34.2 have accepted an offer of full-time employment in an Approved Training Office or in a Pre-Approved Program to commence no later than twelve months following the date of registration; or
- 34.3 be employed on a part-time or other short-term basis with an Approved Training Office or in a Pre-Approved Program while being enrolled in a university degree program, provided that such employment arrangement is acceptable to CPA Ontario for the purpose of fulfilling the prescribed practical experience requirement.

Exemption

35. Legacy CA Students who have been determined to have completed their Practical Experience Requirement prior to registration are exempt from the requirement for employment.

Practical Experience Requirement

Legacy CA Students Registered Prior to September 1, 2014

36. A Legacy CA Student who was registered and commenced employment prior to September 1, 2014 shall successfully complete the practical experience requirements set out in the *CA Practical Experience Requirements, 2010*, approved by the Council, which shall be considered to be a policy passed by the Council for the completion of the Practical Experience Requirement, except where that document is inconsistent with any bylaw, regulation, policy, or guideline passed by the Council from time to time.
37. Effective September 1, 2014, any reference in the *CA Practical Experience Requirements, 2010*, to “Chartered Accountant” or “CA” shall be deemed to refer to “Chartered Professional Accountant” or “CPA”.
38. Every Legacy CA Student shall complete a period of three years of Practical Experience, less any period determined by the Registrar or Vice President, Student Services, as the case may be, to have been completed prior to registration.
39. The three years of Practical Experience shall include study leave, attending training programs, vacation, and leaves of absence, as provided in the policies passed by the Council from time to time.
40. The three years of Practical Experience is calculated on the basis of full-time employment, and part-time employment shall be considered on a fractional basis.
41. The Practical Experience Requirement shall be completed at an Approved Training Office.
42. Notwithstanding section 41, a Legacy CA Student may complete up to one-third (1/3) of the Practical Experience Requirement through one or more secondments if the secondment meets the requirements of the policies passed by the Council from time to time.
43. To be eligible to apply for a public accounting licence upon admission to membership in CPA Ontario, a Legacy CA Student must comply with the requirements of Regulation 9-1 – Public Accounting Licensing.
44. Legacy CA Students in the Co-operative Degree Program registration category may only complete up to the maximum number of months of Practical Experience set out in Schedule A prior to conferral of a university degree, and any further employment prior to that conferral will not be eligible towards the Practical Experience Requirement.

45. Legacy CA Students in the following registration categories may apply to the Registrar in Form 6-4R for a determination that some or all of the Practical Experience Requirement has been completed prior to registration:
- 45.1 Other Ontario Accounting Designation,
 - 45.2 Accounting Body Outside Canada,
 - 45.3 Transfer; and
 - 45.4 Transfer – Quebec.
46. Legacy CA Students in the Accounting Body Outside Canada – Specified registration category shall complete the Practical Experience Requirement as set out in the memorandum of understanding or agreement between the accounting body and CPA Ontario.
47. Notwithstanding subsection 8.2, and subject to section 45, the Registrar may, only in exceptional and unique circumstances, recognize a greater amount of pre-registration employment as part of the Practical Experience Requirement, but in no circumstances shall more than eight months be recognized.

Transition

48. Notwithstanding section 36, a Legacy CA Student may elect to transition to the CPA Practical Experience Requirement set out in the *CPA Practical Experience Requirements*, in accordance with the transition requirements set out in that document, if the Legacy CA Student:
- 48.1 commenced employment in an Approved Training Office prior to September 1, 2014;
 - 48.2 submits a joint election signed by the Legacy CA Student and the employer agreeing to the transition;
 - 48.3 submits any experience report required by the Vice President, Student Services; and
 - 48.4 provides all information and documents requested by the Vice President, Student Services.
49. Legacy CA Students who have not fulfilled the Practical Experience Requirements of this regulation prior to September 1, 2018 shall be required to transition to the CPA Practical Experience Requirement set out in the *CPA Practical Experience Requirements*, in

accordance with the transition requirements set out in that document or any successor document adopted by the Council.

Legacy CA Students Registered After August 31, 2014

50. A Legacy CA Student who registers or commences employment after August 31, 2014 shall successfully complete the CPA Practical Experience Requirement set out in *CPA Practical Experience Requirements*, or any successor document approved by the Council in accordance with Regulation 6-6.
51. A Legacy CA Student who completes any part of the CPA Practical Experience Requirement pursuant to s. 7.1 of Regulation 6-6 (Experience Verification) must transfer their registration to Regulation 6-1 as a Transitional CA Student and will not be eligible to receive the Chartered Accountant designation upon admission to membership.

Approved Training Offices

Approvals

52. An Approved Training Office may apply to the Vice President, Student Services, to increase the number of Legacy CA Students it is authorized to employ.
53. On receipt of an application pursuant to section 52, the Vice President, Student Services, may request documentation, information or consents from the applicant.
54. The Vice President, Student Services, may approve an Approved Training Office for employment of additional Legacy CA Students if it meets the criteria below, as may be applicable:
 - 54.1 is able to provide Legacy CA Students with the qualifying experience required in Regulation 9-1;
 - 54.2 is able to provide a diverse mix of assignments to ensure well-rounded training;
 - 54.3 exhibits adherence to standards prescribed in the harmonized inspection program policies established for all provincial and regional bodies across Canada;
 - 54.4 exhibits adherence to the CA Practical Experience Requirements; and
 - 54.5 exhibits adherence to the Standards of the Public Accountants Council for the Province of Ontario.

55. The Vice President, Student Services, shall specify the terms of any approval in writing, including the maximum number of Legacy CA Students to be employed by the Approved Training Office.

Obligations

56. Every Approved Training Office approved to employ one or more Legacy CA Students shall be responsible for:
- 56.1 meeting the requirements of the CA Practical Experience Requirements;
 - 56.2 maintaining records showing the chargeable hours required by Regulation 9-1 for eligibility to apply for a licence to practise public accounting upon admission to membership;
 - 56.3 submitting the records in 56.2 to CPA Ontario at such time as the Legacy CA Student terminates employment or has completed training; and
 - 56.4 adhering to the standards set out in the *CA Practical Experience Requirements*, the harmonized inspection program policies established for all provincial and regional bodies, and the Standards of the Public Accountants Council for the Province of Ontario, if applicable.

Monitoring

57. CPA Ontario may at any time, designate any person to monitor an Approved Training Office. Circumstances that may result in monitoring include, but are not limited to:
- 57.1 scheduled monitoring visit as part of the typical three-year cycle;
 - 57.2 significant change in an Approved Training Office such as a merger, a significant loss of partners, training principals, or counselling members involved in the training program;
 - 57.3 significant change in the number of Legacy CA Students employed;
 - 57.4 Legacy CA Student complaints received regarding the training;
 - 57.5 past Legacy CA Student program issues having been identified; or
 - 57.6 consistent Legacy CA Student failures or high Legacy CA Student failure rates in the CA Professional Program.
58. When monitoring an Approved Training Office pursuant to section 57, CPA Ontario may request documentation, information or consents from the Approved Training Office.

59. The monitor shall consider whether the Approved Training Office meets, or continues to meet, the requirements for the training of Legacy CA Students.
60. At the conclusion of the monitoring process, the monitor shall provide a recommendation to the Vice President, Student Services, to:
- 60.1 confirm the existing terms of approval;
 - 60.2 amend the existing terms of approval; or
 - 60.3 suspend or revoke the approval.

Revocation

61. The Vice President, Student Services, shall revoke any approval for employment of Legacy CA Students upon the expiry of 90 days from the date of suspension pursuant to subsection 60.3 and at any time if an Approved Training Office fails to:
- 61.1 continue to meet the standards required to train Legacy CA Students;
 - 61.2 supply documentation or information to CPA Ontario within 30 days of a specific written request; or
 - 61.3 co-operate in any manner with the monitoring process.

Transition

62. An Approved Training Office shall apply to the Vice President, Student Services, for approval of a Pre-Approved Program in accordance with Regulation 6-6 and the requirements of the *CPA Practical Experience Requirements* on or before August 31, 2015, and upon approval by the Vice President, Student Services, will be subject to the requirements of Regulation 6-6.
63. An Approved Training Office that does not obtain approval in accordance with section 63 by August 31, 2015 will not be permitted to employ any additional Legacy CA Students and the Vice President, Student Services, shall revoke the approval as an Approved Training Office upon the earlier of:
- 63.1 the date that all Legacy CA Students employed by the Approved Training Office terminate employment or have completed training; and
 - 63.2 September 1, 2018.

Appeals

64. A decision of the Registrar or Vice President, Student Services, as the case may be, not to register or reregister an individual as a Legacy CA Student or to deregister a Legacy CA Student may be appealed by the individual or Legacy CA Student to the Membership Committee.
65. The parties to an appeal are the individual appealing and the Registrar or Vice President, Student Services, as the case may be.
66. The appeal shall be conducted in accordance with the Rules of Practice and Procedure.
67. The decision of the Membership Committee is final.

Reviews

68. An Approved Training Office may request any decision made pursuant to section 60 or 61 be reviewed by the Membership Committee.
69. On a review, the Membership Committee shall have the power to refer a matter back to the Vice President, Student Services, for reconsideration if the Committee determines that one or more of the following circumstances exists:
 - 69.1 the Vice President, Student Services, failed to follow appropriate procedures in arriving at his decision; or
 - 69.2 the Vice President, Student Services, did not give due consideration to all of the evidence available in arriving at his decision.
70. The decision of the Membership Committee on a review is final.

REGULATIONS

SCHEDULE A

UNIVERSITY CO-OPERATIVE DEGREE PROGRAMS

University	Degree program	Maximum months of co-op work term experience
Algoma	Bachelor of Business Administration	20
Brock	Bachelor of Business Administration	12
Brock	Bachelor of Accounting	20
Carleton	Bachelor of Commerce	16
Dalhousie	Bachelor of Commerce	12
Guelph	Bachelor of Commerce, Honours Program – Accounting, Co-operative Education Program (HBComm)	16
McMaster	Bachelor of Commerce (Internship)	16
McMaster	Master of Business Administration	12
Ottawa	Honours Bachelor of Commerce in Accounting	12
Redeemer	Bachelor of Arts, Honours Business Major-Accounting	16
Toronto (Mississauga)	Masters in Management and Professional Accounting	8
Toronto (Scarborough)	Bachelor of Business Administration (Program in Management)	12
Waterloo	Bachelor of Accounting and Financial Management (Honours)	16
Waterloo	Bachelor of Mathematics (Chartered Accountancy)	16
Waterloo	Bachelor of Science (Honours Chartered Accountancy)	16
Wilfrid Laurier/ Waterloo	Honours Bachelor of Business Administration (Laurier) / Honours Bachelor of Mathematics (Waterloo) <i>Effective for students graduating after Dec 31, 2010</i>	16
Wilfrid Laurier/ Waterloo	Honours Bachelor of Business Administration (Laurier) / Bachelor of Computer Science (Waterloo) <i>Effective for students graduating after Dec 31, 2010</i>	16
Wilfrid Laurier	Honours Bachelor of Business Administration	12
Wilfrid Laurier	Honours Bachelor of Arts (Economics)	12
Wilfrid Laurier	Honours Bachelor of Business Administration / Bachelor of Science in Computer Science <i>Effective for students graduating after Dec 31, 2010</i>	16
Wilfrid Laurier	Honours Bachelor of Business Administration / Bachelor of Science in Computing and Computer Electronics <i>Effective for students graduating after Dec 31, 2010</i>	16
Wilfrid Laurier	Honours Bachelor of Business Administration / Bachelor of Arts in Financial Mathematics <i>Effective for students graduating after Dec 31, 2010</i>	16
Windsor	Bachelor of Commerce	16

SCHEDULE B

ACADEMIC INSTITUTIONS WITH CA ACCREDITED PROGRAMS/STREAMS

Brock University – Bachelor of Accounting, Option A, regular and co-op.

McMaster University – Master of Business Administration, Accounting stream and Bachelor of Commerce (Honours), Accounting stream, regular and internship, both inclusive of the courses for a professional accounting designation needed to complete the 51 credit hours.

Queen’s University – Bachelor of Commerce, Accounting stream, in combination with the Graduate Diploma in Accounting.

The University of Western Ontario, Richard Ivey School of Business – Honours Bachelor of Business Administration, Accounting stream, inclusive of the Diploma in Accounting.

University of Toronto, Mississauga – Master of Management and Professional Accounting (MMPA), and Bachelor of Commerce, Accounting Specialist stream.

University of Toronto, Rotman Commerce, St. George – Bachelor of Commerce, Accounting Specialist stream.

University of Toronto, Scarborough – Bachelor of Business Administration, Accounting stream regular and co-op.

University of Waterloo – Master of Accounting.

Wilfrid Laurier University, Single and Double Degree Programs, regular and co-op, inclusive of the post-undergraduate degree courses needed to complete the 51 credit hours:

- Honours Bachelor of Business Administration, Accounting stream.
- Honours Bachelor of Business Administration, Accounting stream / Honours Bachelor of Science in Computing and Computer Electronics.
- Honours Bachelor of Business Administration, Accounting stream / Honours Bachelor of Science in Computer Science.
- Honours Bachelor of Business Administration, Accounting stream / Honours Bachelor of Arts Financial Mathematics.

Wilfrid Laurier University / University of Waterloo, Double Degree Programs, regular and co-op, inclusive of the post-degree undergraduate courses needed to complete the 51 credit hours:

- Honours Bachelor of Business Administration (Laurier) / Honours Bachelor of Mathematics (Waterloo).
- Honours Bachelor of Business Administration (Laurier) / Honours Bachelor of Computer Science (Waterloo).

York University, Schulich School of Business – Master of Business Administration, Accounting stream, Master of Accounting, Accounting stream, and Bachelor of Business Administration, Accounting stream.

SCHEDULE C

SPECIFIED ACCOUNTING BODIES

- The Institute of Chartered Accountants of India
- The Institute of Chartered Accountants of Pakistan

SCHEDULE D

CHALLENGE PATH

Elements of Challenge Path	Exemptions from Elements of Challenge Path		
	Transition from Legacy CA Professional Program	Transition from Waterloo MAcc graduate prior to August 2015	CPA Accredited Program
Core 1 Examination* Core 2 Examination*	A Student who has successfully completed the Core Knowledge Examination (CKE) on or after June 1, 2011 or is exempt from the requirement to complete the CKE is exempt from the requirement to challenge the Core 1 and 2 Exams.	A Student who has graduated from the Waterloo MAcc prior to August 2015 is exempt from the requirement to challenge the Core 1 and 2 Exams.	A Student who has graduated from a CPA Accredited Program is exempt from the requirement to challenge the Core 1 and 2 Exams.
Taxation Elective Examination* Assurance Elective Examination*	A Student who has successfully completed or is exempt from the requirement to complete the SOA (or Supplemental SOA), and has completed the Staff Training program or equivalent, is exempt from the requirement to challenge the Taxation and Assurance Elective Exams.	A Student who has graduated from the Waterloo MAcc prior to August 2015 and has completed the Staff Training Program or equivalent is exempt from the requirement to challenge the Taxation and Assurance Elective Exams.	A Student who has successfully passed a CPA Accredited Program may be exempt from the requirement to challenge the Taxation and Assurance Elective Exams. See schedule B to Regulation 6-1 for individual program details.
Capstone 1 Module Capstone 2 Module	A Student who has successfully completed the UFE is exempt from the requirement to complete Capstone Modules 1 and 2.	A Student who has successfully completed the UFE is exempt from the requirement to complete Capstone Modules 1 and 2.	A Student who has graduated from a CPA Accredited Program may be exempt from the requirement to complete Capstone Modules 1 and 2. See schedule B to Regulation 6-1 for individual program details
Common Final Exam (CFE) - depth areas must be financial reporting and assurance	A Student who has successfully completed the UFE is exempt from the requirement to complete the CFE.	A Student who has successfully completed the UFE is exempt from the requirement to complete the CFE.	A Student who has successfully completed the UFE is exempt from the requirement to complete the CFE.

* Must be completed on or before April 30, 2019.

Amended November 29, 2016

SCHEDULE E

GUIDELINES

ASSESSMENT OF COMPETENCIES OF STUDENTS: Members of Professional Accounting Bodies Outside of Canada, Members of the Certified General Accountants Association of Ontario, Members of Certified Management Accountants of Ontario

Passed by the Council, June 16, 2011 as Regulation 6-1, as amended on April 15, 2014, renamed and re-numbered as Regulation 6-4.

INTRODUCTION

These Guidelines apply to Students registered in the following categories pursuant to Regulation 6-4:

- Accounting Body Outside Canada (section 5.5);
- Accounting Body Outside Canada – Specified (section 5.6).

These Guidelines, except for the provisions regarding the Canadian Business Law Course, also apply to Students registered in the Other Ontario Accounting Designation category (section 5.4).

EXEMPTION FROM CANADIAN BUSINESS LAW COURSE REQUIREMENT

A member of an Accounting Body Outside Canada ordinarily will not have completed a course in Canadian business law as part of their university degree or professional accounting body's qualification program.

However, a Student from an Accounting Body Outside Canada who has completed one or more university degree-credit course(s) in Canadian business law may apply for an exemption. Alternatively, the Student may apply for an exemption from this requirement if the Student believes the required knowledge of Canadian business law has been acquired, through the Student's professional qualification(s) and accounting experience. For example, working in a role administering contracts in Canada may demonstrate an understanding and knowledge of one area of Canadian business law.

Exemption based on course equivalence

The Student must provide a copy of the official, certified transcript or other certified document or documents confirming successful completion of the course(s) and the detailed course description(s) listing or specifying the topics or subject areas covered in course(s), all of which must be clearly identifiable as being issued or published by the degree-granting institution.

Overall, the course should provide an introduction to, and a general understanding of the following topics:

Law of Torts – scope – (intentional torts, negligence, professional liability and other torts).

Law of Contracts – definition, role, formation – (offer/acceptance, consideration, intention to create legal relation, capacity, legality, certainty of terms);

- Grounds upon which a contract may be impeached – mistake, misrepresentation, undue influence, duress;
- The requirement of writing – statute of frauds, essentials of a written memorandum, doctrine of past performance;
- Interpretation of contracts – relationship between formation and interpretation, interpretation of excess terms parol evidence rule, implied terms as a method of interpretation;
- Privity of contract and the assignment of contractual rights – privity, novation, vicarious performance, exceptions to the privity of contract rule, nature of an assignment of rights, equitable assignments, statutory assignments, negotiable instruments;
- Discharge of contracts – various ways, by performance, by agreement, by frustration, by operation of law;
- Effect of breach – implications, repudiation and failure of performance; and
- Remedies of breach – types, damages, equitable remedies, quantum meruit.

Bailment and Introduction to Agency – definition;

- Classes – benefit of bailor, benefit of bailee, benefit of both;
- Duty and care of bailor and bailee;
- Remedies of bailee and bailor – storage, transportation and finders;
- Contractual relationship between principal and agent;
- Contractual relationship between principal and third parties – express authority, apparent authority (Estoppel), ratification;
- Duties of principal and third parties; and
- Liability of agent to principal and third parties.

Law of Real Property and Mortgages of Land

- Interests in land – freehold, leasehold;
- Joint ownership of estates;
- Other interests in land – easements, required evidence;
- Possessory rights in land – limitations act, required evidence;
- Title to real property – deed or transfer, will or descent, possessory title, escheat of forfeiture;
- Government registrations of ownership – registry and land title systems;
- Conveyance of real property – agreement of purchase and sale;
- Restrictions on land use – government, common law; and
- Mortgages of land – concept of mortgage, rights of mortgagee and mortgagor under common law and equity, mortgages remedy of sale upon default, second mortgages.

Partnerships, Corporations and the Management and Operation of a Corporation

- Partnership – partnership act, nature, agreement, limited partnership, limited liability partnership; and
- Corporations and the management of corporations – nature of corporations, methods of incorporation, governance, liability of directors, shareholders' agreements.

Exemption based on experience equivalence

The Student must provide a detailed job description(s) including information as to how the responsibilities carried out or functions performed in the position(s) fulfilled the knowledge requirements outlined above.

EXEMPTION FROM THE PROFESSIONAL PROGRAM REQUIREMENTS

The Registrar shall review the previous education, professional qualification(s) and accounting experience of a Student seeking exemption from Professional Program requirements to determine whether, taken as a whole, they establish that the Student has demonstrated, on a substantial equivalency basis, the required breadth and depth of competency development at the levels of proficiency required of an entry-level CA in Ontario, as specified in The UFE Candidates' Competency Map.

The Registrar's determination of whether a Student qualifies to receive additional exemption(s) is to be competency-based, meaning the previous education, professional education and previously acquired accounting experience of a Student are to be considered both quantitatively and qualitatively when assessed (measured) against the competencies and the respective proficiency levels for an entry level CA in Ontario, as specified in The UFE Candidates' Competency Map. The substantial equivalency basis for determining whether a Student qualifies for additional exemptions recognizes that the specific competencies required for membership in the particular accounting body outside Canada and acquired by the Student as a result of post-qualification accounting experience may not match precisely with the competencies set out in The UFE Candidates' Competency Map.

The determination to be made by the Registrar is whether a Student has acquired as a result of his or her previous education, professional qualification(s) and previously acquired professional accounting experience, the depth and breadth of competency development and the levels of proficiency for the competencies that a candidate must demonstrate at the time of writing the Uniform Evaluation (UFE). The Student should ordinarily have completed in total more than three years of professional accounting experience, including experience obtained subsequent to admission to membership in the accounting body outside Canada. In addition, the Student should have obtained such professional accounting experience in positions that enabled the Student to progress to successively more senior positions and/or in respect of which the Student demonstrated progressively higher levels of proficiency as well as greater breadth and depth of competency development.

The Registrar may grant one or more of the exemptions sought, or not grant any exemptions, based on his or her determination of the extent to which a Student has fulfilled the depth and breadth of competency development at the required levels of proficiency.

The levels of proficiency – the degree or expertise an individual is expected to exhibit in a competency -- as specified in The UFE Candidates' Competency Map are as follows:

Level C: The individual describes accurately the task or role constituting the competency, the possible evidence of performance, the significance of the competency, and the types of circumstances in which it would arise or be applied in normal circumstances. Proficiency at Level C is demonstrated when the individual explains, summarizes, gives examples, depicts, interprets, and paraphrases, among other things, the professional skills and underlying knowledge required by the competency.

Level B: The individual demonstrates without prompting from others an understanding of the task and the required professional skills including basic quantitative and qualitative analysis, but not necessarily the ability to successfully complete the task without adequate support or supervision in normal circumstances. Proficiency at Level B is demonstrated when the nature of the problem is identified. The issues related to the problem are often evaluated, analyzed, etc. on a preliminary basis. That is, the work requires the review of more senior personnel to ensure its completeness and accuracy. Any requirement for the involvement of personnel with special expertise necessary to complete all aspects of the task is identified. A preliminary recommendation is often made. This level of proficiency includes Level C proficiency.

Level A: The individual completes all elements of a specified task successfully in normal circumstances. Proficiency at Level A is demonstrated when the problem is clearly identified and thoroughly analyzed or when a situation is evaluated and useful recommendations are made and/or implemented. The individual is responsible for the work whether it is completed solely by an individual (a CA) or by a team of individuals (team of CAs). This level of proficiency includes Level B and Level C proficiencies.

Using substantial equivalency as the criterion, it is not required that a Student must have demonstrated the levels of proficiency for each of the specific competencies within each competency area in order to be granted the exemptions sought. Accordingly, the assessment of whether a Student has attained the proficiency level(s) in any one or more of the competency areas should be made with reference to the overall proficiency level for the competency area, rather than proficiency levels for each specific competency within the competency area. The overall proficiency level for each competency area that should be attained to demonstrate readiness to write the UFE is as follows:

Performance Measurement and Reporting	Level A
Assurance	Level A
Taxation	Level B
Governance, Strategy and Risk Management	Level B
Management Decision-Making	Level B
Finance	Level B

Student Self-Assessment

A Student requesting an exemption from the CKE, the SOA, or both, must provide the Registrar with a written self-assessment describing in detail how the Student believes the competencies set

out in The UFE Candidates' Competency Map have been met. The self-assessment should take into account that the Professional Program curriculum provides for the development and enhancement of the required competencies through integration and application of technical knowledge. In that regard, the Student should note that the SOA uses case studies addressing professional-level competencies and reflecting real business scenarios likely to be encountered in practice as a Chartered Accountant. In addition to the specific competencies set out in *The UFE Candidates' Competency Map*, a Student must demonstrate the pervasive qualities and skills fundamental to a Chartered Accountant: Ethical Behaviour and Professionalism, Personal Attributes and Professional Skills. A *Mapping of Experience to Specific Competencies* document is available from CPA Ontario for use by Students in completing the self-assessment.

EXEMPTION FROM PRESCRIBED PRACTICAL EXPERIENCE REQUIREMENTS

A Student may request exemptions from some or all of the requirement to complete a three-year period of practical experience in an Approved Training Office. The determination to be made by the Registrar upon review of such request is whether the Student has acquired as a result of his or her professional qualification(s) and previously acquired experience in accounting, the depth and breadth of competency development required for the entry-level CA at the time of admission to membership in CPA Ontario, as established by the document entitled, Prescribed Practical Experience 2010, or any successor document.

The Registrar's determination shall be based upon an assessment of the totality of the Student's previous professional accounting experience completed for the purpose of qualifying for admission to membership in the particular accounting body and subsequent to admission to membership in that body. The assessment should take into account:

- the duration of the period(s) of accounting experience (i.e. the number of months or years);
- the nature of the place(s) of employment or practice in which the accounting experience was obtained;
- the position(s) held by the Student; and
- the progression of the Student's career in professional accounting.

To meet the depth and breadth of competency development required for the entry-level CA at the time of admission to membership in CPA Ontario, the Student must demonstrate to the satisfaction of the Registrar that the Student meets the following minimum requirements:

- Depth of experience – the opportunity to gain sufficient direct working experience in all of the specific competencies of any one of the six competency areas (referred to as the area of depth):
 - o Performance Measurement and Reporting
 - o Assurance
 - o Taxation
 - o Governance, Strategy and Risk Management
 - o Management Decision-Making
 - o Finance.

For the majority of the specific competencies, the Student is expected to demonstrate Level 2 proficiency. In addition, the Student is expected to demonstrate an awareness of emerging topics in their area of depth, either independently or as part of a team, with little direction or supervision.

- Breadth of experience – the opportunity to gain sufficient direct working experience in at least half of the competencies in TWO additional areas of competency (referred to as areas of breadth) and demonstrate the ability to work at Level 2 proficiency in at least half of those competencies. If the Student’s area of depth is not Performance Measurement and Reporting or Assurance, then one of the two areas of breadth must be Performance Measurement and Reporting and must provide the opportunity to gain sufficient direct working experience in the three competencies highlighted in Appendix 1 of the Practical Experience Requirements 2010 approved by the Council, and demonstrate the ability to work at Level 2 proficiency in all three of competencies.
- Experience in all of the Pervasive Qualities and Skills, with the clear expectation that the Student demonstrates at all times the Ethical Behaviour and Professionalism, strong Personal Attributes and Professional Skills expected of the CA.

Levels of proficiency for qualifying practical experience are:

Level 1 (works under supervision): Has the basic knowledge and skill required to complete the task assigned but does not complete the task without supervision or assume responsibility for its execution. Requires supervision and direction in completing the tasks as he or she begins applying education to practice.

Level 2 (works independently): Can apply the underlying knowledge and skill in a practical setting and is able to complete tasks independently or as part of a team with minimal direction or supervision. Assumes responsibility for execution of the task and performs all work with diligence and due care. Treats each situation as an opportunity to further develop professional judgement and/or expand his or her knowledge base.

Duration of professional accounting experience

The duration of professional accounting experience required for admission to membership in CPA Ontario is a minimum term of three years of experience acceptable to CPA Ontario. A Student who has not obtained at least three years of previous professional accounting experience acceptable to CPA Ontario is required to fulfill a period of experience in accounting as prescribed by the Registrar such that the Student will have obtained by the date of admission to membership in CPA Ontario an amount of acceptable accounting experience that in aggregate is at least three years in duration.

Nature of the place(s) of employment or practice

The factors that should be considered by the Registrar in respect of the nature of the place of employment or practice are:

- As applicable,

- The nature or line of business (for example, financial services, manufacturing, natural resources, retailing, information technology) and examples of the major clients, customers or recipients of the products or services, or
- The nature of the professional services provided, including whether the services were public accounting or related areas (for example, assurance/attestation, taxation, advisory services) and examples of the major clients, customers or recipients of the products or services
- The size of the business or practice, with reference to such matters as total number of staff, number of partners, total annual revenues or budget
- The corporate structure (e.g. for-profit corporation, not-for-profit corporation, public sector/governmental organization, academic institution, partnership, proprietorship) and in respect of a corporate entity, whether it is/was a publicly listed or publicly traded entity or a privately owned/not publicly listed entity.

The position(s) held by the Student

In respect of the positions(s) held by the Student, the Registrar should consider:

- the title of each position held;
- the level or seniority of the position within the place of employment or practice, with reference to such matters as to whom (position) the Student directly reported or was accountable and the placement of such position within the overall management or governance structure;
- the breadth and complexity of the responsibilities assigned to the Student in the position held;
- the breadth and depth of competency development during the period in which the Student held the position.

The progression of the Student's career in professional accounting

Position-specific indicators that should be considered by the Registrar when determining a Student's progression through his or her career in professional accounting include demonstration of work functions or the provision of professional services in defined positions that:

- require increasing competency development;
- require the ability of the Student to handle increasingly complex tasks;
- involve increasing levels of responsibility;
- provide increased ability and opportunity to supervise, manage and mentor others and decreased level of supervision of the Student throughout his or her career path, which may be measured by
 - o number of supervisors;
 - o number of direct reports;
 - o changes in position or job titles;
 - o changes to job responsibilities and accountabilities;
- provide opportunities for the Student to learn from supervisors who are deemed experts in their field (exposed to or mentored by other professionals).

Progression to successively more senior positions and/or demonstration of progressively higher levels of proficiency over the course of a Student's employment or practice with a particular entity or throughout the Student's total period(s) of accounting experience should also ordinarily indicate greater breadth and depth of competency development. A Student who has achieved through their previous employment or practice a position or level as a partner, senior executive, director or officer should ordinarily be considered to have achieved a higher level of proficiency as well as greater breadth and depth of competency development than a Student who would have held a less senior position.

SCHEDULE F

PRACTICAL EXPERIENCE REQUIREMENTS

**under Regulation 6-4 (Legacy CA Student Registration), as approved
by Council on November 29, 2012, as amended to June 21, 2016.**

INTRODUCTION

This policy is intended to provide clarity on the transition to the practical experience requirements that apply to Students registered with Chartered Professional Accountants of Ontario (CPA Ontario) on or after September 1, 2009. CPA Ontario's Regulation 6-4 (Legacy CA Student Registration) and Regulation 9-1 (Public Accounting Licensing) in conjunction with the CA Practical Experience Requirements 2010 (PER) prescribe the practical experience requirements for Legacy CA Students seeking membership in CPA Ontario.

This policy supplements the CPA Ontario's regulations and PER to ensure consistency and appropriate application. Students are encouraged to use this policy as a tool to assist in measuring the requisite period of practical experience that must be acquired before qualifying.

Amended June 21, 2016

CONTEXT

Qualification is an integrated process of academic study, professional education and evaluation, and practical experience. Practical experience grounds formalized learning in today's workplace, contributing additional hands-on professional competencies, and enriching and consolidating the development process. Professional conduct and ethical behavior, along with the protection of the public interest, are integrated and emphasized throughout the process.

A primary consideration in setting the CPA Ontario's practical experience requirements is the adherence to international accounting standards that mutually support the development of Ontario's qualified CPAs. The internationally recognized standard as set by the International Federation of Accountants under the International Education Standard 5, Practical Experience Requirements (IES5) prescribes that the period of practical experience should be a minimum of 3 years. Regulation 6-4 is consistent with this international standard, and with the CPA Ontario's mandate to maintain full reciprocity across accounting bodies in other jurisdictions.

As a result, there exists a continuum that begins at the date of the Student's registration and extends past the minimum 30-month period of required practical experience. Accordingly, there may be confusion among Students, Members and employers when determining the point of time on the continuum which constitutes the date on which a Student's practical experience is completed. The guidance provided in this policy is to mitigate this concern.

Amended June 21, 2016

DEFINITIONS

In this Policy,

“**add-in**” means leave time taken during a Student’s 30-month prescribed period of practical experience in excess of or for any reason other than the amount of time granted under a permitted allowance, which has a corresponding impact on a Student’s practical experience Completion Date;

“**competency development**” includes the depth and breadth of technical competencies, as well as the pervasive qualities and skills, as outlined in the PER.

“**Completion Date**” means the date as of which the Student has completed the 30-month period of prescribed practical experience;

“**permitted allowance**” means leave time that may be taken by each Student during his or her 30-month prescribed period of practical experience, without having a corresponding impact on the Student’s practical experience Completion Date.

Amended June 21, 2016

ACCRUING PRACTICAL EXPERIENCE

Practical experience is recognized from the date a Student commences employment with an approved CATO or Pre-Approved Program, provided the employment is not more than three months prior to the date of registration (Regulation 6-4, s. 8.2.1 and 8.2.2). Practical experience is accrued by obtaining relevant experience for competency development on the basis of full-time employment or part-time employment, considered on a fractional basis, at a CATO or Pre-Approved Program.

Generally, the practical experience requirement under both Regulation 6-4 and the PER is 3 years or 36 months, including leave time for professional education. Section 39 of Regulation 6-4 provides specific carve outs for study leave, attending training programs, vacation, and leaves of absence. Cumulatively, this translates into a minimum of 30 months of employment with a CATO or Pre-Approved Program.

Amended June 21, 2016

Reconciling the 30 and 36 Month Requirements

The majority of Students in Ontario typically complete their term of practical experience before 36 months, and only after fulfilling the minimum 30-month requirement. The linkage between 30 and 36 months is the allowable time given to Students relating to the preparation for professional education programs completed outside of work hours (other than that which extends the period of employment) or other interruptions in employment that constitute a break in service.

Virtually all Students are able to complete the prescribed term of practical experience at some point between 30 and 36 months, depending on each Student’s individual circumstances. The 36-

month benchmark is in place to ensure that the Institute is in compliance with the IES5, while recognizing that temporary breaks in the accrual of a Student's 30 months of practical experience during the legacy CA qualification process are both expected and for which are accounted.

Amended June 21, 2016

Breaks in Practical Experience Accrual

The period of prescribed practical experience is calculated based on the 30-month requirement, taking into account all periods of permitted absences and excluding any periods that have been specifically enumerated as an add-in in this policy or that constitute leave time in excess of permitted allowances.

The characterization of a break in the accrual of practical experience as either a permitted allowance or an add-in is used to establish each Student's Completion Date. Students will continue to accrue practical experience for permitted allowances, and any leave time taken thereunder will not impact a Student's Completion Date. By contrast, practical experience does not accrue for leave time that is deemed to be an add-in. Accordingly, any add-ins will result in a corresponding adjustment to the Student's Completion Date by adding the amount of leave time to a Student's Completion Date.

A. Permitted Allowances - Completion Date Not Affected

A Student's 30-month period of prescribed practical experience is inclusive of the following permitted allowances during which time practical experience will continue to accrue:

- attending CPA Ontario's staff training program or an approved in-firm program, and attending other job training programs required by the designated office where the Student is employed, to a maximum of 5 weeks;
- leaves taken for illness or compassionate reasons, to a maximum of 5 weeks; and
- vacation or leaves of absence taken in lieu of vacation, to a maximum of 8 weeks.

Leave time that is not specifically enumerated above, but which is treated in the same manner as a permitted allowance includes the following:

- overtime hours or lieu time, which cannot be used to reduce the prescribed period of practical experience or establish an earlier Completion Date;
- total leaves of absence for each type of permitted absence set out above provided:
 - o the total leave does not exceed the maximum permitted leave; and
 - o the Student remains an employee of the approved CATO or Pre-Approved Program during unpaid leave and returns to active paid employment with the approved CATO or Pre-Approved Program for a reasonable period of time after the leave expires; or
 - o the Student remains an employee of the approved CATO or Pre-Approved Program and is paid during the leave.

B. Add-ins - Completion Date Affected

A Student's 30-month period of prescribed practical experience is exclusive of the following add-ins during which time practical experience will not accrue:

- any vacation or leave of absence taken in excess of the maximum amounts that qualify as permitted absences;
- any period of time during which the Student is or was not employed with an approved CATO or Pre-Approved Program;
- time spent attending the School of Accountancy (the “SOA”);
- time spent writing or rewriting the UFE or CFE;
- time spent attending university, other than part-time attendance of the purpose of acquiring required credit-hours while being employed with an approved CATO or Pre-Approved Program; and
- any interruption of employment resulting from a change from one approved CATO or Pre-Approved Program to another that constitutes a break in service.

C. Maternity Leave

Maternity and parental leave not exceeding the maximum number of weeks provided by statute will not affect a Student’s registration and eligibility to attend the SOA or write the UFE/CFE if the Student is otherwise eligible.

Amended June 21, 2016

Summer Students Employed in CATO Prior to September 1, 2011

Prior to Regulation 6-4 coming into force on July 16, 2011, Students were granted retroactive recognition of up to 8 months of summer employment that was acquired prior to the Student’s date of registration. Under the new Regulation 6-4, subsection 8.2.2, a maximum of only 3 months of summer or other part-time experience acquired prior to the date of registration may be counted towards a Student’s practical experience requirement. However, this provision should be read in light of section 38 and 47 of Regulation 6-4, which confers discretion on the Registrar to accept a period(s) of pre-registration employment experience and make a corresponding adjustment to the Student’s practical experience requirement.

Section 38 provides that (emphasis added) “[e]very student shall complete a period of three years of practical experience, less any period determined by the Registrar to have been completed prior to registration.” Section 47 further provides that (emphasis added) “...the registrar may, only in exceptional and unique circumstances, recognize a greater amount of pre-registration employment, but in no circumstances shall more than eight months be recognized.”

Taken together, section 38 and 47 form the basis of the Registrar’s discretion to determine whether current or prospective Students who were hired for summer or other part-time employment by CATOs prior to September 1, 2011 qualify as an “exceptional and unique circumstance” under section 47. Such Students are eligible to receive retroactive recognition for up to 8 months of practical experience acquired prior to the date of registration. This transitional accommodation is intended to ensure that affected Students are not disadvantaged by the change in employment and experience requirements set out in the new Regulation 6-4.

Any Students or prospective Students who were hired or will be hired by CATOs or Pre-Approved Programs on or after September 1, 2011 will continue to be governed by Regulation 6-4, subsection 8.2.2 and will receive recognition for up to 3 months of pre-registration experience.

Students wishing to receive recognition for additional pre-registration experience will be granted exemptions on a case-by-case basis in accordance with the exceptional and unique circumstances criteria set out in section 47.

Amended June 21, 2016

PUBLIC ACCOUNTING LICENSING

Repealed June 21, 2016

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 6-6
CPA PRACTICAL EXPERIENCE REQUIREMENT**

**Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the
Bylaws on November 27, 2014, as amended to March 10, 2017.**

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REGULATION 6-6
CPA PRACTICAL EXPERIENCE REQUIREMENT
Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the
Bylaws on November 27, 2014, as amended to March 10, 2017.

Application

1. This regulation shall apply to:
 - 1.1 Students registered under Regulation 6-1; and
 - 1.2 Students registered under Regulation 6-4 who are required to comply with the Practical Experience Requirement pursuant to the following sections of that regulation:
 - 1.2.1 section 48 (election);
 - 1.2.2 section 49 (failure to complete practical experience requirements prior to September 1, 2018); or
 - 1.2.3 section 50 (commenced employment after August 31, 2014).

Definitions

2. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 2.1 “chargeable hours” are hours normally chargeable to clients of a public accounting practice, provided that work of a routine clerical nature shall not be included in the computation of chargeable hours;
New – August 29, 2016
 - 2.1A “Experience Verification Route” means the accumulation of qualifying practical experience while employed in positions which are not part of a Pre-Approved Program, as demonstrated by the submission of detailed practical experience reports demonstrating the development of the necessary competencies in accordance with the requirements of the CPA Practical Experience Requirements;
 - 2.2 “External Audit Pre-Approved Program route” means a Pre-Approved Program which is approved by the Vice President, Student Services, in accordance with section 45 or 46 and meets the requirements of Regulation 9-1 in providing Students with the necessary experience, consisting of a minimum of 2,500 hours which include at least:

REGULATIONS

- 2.2.1 1,250 chargeable hours in assurance services, of which at least 625 chargeable hours shall be in the audit of historical financial information and 100 chargeable hours of review procedures in review and other assurance engagements;
- 2.2.2 100 chargeable hours in taxation services; and
- 2.2.3 1,150 eligible hours, as defined in Regulation 9-1, in either public accounting services or designated services;

Amended – August 29, 2016

- 2.3 “family member” means an individual’s spouse, common-law spouse, natural or adopted parent, sibling, natural or adopted children, natural grandchildren or a child legally adopted by the natural or adopted child of the individual such that the child is considered the grandchild of the individual;
- 2.4 “full time employment” means a work week of 35 hours or more on a regular basis;
- 2.4A “Mentor” means an individual who is approved by CPA Ontario and meets the requirements of this regulation;

New – August 29, 2016

- 2.5 “Practical Experience Recognition Date” means the date which is the later of:
 - 2.5.1 the date on which the Student has provided satisfactory evidence to the Vice President, Student Services, that the Student:
 - 2.5.1.1 has commenced employment
 - 2.5.1.1.1 in a position in a Pre-Approved Program; or
 - 2.5.1.1.2 in a position that allows the Student to gain experience in at least one sub-competency area that is at least at a Level 1 proficiency under the Experience Verification Route; and
 - 2.5.1.2 has a qualified Mentor as prescribed by this regulation; and
- Amended August 29, 2016*
- 2.5.2 the date of registration under Regulation 6-1 or 6-4;
- 2.6 “Pre-Approved Program” means a program meeting the Practical Experience Requirement and approved by the Vice President, Student Services, in accordance with section 45 or 46; and

- 2.7 “Volunteer Experience” means experience where there is no financial gain for the individual.

CPA Practical Experience Requirements

3. The *CPA Practical Experience Requirements*, or any successor document approved by the Council shall be considered to be a policy passed by the Council for the completion of the Practical Experience Requirement of this regulation, except where that document is inconsistent with any bylaw, regulation, policy or guideline passed by the Council from time to time.
4. Any organization employing Students completing the Practical Experience Requirement shall be considered to be a training office for the purposes of subsection 6.7 of the bylaws.
5. To be eligible to apply for a public accounting licence upon admission to membership in CPA Ontario, a Student must comply with the requirements of Regulation 9-1.

Practical Experience Requirement

6. Unless otherwise specified in this regulation, every Student shall complete a period of 30 months of practical experience which satisfies the *CPA Practical Experience Requirements*, or any successor document approved by the Council, less any period determined by the Vice President, Student Services, to have been completed prior to registration (Practical Experience Requirement).
7. Practical experience must be obtained in accordance with the *CPA Practical Experience Requirements* through:
 - 7.1 the Experience Verification Route;
 - 7.2 a Pre-Approved Program; or
 - 7.3 a combination of subsections 7.1 and 7.2 acceptable to the Vice President, Student Services.
8. A Student must develop the technical and enabling competencies to the required proficiencies and meet the minimum breadth, depth, and core standards as set out in the *CPA Practical Experience Requirements* to the satisfaction of the Vice President, Student Services.
9. Only experience gained in positions which terminated in the seven years immediately preceding the date upon which the Student’s final practical experience report is submitted to CPA Ontario will be recognized towards the completion of the Practical Experience Requirement.

10. The following experience may be recognized towards the completion of the Practical Experience Requirement in accordance with the criteria set out in the *CPA Practical Experience Requirements*:
- 10.1 international experience;
 - 10.2 experience gained through self-employment; and
 - 10.3 secondment assignments.
11. A Student shall fulfill the 30 month Practical Experience Requirement through paid employment. Volunteer Experience shall be excluded from the computation of the experience requirement in section 6 but may be recognized to demonstrate development of enabling and technical competencies, provided that:
- 11.1 the Volunteer Experience is verifiable; and
 - 11.2 the Volunteer Experience is not obtained through an unpaid internship.

Amended August 29, 2016

12. The 30 months of practical experience shall include study leave, attending training programs, vacation, and leaves of absence to a maximum of 20 weeks, or as provided in the policies approved by the Council from time to time, but in all instances, shall exclude experience gained while the Student was not in good standing with CPA Ontario.

Amended August 29, 2016

13. Practical experience shall be calculated on the basis of full time employment, and part-time employment shall be calculated on a pro-rated basis for part-time work weeks regularly below 35 hours.
14. Subject to section 9, the Vice President, Student Services, may recognize a maximum of 12 months of practical experience obtained prior to the Practical Experience Recognition Date, in accordance with the provisions of the *CPA Practical Experience Requirements*, which experience may include multiple positions, provided that each position is of a minimum of three months in duration.

Accumulation of Practical Experience

15. Accumulation of practical experience begins on the Practical Experience Recognition Date, but recognition of experience towards the completion of the Practical Experience Requirement will be subject to the following limits:
- 15.1 no more than 12 months of experience under the Experience Verification Route gained prior to such time as a Student meets the proficiency requirements set out in the *CPA Practical Experience Requirements* will be recognized;

REGULATIONS

- 15.2 experience gained in an employment position that does not meet the *CPA Practical Experience Requirements* will not be recognized;
- 15.3 no more than 18 months of experience gained prior to the Student's PEP Commencement Date as defined in Regulation 6-1 will be recognized; and
- 15.4 no more than 90 days of experience shall be recognized if it is gained during any period of time in which a Student:
 - 15.4.1 under the Experience Verification Route does not have a Mentor; or
 - 15.4.2 has a Mentor who ceases to meet the requirements of mentorship of this regulation.

Amended August 29, 2016

Exemptions from Practical Experience Requirement

- 16. Notwithstanding sections 9 and 14, Students in the following categories of registration may apply to the Vice President, Student Services, for a determination that some or all of the Practical Experience Requirement has been completed prior to registration:
 - 16.1 Accounting Body Outside Canada;
 - 16.2 Transfer; and
 - 16.3 *Repealed March 10, 2017*
 - 16.4 Subject to section 17, Accounting Body Outside Canada – Specified.
- 17. Students in the Accounting Body Outside Canada – Specified category of registration shall complete the practical experience requirement as set out in the memorandum of understanding or agreement between the accounting body and CPA Ontario.
- 18. Exemptions from some or all of the Practical Experience Requirement set out in the *CPA Practical Experience Requirements* or any successor document approved by the Council shall only be granted by the Vice President, Student Services, in accordance with the criteria set out in the *CPA Practical Experience Requirements* and the policies approved by the Council from time to time.

Elements of the Practical Experience Requirement

Supervision

- 19. Each Student shall have a supervisor who occupies a higher position than the Student in the hierarchy of the organization in which the Student is employed.

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20. Supervisors shall verify the accuracy of the practical experience report of a Student under the Experience Verification Route and make any required declarations before the report can be assessed by CPA Ontario.
21. The experience of a Student under the Experience Verification Route must be verified by an unrelated person for the purposes of the practical experience report:
 - 21.1 if the Student reports directly to a family member; or
 - 21.2 in accordance with the policies approved by the Council from time to time.

Mentorship

22. Each Student shall have a Mentor approved by CPA Ontario.
23. Students under the Experience Verification Route shall be responsible for identifying their own Mentor, except that if a Student cannot identify a Mentor after three months from the date of the creation of their profile on the Practical Experience Reporting Tool (PERT), CPA Ontario shall match the Student with a suitable Mentor.
24. Students participating in a Pre-Approved Program route shall be assigned a Mentor by their employer.
25. A Mentor:
 - 25.1 shall be a member in good standing of CPA Ontario or a Provincial Body; and
Amended August 29, 2016
 - 25.2 shall not:
 - 25.2.1 have been convicted of a criminal or similar offence;
 - 25.2.2 have been adjudged bankrupt or made an arrangement with creditors pursuant to the *Bankruptcy and Insolvency Act, 1985*;
 - 25.2.3 be subject to a professional conduct investigation or disciplinary proceedings by any professional accounting or regulatory body; or
 - 25.2.4 have been the subject of a disciplinary finding by any professional accounting or regulatory body.
26. The Vice President, Student Services, shall approve as a Mentor any individual who:
 - 26.1 makes an application in the prescribed form;

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- 26.2 provides proof of completion of a CPA Ontario-approved orientation session for Mentors;
 - 26.3 demonstrates, to the satisfaction of the Vice President, Student Services, that the individual meets the criteria set out in section 25; and
 - 26.4 provides all information and produces all documents and other materials as requested by the Vice President, Student Services.
27. A Mentor shall disclose to the Vice President, Student Services, forthwith upon the occurrence of any event which would make the individual ineligible to serve as a Mentor pursuant to section 25.
28. An individual who meets the criteria set out in sections 19 and 25 may perform the roles of supervisor and Mentor for the same Student.
29. A Mentor shall act at all times in accordance with the requirements set out in the *CPA Practical Experience Requirements* and shall:
- 29.1 meet with the Student a minimum of twice in every 12 month period to discuss competency development; and
 - 29.2 document any unresolved competency development concerns within the CPA Practical Experience Reporting Tool (PERT).
30. A Mentor who does not meet the ongoing obligations set out in section 29 and in the *CPA Practical Experience Requirements* may be required by CPA Ontario to:
- 30.1 repeat the CPA Ontario orientation session;
 - 30.2 undertake specific professional development; or
 - 30.3 fulfill other requirements at the discretion of the Vice President, Student Services.
31. The Vice President, Student Services, shall suspend the approval of an individual to serve as a Mentor upon:
- 31.1 the occurrence of any event which would make the individual ineligible to serve as a Mentor pursuant to section 25;
 - 31.2 the failure to comply with any obligation imposed under section 29; or
 - 31.3 the breach of any obligation imposed by CPA Ontario.

32. The Vice President, Student Services, shall revoke the approval of an individual to serve as a Mentor upon the expiry of 180 days from the date of suspension pursuant to section 31.

Pre-Approved Program Leader

33. Each Pre-Approved Program shall be the responsibility of a Pre-Approved Program Leader.
34. The Pre-Approved Program Leader shall be a member in good standing of CPA Ontario or a provincial body, and sufficiently senior within the organization or unit to:
- 34.1 ensure the organization or unit implements and adheres to the *CPA Practical Experience Requirements*; and
- 34.2 influence the opportunities for Students' competency development.
- 34A. At least one Pre-Approved Program Leader of an External Audit Pre-Approved Program must have a current public accounting licence.

New – March 22, 2016

35. The Pre-Approved Program Leader shall be responsible for only those Students employed by the organization who are obtaining practical experience through the Pre-Approved Program.
36. The Pre-Approved Program Leader shall provide CPA Ontario with a Certification Sign Off of a Student's experience report before the report will be assessed by CPA Ontario.

Reporting

37. Students shall report their experience development to CPA Ontario at least twice in every 12 month period of employment through the submission of experience reports.
38. A Student under the Experience Verification Route shall file a report to CPA Ontario in order to obtain approval of the Student's initial employment position, and subsequently:
- 38.1 within three months of the date that:
- 38.1.1 the Student changes employers;
- 38.1.2 there is a material change in the Student's role or responsibilities;
- 38.1.3 the Student has accumulated 12 months of recognized experience (the 12-Month Assessment Report); or

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- 38.1.4 the Student's self-assessment indicates they have completed the CPA Practical Experience Requirement; and
 - 38.2 as directed by the Vice President, Student Services.
- 39. In addition to the reporting required pursuant to section 37 and 38, a Student under the Experience Verification Route shall submit additional reports to CPA Ontario in the following circumstances:
 - 39.1 *Repealed August 29, 2016*
 - 39.2 where the 12-Month Assessment Report indicates that the Student has not met the required progression of their technical competencies, the Student shall work with their employer to change their role or seek new employment, and shall file an experience report within three months of starting the new role.
- 40. A Student under the Experience Verification Route may submit experience reports more frequently than required by sections 37, 38 and 39, and CPA Ontario may charge a fee for the assessment of additional reports.
- 41. A Student participating in a Pre-Approved Program route shall submit experience reports to CPA Ontario:
 - 41.1 within three months of:
 - 41.1.1 commencing or discontinuing employment;
 - 41.1.2 moving from the Experience Verification Route to a Pre-Approved Program route;
 - 41.1.3 moving from one Pre-Approved Program to another Pre-Approved Program with the same employer;
 - 41.1.4 the date that the Student's self-assessment indicates they have completed the Practical Experience Requirement; or
 - 41.2 as directed by the Vice President, Student Services.
- 42. Late submission or failure to submit required experience reports may at the discretion of the Vice President, Student Services result in:
 - 42.1 late fees; or

42.2 the experience not being recognized.

Amended August 29, 2016

Approval and Monitoring of Pre-Approved Programs

Approval

- 43. An organization may apply to the Vice President, Student Services:
 - 43.1 for approval of a Pre-Approved Program;
 - 43.2 to increase the number of Students it is authorized to employ; or
 - 43.3 to modify a Pre-Approved Program.
- 44. On receipt of an application pursuant to section 43, the Vice President, Student Services, may request documentation, information or consents from the organization.
- 45. The Vice President, Student Services, shall approve any organization to offer a Pre-Approved Program that:
 - 45.1 makes an application in the prescribed form;
 - 45.2 provides all information and produces all documents and other materials as requested by the Vice President, Student Services;
 - 45.3 demonstrates to the satisfaction of the Vice President, Student Services, that it will:
 - 45.3.1 maintain senior-level ownership of, and commitment to, the training of Students by appointing a Pre-Approved Program Leader;
 - 45.3.2 provide a working environment that prepares Students to become CPAs, which includes having a written code of conduct and/or acknowledgement of Rules of Professional Conduct and providing supervision, guidance, and instruction on practical ethical issues as part of the on-the-job training and progress reviews;
 - 45.3.3 offer structured training position(s), with a sufficient range of progressively complex assignments, increasing responsibility, and high-quality practical experience in the required CPA technical and enabling competencies, to allow Students to develop these competencies within 30 months of paid employment;

REGULATIONS

- 45.3.4 ensure Students document their developing competencies using the profession's on-line reporting tool;
 - 45.3.5 provide appropriate supervision and mentorship;
 - 45.3.6 provide time away from the office for Students to write any weekday examinations;
 - 45.3.7 agree to CPA Ontario performing a periodic review of the program(s);
and
 - 45.3.8 maintain approval of the program.
46. The Vice President, Student Services, shall approve any organization to offer an External Audit Pre-Approved Program that meets the requirements of section 45 and in addition demonstrates to the satisfaction of the Vice President, Student Services, that it:
- 46.1 is able to provide Students with a minimum of 2,500 hours that satisfy the requirements of subsection 2.2;
Amended August 29, 2016
 - 46.2 is able to provide diversity of assignments to ensure well-rounded training;
 - 46.3 exhibits adherence to the *CPA Practical Experience Requirements*; and
 - 46.4 exhibits adherence to the Standards of the Public Accountants Council for the Province of Ontario.
47. The Vice President, Student Service, shall specify the terms of any approval in writing, including the maximum number of Students to be employed in the Pre-Approved Program.

Obligations of Organizations Offering Pre-Approved Programs

48. Every organization approved to offer a Pre-Approved Program shall:
- 48.1 consent to the performance of monitoring and investigative procedures by CPA Ontario in accordance with this regulation and comply with any such procedures;
 - 48.2 maintain compliance with the requirements of subsection 45.3 and, if the organization is approved to offer an External Audit Pre-Approved Program, maintain compliance with the requirements of section 46;

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- 48.3 maintain records showing chargeable hours for Students in External Audit Pre-Approved Programs;
- 48.4 obtain approval from the Vice President, Student Services, for any material change to the Pre-Approved Program before the change is effected; and
- 48.5 inform the Vice President, Student Services, of any non-material modification to a Pre-Approved Program within 30 days of the effective date of the modification.

Monitoring

- 49. CPA Ontario may at any time designate any person to monitor a Pre-Approved Program. Circumstances that may result in monitoring include, but are not limited to:
 - 49.1 scheduled monitoring visit as part of the typical three-year cycle;
 - 49.2 significant change in an organization such as a merger or a significant loss of partners, Pre-Approved Program Leaders or CPA Mentors involved in the Pre-Approved Programs;
 - 49.3 significant change in the number of Students employed;
 - 49.4 Student complaints received regarding the training;
 - 49.5 past Student program issues having been identified; or
 - 49.6 consistent Student failures or high Student failure rate on the CPA Professional Education Program and/or the Common Final Examination.
- 50. When monitoring an organization pursuant to section 49, CPA Ontario may request documentation, information or consents from the organization.
- 51. An individual designated a monitor under section 49 shall consider whether the organization meets, or continues to meet, the requirements to offer a Pre-Approved Program and shall provide a recommendation to the Vice President, Student Services.

Amended August 29, 2016

- 52. Upon receipt of the recommendation made pursuant to section 51, the Vice President, Student Services, may:

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- 52.1 confirm the existing terms of approval;
- 52.2 amend the existing terms of approval; or

52.3 suspend or revoke the approval.

Revocation

53. The Vice President, Student Services, shall revoke the approval of an organization to offer a Pre-Approved Program upon the expiry of 90 days from the date of suspension pursuant to subsection 52.3 and at any time if the organization fails to:

53.1 continue to meet the requirements of this regulation;

Amended August 29, 2016

53.2 supply documentation or information to CPA Ontario within 30 days of a specific written request; or

53.3 co-operate in any manner with the monitoring process.

Review

54. An individual who is denied approval to serve as a Mentor or whose approval to serve as a Mentor is suspended or revoked pursuant to section 31 or 32 may request the decision be reviewed by the Membership Committee.

55. An organization which is denied approval to offer a Pre-Approved Program or whose approval to offer a Pre-Approved Program is suspended or revoked pursuant to subsection 52.3 or section 53 may request the decision be reviewed by the Membership Committee.

Membership Committee

56. On a review, the Membership Committee shall have the power to refer an application back to the Vice President, Student Services, for reconsideration if the Membership Committee determines that one or more of the following circumstances exists:

56.1 the Vice President, Student Services, failed to follow appropriate procedures in arriving at his or her decision; or

56.2 the Vice President, Student Services, did not give due consideration to all of the evidence available in arriving at his or her decision.

57. The decision of the Membership Committee on a review is final.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 7-1
COMPLAINTS**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 7-1
COMPLAINTS**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “complainant” includes a person making a complaint to the Professional Conduct Committee regarding the conduct of a Member, Student or firm, and a person acting on their behalf, but does not include any other person, regardless of interest.

Complaints

2. A complaint received from any person shall be in writing and shall include:
 - 2.1 contact information of the complainant, including, if the complainant is not an individual, the name of the contact individual;
 - 2.2 the name and contact information, if known, of the Member, Student, Applicant or firm complained of;
 - 2.3 a summary of the matter complained of;
 - 2.4 any information and copies of any documents in the possession or control of the complainant that support the complaint; and
 - 2.5 the name and contact information of any person known to the complainant likely to possess or control any information or documents relevant to the complaint.
3. Notwithstanding section 2, the Professional Conduct Committee may take notice of any information, whether published or not, that comes to its attention and may, but is not required to, consider such information as a complaint.
4. Once a complaint is made, it cannot be withdrawn by the complainant.
5. The Professional Conduct Committee, or anyone acting on its behalf, may, at any time, request further information or documents from the complainant or any other person.
6. A complaint may be, but need not be, in Form 7-1A.

Jurisdiction

7. The Professional Conduct Committee has jurisdiction over:
 - 7.1 Students and Applicants, for matters arising during any period of registration;
 - 7.2 Firms, for matters arising during any period of registration or authorization;
 - 7.3 Members, for matters arising during any period of membership, whether or not in good standing; and
 - 7.4 Former Members, for matters arising during any period of membership, whether or not in good standing, provided the matter comes to the attention of CPA Ontario on or before the sixth anniversary of the date the former Member ceased to be a Member.

8. The Professional Conduct Committee has jurisdiction over complaints regardless of:
 - 8.1 the territorial jurisdiction in which any matter may have arisen or taken place;
 - 8.2 subject to section 7, when any matter may have arisen or taken place; and
 - 8.3 whether or not any person was acting as a chartered professional accountant.

Review

9. The Professional Conduct Committee shall review every complaint received and determine:
 - 9.1 whether it has jurisdiction; and, if so
 - 9.2 whether, on the information and documents provided, it appears the subject of the complaint may have breached a Rule of Professional Conduct.

10. At the conclusion of its review, the Professional Conduct Committee shall:
 - 10.1 take no further action;
 - 10.2 provide guidance and advice to or admonish the subject(s) of the complaint;
 - 10.3 refer the complaint to the Registrar for consideration as a matter of capacity; or
 - 10.4 investigate the complaint.

REGULATIONS

11. The Professional Conduct Committee shall provide, in writing, the complainant and the subject(s) of the complaint with its decision made under section 10 and an explanation of any decision made under subsection 10.1 or 10.2, within thirty (30) days of the decision being made.
12. If the Professional Conduct Committee decides, pursuant to section 10, to take no further action or to provide guidance and advice or admonish, it shall also advise the complainant in writing of the right of review by the Reviewer of Complaints, as provided in Regulation 7-2.

Investigation

13. The Professional Conduct Committee may appoint an investigator to investigate a complaint.
14. An investigator appointed by the Professional Conduct Committee:
 - 14.1 need not be a Member;
 - 14.2 shall be provided with, and produce on request, written confirmation of the appointment;
 - 14.3 shall have all the powers of an investigator under the Act;
 - 14.4 shall have the authority to investigate all matters and persons subject to the authority of CPA Ontario as disclosed by the complaint or by the investigation itself, unless instructed otherwise by the Professional Conduct Committee;
 - 14.5 shall have the authority to require any person subject to the authority of CPA Ontario to provide information in writing, produce documents, and attend in person, upon reasonable notice, with the investigator to answer questions and produce documents; and
 - 14.6 shall report as instructed by the Professional Conduct Committee at the conclusion of the investigation, and on an interim basis, the results, findings and factual determinations in support of the investigation.
15. The subject(s) of the investigation and their firm(s), if applicable, shall be notified in writing of the investigation, and of the matter(s) being investigated, whether or not they were the subject of the complaint, and shall be notified of any expansion or alteration of the matters investigated. Such notice shall include a reminder of their professional responsibility to cooperate and of the possibility that some client documents in their possession might be subject to legal privilege, and shall further caution the subject(s) of

the investigation that the failure to produce a document that is not privileged might breach their professional responsibilities.

16. Every firm shall designate a member, and alternate, to receive the notice provided in sections 15 and 25.
17. The Professional Conduct Committee may request that any person, including a complainant, attend before it to assist with the investigation and determination, and may impose reasonable limits and conditions on that attendance.
18. The Professional Conduct Committee may require that the subject(s) of the investigation attend before it and, subject to section 27, answer questions and provide information and documents for its consideration in the investigation and determination.

Interim Suspension

19. The Professional Conduct Committee may, at any time during or following an investigation, apply to the Discipline Committee for an order suspending or placing restrictions or conditions on the membership of a member or registration of a firm, in accordance with the Rules of Practice and Procedure.
20. The Professional Conduct Committee shall only apply for an order under section 19 if there are grounds to believe there is a significant risk of harm to members of the public or to the public interest, and an order would likely reduce that risk.
21. The Professional Conduct Committee shall, if the application under section 19 results in an order, ensure any investigation of the subject(s) of the order is completed and the matter referred to the Discipline Committee without undue delay.

Determination

22. The Professional Conduct Committee shall consider any report made pursuant to subsection 14.6, and all relevant information and documents available to it, and shall, if satisfied the investigation is complete:
 - 22.1 take no further action;
 - 22.2 provide guidance and advice to or admonish the subject(s) of the investigation;
 - 22.3 refer the matter to the Registrar for consideration as a matter of capacity;
 - 22.4 negotiate a settlement agreement with the subject(s) of the investigation and refer the agreement to the Discipline Committee for approval;

REGULATIONS

- 22.5 refer the matter, in whole or part, to the Discipline Committee; or
 - 22.6 adjourn the matter, with or without terms and conditions.
23. In making a determination pursuant to section 22 with respect to a firm, the Professional Conduct Committee may consider, but is not limited to, whether:
- 23.1 the firm has policies or procedures which are inconsistent with the Rules of Professional Conduct;
 - 23.2 the apparent breach of the Rules of Professional Conduct by an individual associated with the firm is related to the absence or inadequacy of appropriate quality control procedures;
 - 23.3 the firm is identified with conduct or the provision of professional services that appears to breach the Rules of Professional Conduct;
 - 23.4 the conduct that appears to breach the Rules of Professional Conduct was authorized, initiated, implemented, condoned or concealed by the firm or any partner or shareholder of the firm;
 - 23.5 the firm failed to take appropriate action upon becoming aware of conduct that appears to breach the Rules of Professional Conduct; and
 - 23.6 there have been repeated complaints alleging breaches of the Rules of Professional Conduct against individuals associated with the firm.
24. The Professional Conduct Committee shall refer a matter to the Discipline Committee in all cases where a public inquiry or commission established by any government or public authority has found that any person(s) subject to the authority of CPA Ontario has engaged in conduct which appears to breach the Rules of Professional Conduct, provided that such person(s), prior to such finding, was given the opportunity to make full answer to the allegations.
25. The Professional Conduct Committee shall provide, in writing, the complainant, the subject(s) of the investigation, and the person, if any, designated pursuant to section 18 its determination made under section 22 and an explanation of any determination made pursuant to subsection 22.1 or 22.2, within thirty (30) days of the determination being made.
26. If the Professional Conduct Committee determines, pursuant to section 22, to take no further action or to provide guidance or to admonish, it shall also advise the complainant in writing of the right of review by the Reviewer of Complaints, as provided in Regulation 7-2.

27. The Professional Conduct Committee shall not compel production of a document subject to a valid claim of legal privilege that has not been waived, and shall not refer a matter to the Discipline Committee solely on the failure to produce such a document.
28. The Professional Conduct Committee shall ensure the complainant and the firm, if any, of any subject of the referral, are informed in writing of the disposition of any matter referred to the Discipline Committee, including any appeal from that Committee.

Reconsideration

29. The Professional Conduct Committee may, at any time after making a determination under sections 10 or 22, other than a determination to refer a matter to the Discipline Committee, reconsider its determination and make a new determination upon receipt and consideration of new information or documentation having a material bearing on the determination.
30. The Professional Conduct Committee shall reconsider a determination made under sections 10 or 22 if and as required by the Reviewer of Complaints acting pursuant to Regulation 7-2.

Professional Conduct Committee

31. The Professional Conduct Committee shall normally consist of twenty-five to thirty (25 to 30) members, including a Chair, four to six (4 to 6) Deputy Chairs, and four to five (4 to 5) public representatives. The Members of the Committee shall generally be representative of CPA Ontario's membership by legacy designation, occupation and geographic location, and shall include public accounting licensees.

Amended June 18, 2014

32. The members of the Professional Conduct Committee shall be appointed for an initial one year term. Members are eligible for reappointment for three additional three year terms and, thereafter, on an annual basis.
33. The Chair and Deputy Chairs of the Committee shall be appointed from among the members of the Committee for a term of two years. They are each eligible for reappointment, thereafter, on an annual basis.

Amended June 18, 2014

34. Any member, whose term of office would otherwise expire, shall remain a member of the Professional Conduct Committee until such time as all matters which he or she is considering and matters ancillary to such matters have been concluded.

35. The quorum for the Professional Conduct Committee at any meeting shall be five (5) members, one of whom shall be a public representative, one of whom shall hold the same legacy designation as the subject(s) at the matter being considered, and one of whom, if the subject, or at least one of them, of the matter being considered holds a public accounting licence, shall be a public accounting licensee unless all such Committee members are recused due to conflict.

Amended June 18, 2014

36. Every member participating in a determination or decision shall have one vote and the chair may vote only to create a tie and so defeat a motion, or break a tie and so pass a motion.
37. The Professional Conduct Committee may, in a specific matter, seek the expertise and advice of one or more Members with expert knowledge in one or more areas of chartered or public accounting, if the members of the Committee do not possess such expertise. Such experts shall be independent of the matter and the persons involved, and shall not participate in the deliberations or decisions of the Committee.
38. The Professional Conduct Committee may also rely on staff and legal counsel to provide support and advice, but no one other than members of the Professional Conduct Committee shall make the determinations or decisions of that Committee.
39. The Professional Conduct Committee shall report its determination on, and the final disposition of, any matter referred to it by the Registrar or a Committee to the person making the referral.
40. The Professional Conduct Committee shall report to the Council annually or as required by the Council, and such reporting shall include statistics and an analysis of the number of matters considered by the Professional Conduct Committee and the manner in which they were determined or disposed of.

Canadian Public Accountability Board

41. The Professional Conduct Committee shall ensure that, in every matter where the Canadian Public Accountability Board (“CPAB”) is a complainant, CPAB is given timely notice of every significant stage of the investigation and, if the matter is not referred to the Discipline Committee, prompt notification and a written explanation of that determination.
42. The Professional Conduct Committee shall notify CPAB of any investigation with respect to a reporting issuer of a Member or firm registered with CPAB, and shall provide CPAB with information and documentation requested by CPAB pursuant to s. 11 of the *Canadian Public Accountability Board Act (Ontario)*, 2006, S.O. 2006, c. 33, Sch. D.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 7-2
REVIEWER OF COMPLAINTS**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 7-2
REVIEWER OF COMPLAINTS**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “complainant” includes a person making a complaint to the Professional Conduct Committee regarding the conduct of a Member, Student or firm, and a person acting on their behalf, but does not include any other person, regardless of interest; and
 - 1.2 “complaint” includes any matter set out in the complaint of the complainant, and matters necessarily ancillary thereto, but does not include any other matter or complainant.

Request for Review

2. A complainant may request a review of the decision of the Professional Conduct Committee not to refer the complaint to the Discipline Committee, except as provided in section 3, below.
3. There shall be no request for review of a complaint if the Professional Conduct Committee has referred the matter to the Registrar for consideration as a capacity matter, unless the Registrar has referred the complaint back to the Professional Conduct Committee and that Committee has thereafter determined not to refer the complaint to the Discipline Committee.
4. The complainant shall make a request for review within thirty (30) days of being notified of the decision of the Professional Conduct Committee as set out in sections 2 and 3, above, and the request shall be:
 - 4.1 addressed to General Counsel;
Amended June 18, 2014
 - 4.2 in writing, setting out a concise statement of the reasons for the review;
 - 4.3 signed by the complainant; and

- 4.4 accompanied by the fee payable for the review.
- 5. A request for review may be, but need not be, in Form 7-2A.

Office of the General Counsel

- 6. The Office of the General Counsel shall accept any request for review that complies with all the requirements of section 4, and shall acknowledge in writing the receipt of all requests for review and whether the request has been accepted.

Amended June 18, 2014

- 7. General Counsel shall, upon accepting a request for review, requisition from the Professional Conduct Committee a copy of its file of the review or investigation of the complaint.

Amended June 18, 2014

- 8. Upon receipt of the file, General Counsel shall forward the file and the request for review to the Reviewer of Complaints.

Amended June 18, 2014

Powers of Reviewer

- 9. The Reviewer of Complaints shall consider the request for review and the file of the Professional Conduct Committee, and shall refer the complaint back to the Professional Conduct Committee if the Reviewer determines that one or more of the following circumstances exist:

- 9.1 The Professional Conduct Committee failed to follow appropriate procedures in arriving at its decision;

- 9.2 There is reason to suspect a lack of independence on the part of any member of the Professional Conduct Committee who participated in the decision; or

- 9.3 The Professional Conduct Committee failed to give due consideration to all of the available evidence in arriving at its decision.

- 10. The Reviewer of Complaints may require that the complaint be reconsidered by the members of the Professional Conduct Committee making the reviewed decision, or that it be considered by members not involved in the reviewed decision as though that decision had not been made.

Assistance for the Reviewer

11. The Reviewer of Complaints may receive such technical and other assistance as he or she considers necessary to review a complaint, and shall disclose the fact and nature of such assistance to the complainant and the Professional Conduct Committee.

Reporting by the Reviewer

12. The Reviewer of Complaints shall, in writing, advise the complainant, the Professional Conduct Committee and General Counsel in writing of the decision whether or not to refer a complaint back to the Professional Conduct Committee, and the reasons therefor.

Amended June 18, 2014

13. If the complaint concerns a Member who holds a public accounting licence, the Reviewer of Complaints shall advise the complainant of the right to request a review by the Public Accountants Council of CPA Ontario's handling of the complaint.
14. The Reviewer of Complaints shall report to the Council annually:
 - 14.1 the number of reviews received;
 - 14.2 any matters referred back to the Professional Conduct Committee, with the reasons therefor but without identifying any person involved; and
 - 14.3 any concerns or recommendations regarding the processes and procedures of CPA Ontario.
15. Prior to making the report to the Council, the Reviewer of Complaints may meet with representatives of the management of CPA Ontario to discuss matters arising from the review of complaints.

Appointment of the Reviewer

16. The Council shall appoint the Reviewer of Complaints, and may appoint an alternate, for a term not exceeding three years, and shall fix the remuneration of the Reviewer of Complaints and alternate for that term.
17. The Reviewer of Complaints and alternate may be re-appointed by the Council.
18. In any review for which the Reviewer of Complaints has a conflict or is otherwise unavailable to act, the alternate shall act as the Reviewer of Complaints and shall have all the powers and duties of the Reviewer of Complaints.

19. The Reviewer of Complaints shall:
- 19.1 be a lawyer member in good standing with the Law Society of Upper Canada;
 - 19.2 have specific expertise in the areas of administrative law and professional regulation; and
 - 19.3 not be or have been a Student or Member.

Professional Conduct Committee

20. The Professional Conduct Committee, upon request of General Counsel, shall forward to General Counsel a copy of its file of its review or investigation of a complaint, and shall ensure it contains all documents and information in its possession relating to the complaint, except for any documents over which solicitor-client privilege is asserted.

Amended June 18, 2014

21. Should the Reviewer of Complaints decide a complaint is to be reconsidered by the members of the Professional Conduct Committee making the reviewed decision, those members shall consider, in determining whether to refer the complaint to the Discipline Committee:
- 21.1 the initial review or investigation;
 - 21.2 any further investigation deemed appropriate by the Professional Conduct Committee; and
 - 21.3 any further information or representations received from or through the Reviewer of Complaints or any other person.
22. Should the Reviewer of Complaints decide a complaint is to be considered by members of the Professional Conduct Committee other than those making the reviewed decision, the members considering the complaint shall consider the items contained in section 21 and shall, in addition, have no communication with the members of the Professional Conduct Committee making the reviewed decision.
23. A decision of the Professional Conduct Committee made pursuant to sections 21 or 22 not to refer the complaint to the Discipline Committee shall be reported in writing, together with the reasons therefor, to the Reviewer of Complaints and the complainant.
24. A decision of the Professional Conduct Committee made pursuant to sections 21 or 22 is final and conclusive, and not subject to further review, except as provided in section 13.

Fees

25. A complainant shall remit in full to CPA Ontario the amount of \$100 CAD with a request for review, and no request shall be considered without payment of that fee.
26. The fee shall be returned to the complainant upon the Reviewer of Complaints referring a complaint back to the Professional Conduct Committee for consideration.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 7-3
DISCIPLINE AND APPEAL**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws
on June 16, 2011, as amended to June 18, 2014.**

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**REGULATION 7-3
DISCIPLINE AND APPEAL**

Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws on June 16, 2011, as amended to June 18, 2014.

Definitions

1. In this regulation, words have the same meaning as they do in the Act, bylaws and rules.

Hearings

2. A tribunal of the Discipline Committee shall hear every Allegation of professional misconduct and every reconsideration, and shall consider every Settlement Agreement, brought before it by the Professional Conduct Committee.
3. The Professional Conduct Committee may, as of right, withdraw any Allegation or portion thereof until such time as the subject of the Allegation admits or declines to admit professional misconduct as set out in the Allegation, and shall thereafter only withdraw the Allegation or any portion thereof with the consent of all parties and leave of the tribunal.
4. A tribunal may seek the advice of counsel to the tribunal during a hearing, and any advice shall be given on the record, and all parties shall have the opportunity to make submissions on that advice. The tribunal is not bound by the advice of its counsel.
5. A tribunal shall consider the evidence and make a determination whether, on the evidence, the party bearing the onus in the hearing has met that onus on the balance of probabilities.
6. Only members of the tribunal hearing a matter shall participate in deliberations and make any decision and order on the matter.

Sanctions

7. A tribunal shall not consider sanctions unless and until it has made a finding of professional misconduct.
8. In determining appropriate sanctions, the tribunal shall consider any aggravating and mitigating factors.

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9. In determining appropriate sanctions, the tribunal may consider the relevant principles, which may, but need not, include:
 - 9.1 protection of the public interest;
 - 9.2 general deterrence of the membership;
 - 9.3 specific deterrence of the Member;
 - 9.4 rehabilitation of the Member; and
 - 9.5 denunciation.

10. A tribunal may by order impose one or more of the following sanctions on a person found to have committed professional misconduct:
 - 10.1 formal reprimand, orally or in writing;
 - 10.2 fine;
 - 10.3 completion of specified professional development or examinations;
 - 10.4 supervised practice for a specified period, with or without conditions;
 - 10.5 re-investigation by the Professional Conduct Committee by a specified date;
 - 10.6 practice inspection, with or without conditions;
 - 10.7 counselling or treatment;
 - 10.8 restriction of or conditions on practice or employment for a specified period;
 - 10.9 establishment and implementation of quality control procedures or professional training programs, as specified;
 - 10.10 monitoring of compliance;
 - 10.11 suspension of licence or authorization to practise public accounting, for a specified period, with or without conditions;
 - 10.12 suspension of membership or registration, with or without conditions;
 - 10.13 revocation of licence or authorization to practise public accounting;

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- 10.14 resignation of membership by a specified date;
- 10.15 revocation of membership or registration; and
- 10.16 any other order appropriate in the circumstances.
11. The final order of the tribunal may require the subject(s) of the order to pay all or part of the costs of the investigation and hearing.
12. The final order of the tribunal may provide for further sanctions for non-compliance with the terms of the order.
13. The tribunal of the Discipline Committee shall provide its final order and reasons, in writing, to all parties, along with a notice of the right to appeal that order.
Amended June 18, 2014
14. A tribunal of the Discipline Committee has the power to informally admonish any person under the jurisdiction of CPA Ontario, either during or at the conclusion of the hearing, regardless of any finding of professional misconduct.
Amended June 18, 2014

Appeals

15. A tribunal of the Appeal Committee shall hear the appeal of every final decision and order appealed by a party from the Discipline and Capacity Committees.
Amended June 18, 2014
16. The tribunal of the Appeal Committee shall not rehear a matter, but shall decide whether, on the record, the final decision and order made are reasonable on the evidence and law.
Amended June 18, 2014
17. The tribunal hearing the appeal may seek the advice of counsel to the tribunal during the appeal, and any advice shall be given on the record, and all parties shall have the opportunity to make submissions on that advice. The tribunal is not bound by the advice of its counsel.
18. Only members of the Appeal Committee hearing an appeal shall participate in deliberations and make any decision and order on the appeal.
19. The tribunal of the Appeal Committee has the power to:
Amended June 18, 2014

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- 19.1 dismiss the appeal;
 - 19.2 vary the final decision and order of the tribunal appealed from, and make any decision and order that the tribunal appealed from could have made; or
 - 19.3 order a new hearing before a differently constituted tribunal of the original adjudicative committee.
20. All matters where the Appeal Committee had jurisdiction under the former bylaws of CPA Ontario, but no longer has jurisdiction, in which a notice of appeal was filed on or before June 16, 2011, shall be heard and disposed of by the Appeal Committee as though the bylaws under which it had jurisdiction had not been repealed.

Notice

21. Notice of the place, date and time of all hearings of Allegations, reconsiderations, considerations of Settlement Agreements, and appeals shall be posted on CPA Ontario's website, along with the name(s) of the subject Member(s) or firm(s) and the originating process, and a notice that the hearing is open to the public.
22. Notice of a finding of professional misconduct, including brief particulars of the misconduct and disclosing the name of the subject(s) of that finding and the sanction imposed, unless the tribunal orders otherwise, shall be given to:
- 22.1 all Members of CPA Ontario;
 - 22.2 the Public Accountants Council for the Province of Ontario, if the subject is licensed or authorized to practise public accounting; and
 - 22.3 all provincial bodies.
- Amended June 18, 2014*
23. Notice of the revocation of membership of a Member and of any restriction, suspension or revocation of a licence or authorization to practise public accounting, including the name of the subject of the revocation, suspension or restriction, shall be given in a newspaper or newspapers distributed in the geographic area where the subject of the revocation, suspension or restriction practised, if applicable, and in any other area ordered by the tribunal, and the subject shall bear the cost of such publication.
24. Notwithstanding section 23, the tribunal may order no newspaper publication if it finds that such publication is not required for the protection of the public and that it would be unfair to the subject, and provides written reasons for its decision.

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25. In addition to section 23, the tribunal may order any publication or notice in any form or media it finds appropriate.
26. The Allegation, decision, order, and written reasons for every finding of professional misconduct, and every approved Settlement Agreement, shall be posted on a publicly accessible area of CPA Ontario's website, and shall be provided to any person on request, and such posting and production shall disclose the name of the subject(s) of the finding or Settlement Agreement, unless ordered otherwise by the tribunal.
27. The Discipline or Appeal Committee, as the case may be, shall report on the disposition of every matter referred to it:
 - 27.1 to the parties;
 - 27.2 to the Council; and
 - 27.3 if the subject of the matter is licensed or authorized to practise public accounting, to the Public Accountants Council for the Province of Ontario, along with the written reasons for the decision, disclosing the name of the subject.

Discipline Committee

28. The Discipline Committee shall normally consist of twenty-five to thirty-five (25 to 35) members, including a Chair and at least two Deputy Chairs, and between five and eight (5 and 8) public representatives. The Members of the Committee shall generally be representative of CPA Ontario's membership by legacy designation, occupation and geographic location, and shall include public accounting licensees.

Amended June 18, 2014

29. The members of the Discipline Committee shall be appointed for an initial one year term. Members are eligible for reappointment for three additional three year terms and, thereafter, on an annual basis.
30. The Chair and Deputy Chairs of the Committee shall be appointed from among the members of that Committee for a term of two years. They are each eligible for reappointment, thereafter, on an annual basis.

Amended June 18, 2014

31. The quorum for the Discipline Committee at any hearing to determine whether professional misconduct has been committed, at any reconsideration of its final order in a matter, and at any consideration of a Settlement Agreement shall be three (3) members and shall include a public representative and one Member with the same legacy designation as the subject(s) of the hearing, and, if the subject, or at least one of

them, of the Allegation or Settlement Agreement holds a public accounting licence, shall include at least one public accounting licensee.

Amended June 18, 2014

Appeal Committee

32. The Appeal Committee shall normally consist of fifteen to twenty-five (15 to 25) members, including a Chair and at least one Deputy Chair, and between three and five (3 and 5) public representatives. The Members of the Committee shall generally be representative of CPA Ontario's membership by legacy designation, occupation and geographic location, and shall include public accounting licensees.

Amended June 18, 2014

33. The members of the Appeal Committee shall be appointed for an initial one year term. Members are eligible for reappointment for three additional three year terms and, thereafter, on an annual basis.

34. The Chair and Deputy Chair(s) of the Committee shall be appointed from among the members of that Committee for a term of two years. They are each eligible for reappointment, thereafter, on an annual basis.

35. The quorum for the Appeal Committee at the hearing of any appeal shall be three (3) members and shall include a public representative and one Member with the same legacy designation as the subject(s) of the hearing and, if at least one of the parties to the appeal holds a public accounting licence, shall include at least one public accounting licensee.

Amended June 18, 2014

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 9-1
PUBLIC ACCOUNTING LICENSING**

**Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the
Bylaws on June 16, 2011, as amended to March 22, 2016.**

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PUBLIC ACCOUNTING LICENSING
Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the
Bylaws on June 16, 2011, as amended to March 22, 2016.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “chargeable hours” are hours normally chargeable to clients of a public accounting practice, provided that work of a routine clerical nature shall not be included in the computation of chargeable hours;
 - 1.2 “Continuing Professional Development Requirement” means that the Member fulfilled a minimum of 20 hours annually, and 120 hours in the last three year period, of mandatory continuing professional development in activities directly related to the competencies needed to provide public accounting services. Fifty percent of the annual and triennial hours must be verifiable;
 - 1.3 “CPAB” means the Canadian Public Accountability Board;
 - 1.4 “Current Competency Requirement” means that the Member successfully completed, not more than 36 months prior to the date of application, a period of at least 12 months of public accounting services under the supervision of a licensee who will provide CPA Ontario with a certificate of such completion, and successfully completed the Public Accounting Licensing Examination;
 - 1.5 “designated services” are services that require competencies that are complementary to those required to provide public accounting services, namely:
 - 1.5.1 taxation services related to assessing the appropriateness of taxation provisions and related financial reporting;
 - 1.5.2 performance measurement relating to the evaluation, development and interpretation of an entity’s financial and nonfinancial information that measures and enhances an entity’s organizational performance;
 - 1.5.3 forensic accounting;
 - 1.5.4 research on the interpretation or application of the accounting and assurance standards set out in the *CPA Canada Handbook – Accounting* and *CPA Canada Handbook – Assurance* or on professional standards;
 - 1.5.5 financial reporting involving the review of accounting principles and

- financial statement disclosure and the appropriateness of internal controls for the purpose of presenting fairly the financial statements of an entity;
- 1.5.6 corporate finance services related to assisting a client in obtaining financing by explaining the financial statements to a financial institution, and assisting a client in analyzing the accounting effects of certain transactions;
- 1.5.7 research conducted for, or advice given to, assurance clients on matters related to assurance engagements;
- 1.5.8 training of other accountants or staff of the practice or firm in respect of the performance of assurance services where such training is an ongoing responsibility of the Member.
- 1.6. “disciplinary proceeding” includes any complaint, investigation, proceeding, finding, order or settlement in any jurisdiction relating to the competence, conduct or character of the Member or firm, and includes criminal proceedings.
New – September 28, 2012
- 1.7. “documented hours” are hours acquired in a public accounting practice through the provision of public accounting services described in clauses 1.10.1, 1.10.2 or 1.10.4 and which have not been charged to clients;
New – September 28, 2012
- 1.8. “eligible hours” are:
- 1.8.1 chargeable hours and, for the purposes of section 3 only, documented hours, acquired as a result of participating in a recognized capacity in providing public accounting services; and
- 1.8.2 other hours acquired in designated services;
Amended September 28, 2012
- 1.9. “immediate past five years” means the five years preceding the date the application for issuance or renewal of a public accounting licence was received by CPA Ontario and may be calculated on a calendar year basis;
Amended February 22, 2013
- 1.10. “participated in a recognized capacity in providing public accounting services” means one or more of the following:
- 1.10.1 each member of a firm or practising office who directly participates in a

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- public accounting engagement, including any related subsidiary engagement, as a member of the engagement team;
- 1.10.2 each member of a firm or practising office who can directly influence the outcome of a public accounting engagement, such as members who provide:
- 1.10.2.1 consultation regarding professional standards;
 - 1.10.2.2 consultation or opinions regarding taxation provisions or other technical or industry-specific issues, transactions or events;
 - 1.10.2.3 quality control reviews;
- 1.10.3 a practice inspector appointed by CPA Ontario or by CPAB to conduct practice inspections of licensees, firms and practising offices; and
- 1.10.4 for the purposes of licence renewal only, each member of a firm or practising office who has responsibility for the entire public accounting engagement, who has direct supervision, management or oversight of the leadership of the engagement teams(s) or completes a second partner review;
- 1.11 “Practice Inspection Requirement” is fulfilled if the Member, within the immediate past five years:
- 1.11.1 participated in a recognized capacity in public accounting services in a practising office that has been the subject of a practice inspection resulting in a determination that the practice’s quality control system, current engagement files, and related financial statements adhere to professional standards contained within the *CPA Canada Handbook* and other professional standards established by CPA Ontario;
 - 1.11.2 participated in a recognized capacity in public accounting services in a practising office located outside of Canada that has been the subject of a practice inspection satisfactory to the Institute by the applicable regulatory authority resulting in a determination that the practice’s quality control system, current engagement files, and related financial statements adhere to internationally recognized standards which the Institute recognizes as substantially equivalent to the professional standards contained in the *CPA Canada Handbook* and other standards established by CPA Ontario;

- 1.11.3 is an employee, partner or sole proprietor of a newly established or soon-to-be established practising office or of an established practising office that has not been the subject of a practice inspection; in which case the Member shall be eligible to be granted a licence if he or she has satisfied the Public Accounting Licensing Board that he or she has successfully completed all of the other requirements and shall hold such licence, if granted, on the condition that the firm or practising office is the subject of a practice inspection not later than 12 months following the date of issuance of the licence and the inspection results in a determination that the practice's quality control system, current engagement files, and related financial statements adhere to professional standards contained within the *CPA Canada Handbook* and other professional standards established by CPA Ontario; or
- 1.11.4 is a practice inspector appointed by CPA Ontario or by CPAB to conduct practice inspections of licensees, firms and practising offices;
- 1.12 "practising office" includes the national or head office in Canada of a public accounting firm that has been accepted by the CPAB as a participating audit firm in its oversight program, whether or not the office has been the subject of a practice inspection;
Amended September 28, 2012
- 1.13 "Professional Experience Requirement" means that a Member participated in a recognized capacity in public accounting services and, within the immediate past five years, obtained a minimum of 2,500 hours consisting of:
- 1.13.1 a minimum of 1,250 eligible hours in public accounting services, excluding any hours for which a public accounting licence was required but not held; and
- 1.13.2 up to 1,250 eligible hours in designated services;
Amended September 28, 2012
- 1.13A "Provincial Accounting Body" means any provincial or territorial organization or ordre for the regulation of Chartered Accountants, Certified General Accountants, Certified Management Accountants or Chartered Professional Accountants or any other provincial or territorial board, regulator or other body that licenses or certifies members of these bodies to practise public accounting.
New November 27, 2014
- 1.14 "Public Accounting Licensing Examination" means the examination established by CPA Ontario on the accounting and assurance standards set out in the *CPA Canada Handbook – Accounting* and *CPA Canada Handbook – Assurance*, the

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Rules of Professional Conduct, taxation and business law;

- 1.15 “public accounting services” are the services described in ss. 2 and 3 of the *Public Accounting Act, 2004*;
- 1.16 “Qualifying Experience Requirement” means the successful completion of a minimum of two years of prescribed public accounting experience in an Approved Training Office as defined in Regulation 6-4 or in an external audit pre-approved program pursuant to the current CPA Practical Experience Requirements (PER), which experience shall be completed under the supervision of a Member who is licensed to practice public accounting and shall include at least:
- 1.16.1 1,250 chargeable hours in assurance services, of which at least 625 chargeable hours shall be in the audit of historical financial information and 100 chargeable hours of review procedures in review and other assurance engagements;
- 1.16.2 100 chargeable hours in taxation services; and
- 1.16.3 the requirements of the audit stream of the current CPA Practical Experience Requirements (PER).
- Amended March 22, 2016*
- 1.17 “sole shareholder professional corporation” means a professional corporation, as defined in section 3.1 of the *Ontario Business Corporations Act*, which has only one Member shareholder.

New Licence

2. A Member who has never held a public accounting licence or whose licence has lapsed or expired is eligible to be issued a public accounting licence, pursuant to bylaw 9.3, if the Member has provided all the information, documents and materials requested by the Registrar or required to prove compliance with this section within 30 days of such request or the application upon:
- 2.1 making an application in Form 9-1A for a licence and paying the prescribed fee;
- 2.2 unless applying under subsection 2.8, satisfying the Public Accounting Licensing Board of good character and of admission to CPA Ontario as an Associate;
- Amended November 29, 2012*
- 2.3 unless applying under subsection 2.8, completing the Continuing Professional Development Requirement;

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- 2.4 unless applying under subsection 2.8, completing the Practice Inspection Requirement; and

- 2.5 unless applying under subsection 2.8, completing either the Professional Experience Requirement or the Current Competency Requirement.

- 2.6 if the Member became a Member of CPA Ontario after October 31, 2006 and became a Member through registration as a Student pursuant to Regulation 6-4 or its predecessor:
 - 2.6.1 and the registration as a Student was in the Accounting Body Outside Canada – Specified category:
 - 2.6.1.1 having successfully completed the Assurance and Taxation Electives in the CPA PEP program or the predecessor requirements; and
Amended March 22, 2016
 - 2.6.1.2 having completed a period of not less than two years providing public accounting services;
 - 2.6.2 in all other cases, completing, or having completed while a Student, the Qualifying Experience Requirement;

- 2.7 if the Member became a Member of CPA Ontario pursuant to Regulation 6-2 or its predecessor, and unless otherwise prohibited by Regulation 6-2, successfully completing, or having successfully completed prior to admission, the CA Reciprocity Examination, Parts I and II;

- 2.8 if the Member is, or was at the time of admission to membership in CPA Ontario, a member of a Provincial Accounting Body, and has never held a licence issued under this section but has practised public accounting in the jurisdiction of the Provincial Accounting Body within the immediate past five years, providing proof satisfactory to the Public Accounting Licensing Board of:
 - 2.8.1 membership in good standing in that Provincial Accounting Body at the time of admission to membership in CPA Ontario;
 - 2.8.2 licensing, certification, or authorization to practise public accounting in good standing without limitation or restriction in that jurisdiction;
 - 2.8.3 currently not being the subject of any disciplinary proceeding and
 - 2.8.4 either having practised public accounting in the past five years or having

completed the Current Competency Requirement.

Amended November 27, 2014

2.9 if the Member became a Member of CPA Ontario as a result of membership in CGA Ontario or CMA Ontario, unless otherwise specified in the PAC Standards, providing proof satisfactory to the Public Accounting Licensing Board of the following requirements as defined in Regulation 6-4:

2.9.1 the conferral of a university degree;

2.9.2 completion of the credit hour requirement.

New November 27, 2014

Licence Renewal

3. A Member who holds a public accounting licence is eligible to renew that licence, pursuant to bylaw 9.4, upon:

3.1 making an application or re-application in Form 9-1B for a licence renewal and paying the prescribed fee;

3.2 completing the Continuing Professional Development Requirement;

3.3 completing the Practice Inspection Requirement; and

3.4 completing the Professional Experience Requirement or, if the licence was issued pursuant to subsection 2.8 completing the Professional Experience Requirement by the fifth anniversary of the date of original issuance of that licence.

Amended November 27, 2014

4. Notwithstanding section 3:

4.1 a Member shall not be eligible to renew a licence if:

4.1.1 the Member fails to apply to renew the licence and to provide all information, documents and materials required to prove compliance with section 3 by not later than 30 days prior to the date of the expiry of the licence to be renewed;

4.1.2 the rights and privileges of the Member are suspended;

4.1.3 the public accounting licence is suspended or has been revoked; or

4.1.4 the Member held a licence issued by another authorized designated body under the *Public Accounting Act, 2004*, or a licence, certification or authorization issued by a Provincial Accounting Body to practise public accounting and such licence, certificate or authorization was suspended or revoked and has not been reinstated;

4.2 the licence of a Member shall not expire on the date of expiry if the Member met the requirements of subsection 4.1 and the Public Accounting Licensing Board has not, by the date of expiry of the licence, made a decision on renewal of the licence; and the licence shall continue in effect until such time as the Board makes a decision on renewal of the licence.

New November 27, 2014

Tracking and Reporting of Eligible Hours

4A. A Member shall:

4A.1 track on an annual basis, and keep detailed records of eligible hours that contribute to the Professional Experience Requirement that must be fulfilled for renewal of a licence;

4A.2 provide such records to CPA Ontario when:

4A.2.1 reporting on the application for renewal of a licence any deficiency in the eligible hours required to fulfil the Professional Experience Requirement; or

4A.2.2 when requested by a practice inspector, the Director of Practice Inspection, or the Registrar.

4B. A member who charges or bills clients for services on a value billing or fixed amount basis is required to track and report as eligible hours the actual hours that the Member spent on the engagement(s) when such hours were not chargeable hours.

New November 27, 2014

Discretion of the Public Accounting Licensing Board

5. Except as provided in sections 6 and 7, the Public Accounting Licensing Board shall not issue or renew a public accounting licence unless the Member meets the requirements of sections 2 through 4.

Amended December 1, 2011

6. In exceptional circumstances, and only if it is satisfied the exceptional circumstances of the Member will not continue beyond a period of two years from the date of the

REGULATIONS

application for a licence or renewal, the Public Accounting Licensing Board may issue or renew a public accounting licence to a Member who:

- 6.1 has met all the relevant requirements of this regulation with the exception of the Professional Experience Requirement; and
- 6.2 has demonstrated the required capabilities, competence and current skills to provide public accounting services.

Amended December 1, 2011

7. Notwithstanding section 6, the Public Accounting Licensing Board may renew a public accounting licence to a Member who:

- 7.1 has met all the relevant requirements of this regulation with the exception of the Professional Experience Requirement;
- 7.2 has demonstrated the required capabilities, competence and current skills to provide public accounting services; and
- 7.3 has a practice comprised substantially of one or more of the following:
 - 7.3.1 responsibility for the entire public accounting engagement of a firm or practising office;
 - 7.3.2 completion of second partner reviews; and
 - 7.3.3 responsibility for the direct supervision, management or oversight of the leadership of the engagement team(s) that are significantly more than strictly administrative in nature and include such functions as reviewing assurance files of major clients or high-risk clients, interpretation or application of either or both of Generally Accepted Accounting Principles and Generally Accepted Assurance Standards or on professional standards, or advice given to assurance clients on matters related to assurance engagements.

Amended December 1, 2011

7A. Notwithstanding sections 6 or 7, the Public Accounting Licensing Board may renew a public accounting licence of a Member who has not complied with the requirements of subsection 3.2 due to an absence from the practice of public accounting as a result of parental leave, medical or compassionate circumstances, provided that the Board is satisfied that the Member otherwise has the required capabilities, competence and current skills to provide public accounting services.

New – March 22, 2016

8. The Public Accounting Licensing Board shall document in writing its reasons for issuing or renewing any licence pursuant to section 6 or 7, and shall report as required to the Public Accountants Council for the Province of Ontario.

Amended December 1, 2011

Certificates of Authorization

9. A professional corporation is eligible to be issued a certificate of authorization, pursuant to bylaw 9.6 and Regulation 4-6, if the corporation:

- 9.1 is registered in good standing with CPA Ontario in accordance with bylaw 4.17;
- 9.2 makes an application for a certificate in Form 9-1C and pays the prescribed fee;
- 9.3 files a copy of the articles of incorporation and any articles of amendments; and
- 9.4 provides proof satisfactory to the Registrar that the corporation:
 - 9.4.1 meets all of the requirements of a professional corporation under section 3.1 of the Ontario *Business Corporations Act*, the *Chartered Accountants Act, 2010* and any regulations made under those Acts; and
 - 9.4.2 maintains professional liability insurance coverage in accordance with requirements of Regulation 4-4.

Amended September 28, 2012

10. A professional corporation is eligible to renew a certificate of authorization, pursuant to bylaw 9.6 and Regulation 4.6, if the corporation:

- 10.1 prior to the date upon which the certificate expires, makes an application in Form 9-1D for a certificate renewal and pays the prescribed fee; and
- 10.2 satisfies CPA Ontario that the corporation continues to meet all the requirements for issuance of a certificate set out in section 9.

Amended September 28, 2012

11. A certificate of authorization that has expired cannot be renewed; however, a professional corporation may apply for a new certificate of authorization pursuant to section 9.

Form of Licence and Certificate

12. Every public accounting licence or certificate of authorization issued or renewed by CPA Ontario shall:

- 12.1 be numbered;
- 12.2 bear the date upon which it is issued or renewed;
- 12.3 bear the date on which it expires; and
- 12.4 be effective from the date upon which it is issued or renewed until the date it expires, unless earlier suspended or revoked.

Notification

- 13. The Registrar shall notify any authorized designated body from which a Member or professional corporation holds a public accounting licence or certificate of authorization upon the Member or professional corporation applying for a licence or certificate under this regulation, and shall disclose to the authorized designated body the date of issuance of any such licence or certificate.

Amended September 28, 2012

Disclosure of Status

- 14. On any statement or report that is in respect of an assurance engagement, or a compilation engagement for which it can reasonably be expected that all or any portion of the compilation or associated materials prepared by the Member providing the service will be relied upon or used by a third party, when the report for the engagement is issued or the work for the engagement is primarily performed in Ontario:

- 14.1 A Member who is licensed as a public accountant, if signing under or with the Member's own name, shall use the term "Licensed Public Accountant" or the initials "LPA", following the licensee's legal name and, the licensee's applicable designation(s) in accordance with the provisions of Regulation 4-7;

Amended November 27, 2014

- 14.2 A professional corporation that holds a certificate of authorization to practise public accounting shall use the term "Authorized to practise public accounting by the Chartered Professional Accountants of Ontario"; and

- 14.3 A firm, other than a professional corporation, shall use the term "Licensed Public Accountants" or the initials "LPA", following the designation "Chartered Accountants" or "Chartered Professional Accountants", when it is the firm's name that is used to sign the statement, opinion or report.

Amended November 27, 2014

- 15. Only the lead engagement person responsible for signing a statement or report for a public accounting engagement must hold a public accounting licence. Other members of the engagement team, including the engagement quality control reviewer or other experts may be, but are not required to be, licensed.

Suspension, Revocation or Refusal of Public Accounting Licence

16. A public accounting licence shall be immediately suspended upon the rights and privileges of the Member being suspended for any reason. The licence will be reinstated upon the rights and privileges of the Member in CPA Ontario being reinstated, unless the licence has expired or been otherwise suspended or revoked.
17. A public accounting licence shall be immediately revoked upon the revocation of membership of a Member.
18. The Public Accounting Licensing Board may suspend the public accounting licence of a Member and may refuse to issue or renew a public accounting licence to a Member if it has reasonable grounds to believe the Member:
 - 18.1 has breached any obligation or requirement under any regulation or bylaw, particularly but not limited to, Regulation 4-4 Professional Liability Insurance, Regulation 4-5 Continuing Professional Development, Regulation 4-6 Practice Structure, and Regulation 10-1 Practice Inspection;
 - 18.2 has provided false or misleading information to the Public Accounting Licensing Board;
 - 18.3 is the subject of a custodianship order;
 - 18.4 is the subject of a capacity order.

New – September 28, 2012

19. The Public Accounting Licensing Board may refuse to issue or renew a public accounting licence to a Member, or impose terms conditions or restrictions on the licence granted to a Member where such action is considered necessary to protect the public interest as a result of complaints or disciplinary or criminal proceedings in any other jurisdiction relating to the competency, conduct or character of the Member.

New – September 28, 2012

Suspension, Revocation or Refusal of Certificate of Authorization

20. The certificate of authorization issued to a sole shareholder professional corporation shall be suspended immediately upon:
 - 20.1 the membership of the shareholder being suspended for any reason; or
 - 20.2 the public accounting licence of the shareholder being suspended for any reason,
*Amended February 22, 2013*and shall be reinstated upon the reason for the suspension ceasing to exist, unless the certificate has expired or been otherwise suspended or revoked.

21. A professional corporation shall return its certificate of authorization to CPA Ontario forthwith upon notification of suspension and is not entitled to apply for the issuance or renewal of the certificate during the period of suspension.
22. A certificate of authorization issued to a sole shareholder professional corporation shall be revoked upon the shareholder's membership being revoked or upon the public accounting licence of the shareholder expiring or being revoked.

Amended February 22, 2013

23. Upon being advised by another authorized designated body that a professional corporation that has been granted a certificate of authorization by CPA Ontario has been issued a certificate of authorization by that authorized designated body, the Registrar shall revoke the certificate of authorization of the professional corporation as of the date of the issuance of the certificate of authorization by the other authorized designated body.

New – September 28, 2012

Public Accounting Licensing Board

Structure of the Board

24. The Public Accounting Licensing Board (the "Board") shall consist of between five (5) and twelve (12) members, including no less than two public representatives. The members of the board shall generally be representative of the membership by occupation, geographic location and legacy designation.

Amended November 27, 2014

25. The members of the Board shall be appointed for an initial one year term. Members are eligible for reappointment for three additional three year terms and, thereafter, on an annual basis.
26. The quorum for the Board shall be three members, one of whom shall be a public representative.
27. A Member of the Board may continue to serve on the Board until a successor is appointed.

Amended March 22, 2016

Meetings of the Board

28. The Board shall meet monthly, on a date fixed by the chair.
29. Unless ordered otherwise by the chair, the meetings of the Board may be held by telephone conference.

Responsibilities of the Board

30. The Board shall be responsible for matters relating to public accounting licences, certificates of authorization and the practice of public accounting, including but not limited to, overseeing CPA Ontario's licensing standards, responsibilities, functions and processes.

Powers of the Board

31. The Board shall have the power to:
- 31.1 decide applications from Members for public accounting licences;
 - 31.2 decide applications from professional corporations for certificates of authorization;
 - 31.3 decide applications and re-applications for renewal of public accounting licences and certificates of authorization;
 - 31.4 defer a decision and refer matters or applications to the Registrar or a Committee; and
 - 31.5 receive, for the record, notices of revocation of public accounting licences and certificates of authorization.

Amended February 24, 2012

Deferral and Denial

32. The Board may defer consideration of and shall not issue a public accounting licence to a Member:
- 32.1 while the conduct of the Member is the subject of an investigation by the Professional Conduct Committee, unless that Committee advises that the nature or circumstances of the investigation would not put at risk or would not appear to put at risk any member of the public, the reputation of the profession or the ability of the profession to serve the public interest;
 - 32.2 if the Professional Conduct Committee refers any matter regarding the conduct of a Member to the Discipline Committee and, in the opinion of the Board, the nature of or circumstances surrounding the complaint or settlement would put at risk or appear to put at risk any member of the public, the reputation of the profession or the ability of the profession to serve the public interest if the Member were to be granted a public accounting licence;

REGULATIONS

32.3 who held a public accounting licence previously and such licence was revoked by order of the Discipline or Appeal Committees, unless the relevant committee advises the Board that the Member has successfully met PAC Standard 15(2);

32.4 who is the subject of a settlement agreement or an order of the Discipline or Appeal Committees and the Member is not complying with or has not fully complied with the agreement or order; or

Amended March 22, 2016

32.5 who is the subject of an ongoing investigation or order of the Capacity Committee.

Amended February 24, 2012

33. The Board shall not issue or renew a public accounting licence of a Member whom the Board has reason to believe will not practice public accounting or will not perform public accounting services in accordance with the *Public Accounting Act, 2004* or the bylaws, regulations or Rules of Professional Conduct.

Request for Review

34. A Member or professional corporation may request a decision of the Board under sections 31 or 33 be reviewed by the Membership Committee.

Reconsideration

35. The Board shall reconsider all matters referred back to it by the Membership Committee, taking into account the following:

35.1 all information available to the Board at the time of the original consideration;

35.2 any further information available at the time of the reconsideration; and

35.3 any directions or guidance given by the Membership Committee.

36. The Board has the power to confirm, vary or reverse its original decision.

37. The decision of the Board on reconsideration is final.

Power to Refer

38. Upon the Board becoming aware of any act, omission, or matter that the Registrar or a Committee is empowered to consider, investigate or enquire into, the Board shall:

38.1 bring such act, omission, or matter to the attention of the relevant body; and

- 38.2 provide any information or documentation that the Board has received or obtained, and any minutes or other documents of the Board.

Powers on Report from Practice Inspection

39. On receipt of a report made by the Practice Inspection Committee or its delegate pursuant to Regulation 10-1, the Board may inquire, or direct the Registrar to inquire, into any issue raised in that report and whether the requirements of this Regulation have been met.
40. The Board shall provide to the Member or professional corporation notice of the enquiry, a brief description of the issue that arose from the practice inspection, a description of the result of any inquiries made by Registrar or Board and invite written submissions from the Member or the professional corporation.
41. The Member or professional corporation shall file written submissions, if any, with the Board within 15 days of receiving notice of the enquiry.
42. If the Board remains unsatisfied after the enquiry and the submission, the Board has the power to:
- 42.1 suspend the licence or the certificate of authorization until such time as any identified deficiency, error or other matter that led to the suspension is rectified;
 - 42.2 make a complaint to the Professional Conduct Committee regarding the conduct of the Member, firm, or professional corporation including, but not limited to:
 - 42.2.1 misrepresentations or fraudulent statements made on an issuance or renewal application for a public accounting licence or certificate of authorization;
 - 42.2.2 misrepresentations or fraudulent statements made to the Board, the Membership Committee, CPA Ontario or any members, directors, officers, and employees thereof; or
 - 42.2.3 engaging in the practice of public accounting without a valid licence or certificate of authorization.

Membership Committee

Structure of the Committee

43. The Membership Committee shall consist of fifteen to thirty (15 to 30) members, including a Chair, two (2) Deputy Chairs, and three to four (3 to 4) public representatives.

The members of the Committee shall generally be representative of CPA Ontario's membership by occupation, geographic location and legacy designation, and shall include public accounting licensees.

Amended November 27, 2014

Term of Office

44. Members of the Membership Committee shall be appointed for an initial one year term. Members are eligible for reappointment for three additional three year terms and, thereafter, on an annual basis.
45. The Chair and Deputy Chairs of the Committee shall be appointed for a term of two years. They are each eligible for reappointment, thereafter, on an annual basis.
46. Any member, whose term of office would otherwise expire, shall remain a member of the Committee until such time as all hearings over which he or she is presiding and matters ancillary to such hearings have been concluded.

Quorum

47. The quorum for the Membership Committee shall be three members and, for matters considered under this regulation, shall include a public accounting licensee and a public representative.

Licensing Jurisdiction

48. The Membership Committee shall consider in respect of public accounting licensing matters:
 - 48.1 any application for a licence from a Member where the good character of the Member must be determined by means of a hearing;
 - 48.2 any application for a licence from a Member in respect of whom the Board has directed that a hearing be held to determine whether the Member has fulfilled the qualifications to be licensed as set out in the *Public Accounting Act, 2004*, the regulations and PAC Standards made under that Act and in the bylaws or regulations;
 - 48.3 any application for a public accounting licence from a Member who is licensed to practice public accounting in a jurisdiction outside Ontario; and
 - 48.4 any other matter related to public accounting licensing that is referred to it by the Council or by the Board.

Review Jurisdiction

49. The Membership Committee shall have the power to consider requests for review of

decisions of the Board made pursuant to sections 31 or 33.

50. On a review, the Membership Committee shall have the power to refer an application back to the Board for reconsideration if the Committee determines that one or more of the following circumstances exists:
- 50.1 the Board failed to follow appropriate procedures in arriving at its decision;
 - 50.2 there is reason to suspect a lack of independence on the part of any member of the Board who participated in the decision; or
 - 50.3 the Board did not give due consideration to all of the evidence available in arriving at its decision.
51. The decision of the Membership Committee on a review is final.

Appeal Jurisdiction

52. A Member or professional corporation may appeal a decision of the Membership Committee made pursuant to section 48.
53. No member of the Membership Committee who participated in the deliberations or decision in a matter shall participate in the appeal of that matter.
54. A decision of the Membership Committee on an appeal is final.

Procedure before the Membership Committee

55. All proceedings before the Membership Committee shall be conducted in accordance with the Rules of Practice and Procedure with necessary modifications thereto.
56. All proceedings before the Membership Committee shall be in writing unless ordered otherwise.
57. The parties to a proceeding before the Membership Committee shall be the applicant and CPA Ontario.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 10-1
PRACTICE INSPECTION**

**Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the
Bylaws on June 16, 2011, as amended to November 18, 2016.**

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**REGULATION 10-1
PRACTICE INSPECTION**

Adopted by the Council pursuant to the Chartered Accountants Act, 2010, and the Bylaws on June 16, 2011, as amended to November 18, 2016.

Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
 - 1.1 “Compilation Practice” means a practice that includes solely compilation engagements;
 - 1.2 “CPAB” means the Canadian Public Accountability Board;
 - 1.2.1 “External Audit Practising Unit” means a Practising Unit which meets the requirements of Regulation 9-1 and provides Students with the necessary experience to be eligible to apply for a licence to practice public accounting upon admission to membership in CPA Ontario;
New – November 27, 2014
 - 1.3 “full-time practice inspector” means a Chartered Professional Accountant in good standing, formerly in public practice, employed on a full-time basis by CPA Ontario to perform practice inspections;
 - 1.4 “Limited Assurance Practice” means a practice that includes less than 20 assurance engagements or other practices as determined by the Director of Practice Inspection;
 - 1.5 “Non-Reportable Matters” means matters which are insignificant departures from professional standards not included in the Reportable Deficiencies, reminders of forthcoming but not yet implemented changes to professional standards, common practices in a particular industry (including those followed by other practitioners) or personal preferences of the inspector;
 - 1.6 “part-time practice inspector” means a Member who is a Chartered Professional Accountant in good standing contracted by CPA Ontario to carry out inspections;
 - 1.7 “Practice Inspection Year” shall commence on May 1 of any calendar year and end on April 30 of the following calendar year;
 - 1.8 “Practising Unit” means a Member and any Member employed by the Member, or a firm of Members and any Member employed by such firm who is engaged in the practice of public accounting or providing accounting services to the public in a particular office;

- 1.9 “Professional Standards” means the professional standards set out in the CPA Canada Handbook and the CPA Ontario Member’s Handbook;
- 1.10 “Reportable Deficiencies” means matters which are departures from professional standards and are further categorized as either “significant” (important to the quality of the work performed to support the report or important to the usefulness of the financial statements) or “other” (not classified as significant).

Amended February 24, 2012

Entities Subject to Practice Inspection

2. All Members and firms engaged in the practice of public accounting or in providing accounting services to the public shall be subject to practice inspection.
3. A Member may apply for an exemption from practice inspection by filing an Exemption Form (Form 10-A) with the Director of Practice Inspection certifying that:
- 3.1 the Member has not engaged in the practice of public accounting or provided accounting services to the public during the preceding 12 months; or
- 3.2 the Member is or will be discontinuing engaging in the practice of public accounting and providing accounting services to public within three months from the date of a notice of inspection.

Amended February 24, 2012

Selection for Inspection

4. A newly opened office, in which at least one Member is engaging in the practice of public accounting or providing accounting services to the public, shall be selected for inspection after completing its first year of operation.
5. An established office, in which at least one Member is engaging in the practice of public accounting or providing accounting services to the public, shall be selected for inspection within three years of the date of its last inspection.
6. All Members who engage in the practice of public accounting or provide accounting services to the public in a single office are:
- 6.1 inspected during the inspection of the office; and
- 6.2 considered to be a Practising Unit for the purposes of the inspection.

7. Notwithstanding anything else in this regulation, the Practice Inspection Committee may determine in its sole discretion that more frequent inspections or re-inspections are required of a Member, office or Practising Unit.

Circumstances that may result in an increase in practice inspections or in re- inspection include, but are not limited to:

- 7.1 a conclusion by the practice inspection committee that the Practising Unit had not met the requirements of the practice inspection program during the Practising Unit's most recent practice inspection;
- 7.2 a significant change in the client and/or partnership profile of an office or firm;
- 7.3 participation of an office in CPAB;
- 7.4 a request from the Director of Practical Experience in relation to an organization offering or seeking approval to offer a Pre-Approved Program or which otherwise employs Students;

Amended November 27, 2014

Any determination made pursuant to this section shall be final.

8. If a Member is the subject of an investigation by the Professional Conduct Committee or has been charged with professional misconduct, the Director of Practice Inspection or delegate may, in his sole discretion, postpone the inspection of the Member until after the conclusion of the matter.

Amended February 24, 2012

9. Notwithstanding sections 4 through 7, an inspection may be deferred if, in the sole discretion of the Director of Practice Inspection or delegate, circumstances require it.

Amended February 24, 2012

Arrangement of Inspections

10. The Director of Practice Inspection shall send a notification of selection to a Practising Unit indicating that the unit will be inspected.
11. The Practising Unit shall complete and file a Planning Questionnaire (Form 10-B) with the Director of Practice Inspection within 31 days of the notification of selection.
12. The Director of Practice Inspection or delegate shall consider the information contained in the filed Planning Questionnaire and assign one or more full-time or part-time practice inspectors to conduct the inspection.

13. An inspector shall:
- 13.1 be provided with, and produce on request, written confirmation of the appointment;
 - 13.2 have all the powers of an inspector under the Act;
 - 13.3 have the authority to require any person subject to the authority of CPA Ontario to provide information in writing, produce documents and attend in person, upon reasonable notice, with the inspector to answer questions and produce documents; and
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 - 13.4 report as directed by the Practice Inspection Committee at the conclusion of the inspection.
Amended February 24, 2012
14. The Director of Practice Inspection shall give notice in writing of the name of the assigned inspector and the commencement date of an office visit inspection. The notice shall be given to the Practising Unit at least 30 days prior to the commencement date or such shorter period as may be mutually agreed by the Practising Unit and the Director of Practice Inspection, and shall include a reminder of the professional responsibility to cooperate and of the possibility that some client documents might be subject to legal privilege, and shall further caution the Practising Unit that the failure to produce a document that is not privileged might constitute a breach of professional responsibilities.
15. Within 10 days of receipt of the notice pursuant to section 14, a Practising Unit may file an objection in writing to the named inspector on the grounds that the inspector may be lacking objectivity or for any other valid reason.
16. The Director of Practice Inspection shall consider any written objection and may assign another inspector if satisfied that there is a reasonable basis for the objection. A decision made pursuant to this section is final.

Inspection Process

17. On the commencement date of the inspection, the inspector shall attend at the office of the Practising Unit, or other location as deemed appropriate by the Director of Practice Inspection, to assess adherence to professional standards. The inspector shall inspect the Practising Unit including, but not limited to, reviewing:
- 17.1 documentation and implementation of the quality control system of the office;
 - 17.2 current engagement files; and

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17.3 related financial statements.

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18. The inspector shall, in his or her sole discretion, determine the number and type of current engagement files to be reviewed, having regard to:
 - 18.1 the degree of reliance, if any, to be placed on quality controls;
 - 18.2 the size of the Practising Unit; and
 - 18.3 the harmonized inspection program policies established for all provincial bodies.
19. The number and specific engagement files subject to inspection shall be selected solely by the inspector and not by the Practising Unit.
20. The inspector shall monitor compliance with public accounting licensing requirements set out in Regulation 9-1, and:
 - 20.1 on request, a Member shall complete the Public Accounting Experience Form (Form 10C) and provide the form to the inspector.
 - 20.2 If an inspected Member or firm does not appear to be in compliance with Regulation 9-1, the Director of Practice Inspection shall report the matter to the Public Accounting Licensing Board.
21. *Revoked May 1, 2015*
22. If an inspection pertains to a Compilation Practice or a Limited Assurance Practice, the Director of Practice Inspection may decide the inspection is to be conducted through the submission of documentation by the Practising Unit to the inspector, and the Director of Practice Inspection shall notify the Practising Unit in writing of that decision and shall provide:
 - 22.1 the name of the inspector, when assigned;
 - 22.2 a list of the engagement files selected for inspection from those listed on the Practising Unit's Planning Questionnaire; and
 - 22.3 a list of other documentation or information required to be submitted for review within a 21 day period.

Inspection Report

23. At the conclusion of the inspection, the inspector shall prepare a draft report, including setting out any Reportable Deficiencies. The draft report may also include Non-Reportable Matters.
24. The inspector shall discuss the Reportable Deficiencies, if any, in the draft report with a representative of the Practising Unit, if a representative is readily available at the conclusion of the inspection. The inspector may, in his or her sole discretion, subsequently revise the draft report in light of any discussions with the Practising Unit's representative.
25. The Director of Practice Inspection or delegate will provide the draft report to the Practising Unit and invite it to make comments within 21 days. Where Reportable Deficiencies have been identified, the Director of Practice Inspection or delegate may ask the Practising Unit to provide written comments on any actions the Practising Unit plans to take to address each deficiency. If the Practising Unit disagrees with a Reportable Deficiency listed in the report, the Practising Unit may provide an explanation and file documentation to support its position.
26. Prior to consideration by the Practice Inspection Committee, the Director of Practice Inspection or delegate (a "detailed reviewer") shall assess the inspection file and the draft report, to ensure consistency within the inspection program. This assessment will also include a consideration of any comments and file documentation received from the Practising Unit.

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27. The detailed reviewer shall amend the draft report as appropriate, taking into consideration any matters arising from sections 25 and 26, concluding with recommendations as to a course of action, and shall submit a final report to the Practice Inspection Committee for review.

Amended November 27, 2014

Consideration and Determination

28. The Practice Inspection Committee shall consider the materials pertaining to the inspection, and, in the case of a re-inspection, the materials pertaining to that inspection, and shall do one or more of the following:
 - 28.1 deem the inspection complete;
 - 28.2 require the Practising Unit to provide further written submissions on the intended correction of any identified deficiencies, and consider the matter further once

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- such submissions have been received or the time for making submissions has expired;
- 28.3 order the Practising Unit or a Member be subject to full or partial re- inspection within one year;
- 28.4 require the Practising Unit or Member undertake certain specified actions;
- 28.5 *Revoked May 1, 2015;*
- 28.6 refer the Practising Unit or Member to the Professional Conduct Committee for investigation; or
- 28.7 report to the Registrar or the Public Accounting Licensing Board on any matter.
Amended February 24, 2012
29. The Practice Inspection Committee shall not refer a matter to the Professional Conduct Committee solely for the failure to produce a document subject to a valid claim of legal privilege that has not been waived.
30. In determining the action to be taken pursuant to section 28, the Practice Inspection Committee may consider, but is not limited to:
- 30.1 the degree to which the requirements of the practice inspection program have been met;
- 30.2 the nature and severity of any identified deficiencies;
- 30.3 the cooperation of the Practising Unit or Member;
- 30.4 the public interest; and
- 30.5 on a re-inspection, the results of any previous inspections of the Practising Unit or Member, and the response of the Practising Unit or Member to those inspections.
31. A decision made by the Practice Inspection Committee pursuant to section 28 is final.
32. The Practice Inspection Committee shall ensure its decision pursuant to section 28 is communicated in writing to the Practising Unit or Member.

Re-inspection

33. A full or partial re-inspection of a Practising Unit or Member shall be conducted in accordance with this Regulation, with necessary amendments thereto.

File Retention

34. Any file created during the course of an inspection shall be retained until the inspection has been deemed complete, and thereafter for a period of twelve months after the conclusion of Practice Inspection Year in which the inspection occurred.
35. Notwithstanding section 34, CPA Ontario shall retain information required for administrative purposes including, but not limited to:
- 35.1 evidence that an inspection has been completed;
 - 35.2 documentation identifying the Practising Units or Members and client files inspected;
 - 35.3 documentation that may assist in future inspection planning; and
 - 35.4 documentation as required by the Public Accounting Licensing Board.

Amended February 24, 2012

Confidentiality

36. A member of the Practice Inspection Committee, or any person acting on behalf of the Committee, shall not make use of or disclose the contents of any report or of any files, working paper files, books, documents or other material inspected, or any confidential information concerning the affairs of any Practising Unit or of its clients obtained in the course of a practice inspection, except to the Practice Inspection Committee or person acting on its behalf.
37. Notwithstanding section 36, CPA Ontario, a member of the Practice Inspection Committee or person acting on their behalf may:
- 37.1 provide the Professional Conduct Committee with information and documentation regarding a failure to maintain professional standards, including a failure to co-operate with the inspection process;
 - 37.2 provide the Public Accounting Licensing Board with the outcome of any practice inspection conducted within the immediate last five years which is associated with a Member or firm applying for or renewing a public accounting licence or a certificate of authorization;

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- 37.3 provide the Public Accounting Licensing Board with the outcome of a practice inspection which follows the conditional granting of a public accounting licence or certificate of authorization under Regulation 9-1;
- 37.4 provide the Public Accounting Licensing Board with a report in respect of a Member or firm holding a licence or certificate under Regulation 9-1 that has:
 - 37.4.1 failed to provide any information or documents requested regarding compliance with any of the requirements of the Bylaws or Regulations;
 - 37.4.2 provided any information or documents appearing to be incomplete or misleading;
 - 37.4.3 provided any information or documents indicating that the Member or firm appears not to meet the criteria established in the Bylaw 9 and its related regulations; or
 - 37.4.4 apparently breached or failed to comply with the Bylaws or Regulations.
- 37.5 provide a report to the Registrar regarding a Member who does not appear to be in compliance with the requirements of the Bylaws or Regulations; and
- 37.6 provide the Vice President of Learning with information and documentation deemed appropriate for its assessment of the Practising Unit's student training program or the eligibility of the organization to offer a Pre-Approved Program or otherwise employ Students.
New – November 27, 2014
- 37.7 make such disclosure as is permitted by law, including disclosure to a regulatory authority with which CPA Ontario has a Memorandum of Understanding or agreement on the terms and conditions contained in that Memorandum or agreement.

Employment of Students

- 38. *Revoked May 1, 2015*
- 39. *Revoked May 1, 2015*

Practice Inspection Committee

- 40. The Practice Inspection Committee shall be comprised of seventeen (17) Members, more or less, including a Chair, appointed by the Council. The Committee should be

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representative of the CPA Ontario's membership by geographic location and should be composed of:

- 40.1 eight (8) Members, more or less, from local firms;
- 40.2 six (6) Members, more or less, from national firms; and
- 40.3 three (3) Members, more or less, from regional firms.

41. At least 75% of the Members of the Practice Inspection Committee shall:

- 41.1 be at the partner level (or equivalent);
- 41.2 have been a Chartered Professional Accountant in good standing for greater than 10 years; and
- 41.3 hold a public accounting licence.

42. Members of the Practice Inspection Committee shall be appointed for an initial one (1) year term. Members are eligible for reappointment for an additional three (3) year term and, thereafter, on an annual basis, with the total appointment not to exceed six (6) years. Thereafter, a Member is eligible for reappointment to the Committee only after retiring from the Committee for at least a three (3) year period, and that reappointment would be regarded as a new appointment.

Amended November 18, 2016

43. Notwithstanding section 42, the Chair of the Practice Inspection Committee may serve up to two (2) additional years as Chair, provided that his/her total appointment to the Practice Inspection Committee does not exceed eight (8) years, and is not thereafter eligible for reappointment as Chair.

Amended November 18, 2016

44. Notwithstanding sections 42 and 43, any Member, whose term of office would otherwise expire, shall remain a member of the Committee until such time as all practice inspection decisions he or she is considering and any ancillary matters have been concluded.

45. The quorum for a meeting of the Practice Inspection Committee shall be a majority of its members.

46. The Practice Inspection Committee may sit in panels, and the quorum for a panel shall be a majority of the panel.

47. The Practice Inspection Committee has the power to:

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- 47.1 carry out a program of practice inspection and appoint inspectors for that program in accordance with the Act, Bylaws and this Regulation;
- 47.2 require the cooperation of any Member, Student, Applicant or firm, and the production of any working paper files, books, documents or other material in his, her or its possession, custody or control which it may require from time to time;
- 47.3 *Revoked May 1, 2015*
- 47.4 require the Member or firm subject to the practice inspection to pay the fees and costs associated by that inspection, as established by the Council from time to time;
- 47.5 implement and act under any Memorandum of Understanding or agreement with a regulatory authority;
- 47.6 retain the services of any individual on a fee basis or otherwise and to authorize any such individual to enquire into all matters which may be brought to his or her attention by the committee or its chair and through its chair to authorize any such individual to interview any Member, Student, Applicant or firm, and to examine any working paper files, books, documents or other material; and
- 47.7 perform all other acts necessary and ancillary to its powers.

Failure to Comply

- 48. A failure to comply with any section of this regulation, including a failure to comply with any order or requirement of the Practice Inspection Committee, is a breach of member obligations as defined in Regulation 4-3.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**RULES OF PRACTICE AND PROCEDURE
MADE UNDER SECTION 25.1 OF THE *STATUTORY POWERS PROCEDURE ACT***

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RULE 1 GENERAL RULES

Application

1.01

These Rules apply to all proceedings before the adjudicative committees of the Institute of Chartered Accountants of Ontario.

Definitions

1.02

(1) In these Rules, unless the context requires otherwise, words that are not defined in subrule (2) have the meanings defined in the Act, the bylaws, or the *Statutory Powers Procedure Act*.

(2) In these Rules,

“**Act**” means the *Chartered Accountants Act, 2010*;

“**appeal**” means an appeal from any decision of the registrar, Discipline Committee or Capacity Committee for which there is an appeal provided in the Act;

“**Chair**” includes a Deputy Chair and any other person designated by the Chair;

“**document**” includes data and information in electronic form;

“**electronic**” includes created, recorded, transmitted or stored in digital form or other intangible form by electronic, magnetic or optical means or by any other means that has capabilities for creation, recording, transmission, or storage similar to those means, and “electronically” has a corresponding meaning;

“**governing documents**” includes the Act, and any other legislation governing the processes of the Institute, and the bylaws, regulations, rules and policies of the Institute;

“**hearing**” means a proceeding under the Act that commences with the service of an originating process, and includes a motion;

“**holiday**” means a holiday as defined in the *Rules of Civil Procedure*;

“**Institute**” includes any committee or representative of the Institute which is a party to a hearing under these rules;

“**motion**” means a request for a ruling or decision by a tribunal on a particular issue at any stage in the proceeding which is subject to these Rules, other than a request for an adjournment;

“**person**” includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body

corporate, and a natural person in his or her capacity as trustee, executor, administrator, or other legal representative;

“Secretary” means the Secretary to the relevant adjudicative committee;

“reconsideration” means a tribunal’s reconsidering of its order, and includes an application for readmission to membership;

“tribunal” means the member or members of an adjudicative committee assigned to a hearing.

Interpretation of Rules

1.03

- (1) These Rules shall be liberally construed to secure the just and expeditious determination of proceedings.
- (2) Where matters are not provided for in these Rules, the practice shall be determined by analogy to them.

RULE 2 COMPLIANCE WITH RULES

Effect of non-compliance

2.01

- (1) A failure to comply with a procedural requirement in these Rules or to utilize a form prescribed by the Rules is an irregularity and does not render a proceeding or a step or document in a proceeding a nullity.

Orders on motion attacking irregularity

- (2) On the motion of a party to attack a hearing or a step or document in a hearing for irregularity, an order may be made,
 - (a) granting any relief necessary to secure the just determination of the real matters in issue; or
 - (b) dismissing the hearing or setting aside a step or document in the hearing in whole or in part only where and as necessary in the interests of justice.

Attacking irregularity

- (3) A motion to attack a hearing or a step or document in a hearing for irregularity shall not be made, except with leave of the tribunal,
 - (a) after the expiry of a reasonable period of time after the moving party knows or ought reasonably to have known of the irregularity;
 - (b) if the moving party has taken any further step in the hearing after obtaining knowledge of the irregularity; or
 - (c) if the moving party has otherwise consented to the irregularity.

Order dispensing with compliance

2.02

- (1) On the motion of a party, or on a panel's own motion, an order dispensing with compliance with any procedural requirement in these Rules may be made where it is necessary in the interests of justice.

Consent to non-compliance

- (2) A party may dispense with compliance with any procedural requirement in these Rules with the consent of all other parties.

RULE 3 TIME

Computing time

3.01

- (1) In computing time under these Rules, or under an order made under these Rules,
 - (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens;
 - (b) where a period of less than seven days is prescribed, holidays shall not be counted;
 - (c) where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday; and
 - (d) where a document would be deemed to be received or service would be deemed to be effective on a day that is a holiday, the document shall be deemed to be received or service shall be deemed to be effective on the next day that is not a holiday.

Extension or abridgment of time periods

3.02

- (1) On the motion of a party, an order extending or abridging any time prescribed by these Rules, or prescribed by an order made under these Rules, may be made where it is just.
- (2) A motion for an order extending time may be made before or after the expiration of the time prescribed.

RULE 4 REPRESENTATION

Change in representation

Notice of change of representative

4.01

- (1) A party who has a representative of record may change the representative of record by serving on the representative and every other party and filing with the Secretary, with proof of service, a notice of change of representative giving the name, address, telephone number, fax number and e-mail address of the new representative.

Notice of appointment of representative

- (2) A party acting in person may appoint a representative of record by serving on every other party and filing with the Secretary, with proof of service, a notice of appointment of representative giving the name, address, telephone number, fax number and e-mail address of the representative.

Notice of intention to act in person

- (3) A party who has a representative of record may elect to act in person by serving on the representative and every other party and filing with the Secretary, with proof of service, a notice of intention to act in person that sets out the person's address for service, telephone number, fax number, if any, and e-mail address, if any.

Removal of representative of record

4.02

- (1) On the motion of a representative or a party, an order may be made removing the representative as the representative of record.
- (2) Notwithstanding rule 4.01, a representative of record may only be removed within thirty (30) days prior to the date set for the hearing of a matter on the merits by order of the tribunal.

RULE 5 COMMUNICATION WITH THE TRIBUNAL

Communication with panel

5.01

- (1) No party, representative or other person who attends at or participates in a hearing shall communicate with a tribunal outside of the hearing with respect to the subject matter of the hearing except,
 - (a) in the presence of all parties or their representatives; or
 - (b) in writing by sending the written communication to the Secretary and a copy of the written communication to all parties or their representatives.

RULE 6 COMBINING HEARINGS

6.01

- (1) On its own motion or the motion of a party, a tribunal may order two or more hearings be combined or heard together on such conditions it considers appropriate.

Effect of order

- (2) Where two or more hearings are combined or heard together, unless ordered otherwise by the tribunal:
 - (a) statutory procedural requirements for any one of the hearings apply to the hearing;
 - (b) the parties to each of the hearings are parties to the hearing; and
 - (c) evidence presented in each of the hearings is evidence in the hearing.

Separating hearings

- (3) Where the tribunal has made an order under subrule (1), the tribunal may, on its own motion or the motion of a party, amend or rescind its order if otherwise the hearing would be unduly complicated or prejudice would be caused to a party.

Dividing proceeding

6.02

- (1) On its own motion, or the motion of a party, the tribunal may make an order that a hearing be divided into two or more hearings.

Effect of order

- (2) Where the tribunal makes an order under subrule (1), it may give such directions and impose such conditions as it deems just with respect to the divided hearings.

RULE 7 COMMENCING, AMENDING AND ABANDONING

Commencing

7.01

- (1) A hearing is commenced by the serving of an originating process as set out in Rule 9 by the party seeking the hearing on all other parties.
- (2) The party seeking the hearing shall forthwith file the originating process, with proof of service on all other parties, with the Secretary.
- (3) Within thirty (30) days of the filing of the originating process, all parties shall provide, in writing, the Secretary with the following information:
 - (a) the identity and contact information of any representative;
 - (b) any anticipated preliminary motions;
 - (c) available dates for hearing for the party and representative, if any;
 - (d) anticipated length of the hearing;
 - (e) any agreed facts or issues; and
 - (f) whether a pre-hearing conference is requested.
- (4) The Secretary shall provide all parties with a notice of hearing (Form 7A), as soon as possible after receiving the information set out in subrule (3).

Amending

7.02

- (1) A party may amend its originating process,
 - (a) at any time prior to ten days before the hearing on the merits; and
 - (b) at any time thereafter, with leave of the tribunal.

Leave to amend

- (2) In considering whether to grant leave to a party to amend its originating process, the tribunal may consider,
 - (a) prejudice to any person;
 - (b) timeliness of notice to the other parties; and
 - (c) any other relevant factor.

Effective date of amendment

- (3) An amendment made under clause (1)(a) shall be effective from the date it is filed with the Secretary, with proof of service on all parties.
- (4) An amendment made under clause (1)(b) shall be effective from the date it is made.

Abandoning**7.03**

- (1) Prior to a hearing on the merits, a party may abandon its originating process by serving all other parties with written notice of abandonment and filing that notice, with proof of service, with the Secretary.

Deemed abandonment

- (2) A party that fails to abide by a filing requirement under these Rules shall be deemed to have abandoned its originating process.

Restoration

- (3) On the motion of the party deemed to have abandoned an originating process under subrule (2), an order may be made, on such terms as are just, setting aside the deemed abandonment.

Effect of deemed abandonment on subsequent proceeding

- (4) Where a party is deemed to have abandoned an originating process under subrule (2), the deemed abandonment is not a bar to a subsequent proceeding commenced by that party involving the same subject matter.

RULE 8 SERVICE OF DOCUMENTS

Originating process

8.01

- (1) An originating process shall be served by personal service or by an alternative to personal service.

All other documents

- (2) A document other than an originating process may be served,
 - (a) by personal service or by an alternative to personal service,
 - (b) by sending a copy of the document by courier to the address of the party contained in the Institute's records or the last known address of the party's representative;
 - (c) by faxing a copy of the document to the fax number of the party contained in the Institute's records or the last known fax number of party's representative; or
 - (d) by e-mailing a copy of the document to the e-mail address of the party contained in the Institute's records or to the last known e-mail address of the party's representative.

Service by fax

- (3) A document that is served by fax under clause (2) (c) shall include a cover page indicating,
 - (a) the sender's name, address and telephone number;
 - (b) the name of the person to be served;
 - (c) the date and time of transmission;
 - (d) the total number of pages, including the cover page, transmitted;
 - (e) the fax number of the sender; and
 - (f) the name and telephone number of a person to contact in the event of transmission problems.

Service by e-mail

- (4) A document that is served by e-mail under clause (2) (d) shall be attached to an email message that shall include,
 - (a) the sender's name, address, telephone number, fax number and e-mail address;
 - (b) the date and time of transmission; and
 - (c) the name and telephone number of a person to contact in the event of transmission problems.

Personal service

- (5) Where a document is to be served by personal service, the service shall be made,
 - (a) on an individual, by leaving a copy of the document with the individual;

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- (b) on a person other than the Institute, by leaving a copy of the document at the premises at which the person carries on business with an adult individual who appears to be connected with the place of business; and
 - (c) on the Institute, by leaving a copy of the document with the person having carriage of the matter, or with their representative.

Alternatives to personal service

- (6) Where a document may be served by an alternative to personal service, the service shall be made,
 - (a) by leaving a copy of the document with a party's representative; or
 - (b) by mailing a copy of the document by regular mail or registered mail to the address of the party contained in the records of the Institute.

Substituted service or dispensing with service

- (7) On the motion of a party, an order may be made permitting service in a manner other than otherwise provided in this Rule or dispensing with service where it appears that it is impractical for any reason to effect service as required under this Rule or where it is necessary in the interests of justice.

Effective date of service

8.02

- (1) Service under rule 8.01 is deemed to be effective,
 - (a) if a copy of the document is left with a person,
 - (i) before 4 p.m., on the day it is left with the person, or
 - (ii) after 4 p.m., on the day following the day it is left with the person;
 - (b) if a copy of the document is mailed to a person, on the fifth day after mailing;
 - (c) if a copy of the document is sent by courier to a person, on the second day after the document was provided to the courier;
 - (d) if a copy of the document is faxed to a person,
 - (i) before 4 p.m., on the day it is faxed to the person, or
 - (ii) after 4 p.m., on the day following the day it is faxed to the person;
 - (e) if a copy of the document is e-mailed to a person,
 - (i) before 4 p.m. on the day it is e-mailed to the person, on that day,
 - (ii) after 4 p.m., on the day following the day it is e-mailed to the person.

Effective date of service: substituted service

- (2) If an order is made permitting substituted service, the order shall specify when service in accordance with the order is effective.

Effective date of service: service dispensed with

- (3) If an order is made dispensing with service, the document shall be deemed to have been served on the effective date of the order for the purposes of the computation of time under these Rules.

Proof of Service

8.03

- (1) Service of a document may be proved by,
 - (a) an affidavit of the person who served it; or
 - (b) where the document is served on a representative of the Institute, the written admission or acceptance of service of the representative.
- (2) Where a document is served by e-mail, a computer-generated confirmation of delivery from the recipient's server shall be included in the proof of service.
- (3) The affidavit or written admission or acceptance of service may be printed on the back sheet or on a stamp or sticker affixed to the back sheet of the document served.

Service on firm

8.04

- (1) Every firm shall designate an individual, and an alternate if there are two or more members of the firm, to act as the representative of the firm to be served with any originating process in which the firm is a named party.
- (2) If a firm fails to designate a representative, the Institute shall designate a representative, and alternate as applicable.

RULE 9 ORIGINATING PROCESS AND DISCLOSURE

Misconduct

9.01

- (1) An originating process alleging professional misconduct shall be in the form of an Allegation (Form 9A).
- (2) Each Allegation shall specify the rule or rules of professional conduct alleged to have been breached, and shall provide sufficient information to enable the subject member or firm to identify the general allegation(s).

Capacity

- (3) An originating process alleging incapacity shall be in the form of a notice of application (Form 9B), and shall provide sufficient information to inform the subject member of the nature of the allegation(s).

Particulars

- (4) The Institute may and, on request of the subject member or firm, shall provide the subject member or firm with a statement of particulars (Form 9C) setting out details of the allegation(s) contained in the Allegation or notice of application.
- (5) The statement of particulars does not form part of the Allegation or notice, and a failure to prove one or more of the particulars or the proving of other particulars has no effect on the Allegation or notice.

Appeals

- (6) The originating process for an appeal shall be a notice of appeal [\(Form 24A\)](#).

Disclosure

Obligations of the Institute

9.02

- (1) The Institute, as a party, shall make such disclosure to the subject of the hearing as is required by law and, without limiting the generality of the foregoing, shall provide to the subject of the hearing, not later than ten days before the hearing on the merits of the proceeding,
 - (a) a copy of every document upon which the Institute intends to rely as evidence and the opportunity to examine any other relevant document;
 - (b) a list of witnesses that the Institute intends to call; and
 - (c) a signed witness statement for every witness or, where there is no signed witness statement for a witness, a summary of the anticipated oral evidence of the witness.

Obligations of other parties

- (2) All parties other than the Institute shall provide to the Institute, not later than ten days before the hearing on the merits,

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- (a) a copy of every document upon which the party intends to rely as evidence;
 - (b) a list of witnesses that the party intends to call; and
 - (c) for every witness upon whose oral evidence the party intends to rely, a signed witness statement or, where there is no signed witness statement for a witness, a summary of the anticipated oral evidence of the witness.

Summary of evidence

- (3) A summary of the oral evidence of a witness shall be in writing and shall contain,
 - (a) the substance of the evidence of the witness;
 - (b) the witness's name and address or the name and address of a person through whom the witness may be contacted.
- (4) Attached to the summary should be a list of documents or things, if any, to which the witness will refer.

Expert Reports

9.03

- (1) Every party shall provide to every other party,
 - (a) not later than ninety days before the hearing on the merits,
 - (i) a list of the expert witnesses that the party intends to call,
 - (ii) a copy of the curriculum vitae of every expert witness included in the list mentioned in subclause (i), and
 - (iii) a summary of the anticipated oral evidence of every expert witness included in the list mentioned in subclause (i); and
 - (b) not later than thirty days before the hearing on the merits of a proceeding, a copy of the written report of every expert witness included in the list mentioned in subclause (a) (i), if the person intends to rely on the written report in the hearing.

Summary of evidence

- (2) A summary of the oral evidence of an expert witness shall be in writing and shall contain,
 - (a) the substance of the evidence of the expert witness;
 - (b) a list of documents or things, if any, to which the expert witness will refer; and
 - (c) the expert witness's name and address.

Failure to disclose: consequences

9.04

- (1) Evidence that is not disclosed as required under rule 9.02 or 9.03 may not be introduced as evidence in a hearing, except with leave of the tribunal.

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- (2) The tribunal may prescribe such terms and conditions on any leave granted under subrule (1), including, but not limited to, the granting of an adjournment or the awarding of costs against any party other than the Institute, as it sees fit.

RULE 10 PRELIMINARY SUSPENSION AND RESTRICTION

Authority to make

10.01

- (1) On motion by the Institute, the tribunal may make a preliminary order suspending a member's membership or public accounting licence, or a firm's registration or certificate of authorization, or restricting or placing conditions on the rights of the member or firm.
- (2) Before making an order under subrule (1), the tribunal shall be satisfied that the public may be at risk should the order not be made, and that the making of the order is likely to reduce that risk.
- (3) An order made under subrule (1) is effective on pronouncement, unless otherwise ordered by the tribunal.
- (4) The order shall include such directions as are necessary to ensure the expeditious determination of the matter on the merits.

General

10.02

- (1) Except as otherwise provided for in this rule, Rule 12 applies with necessary modifications to a motion for a preliminary suspension or restriction order.
- (2) A motion for a preliminary suspension or restriction order may be brought either before or after an originating process has been served.

Making the Motion

10.03

A motion for a preliminary suspension or restriction order shall be made by notice of motion.

Institute's obligations

Service of motion record

10.04

- (1) The Institute shall serve a motion record as set out in subrule 12.02(3) on the respondent member or firm at least three days before the hearing of the motion.

Method of service

- (2) The motion record shall be served in accordance with subrule 8.01 (1) as if it were an originating process.

Dispensing with service

- (3) On the motion of the Institute made without notice, an order may be made dispensing with service of the motion record where,
 - (a) the circumstances render the service of the motion record impracticable or unnecessary; or
 - (b) the delay necessary to effect service might entail serious consequences.

Service of factum and book of authorities

- (4) Where the motion record has been served, the Institute shall serve its factum and book of authorities, if any, on the respondent member or firm at least three days before the hearing of the motion.

Filing documents with the Secretary

- (5) Where the motion record has been served, the Institute shall file with the Secretary, with proof of service, not later than 4 p.m. on the day before the hearing of the motion, six copies of any documents served on the respondent member or firm under this rule.

Filing documents with panel

- (6) Where an order has been made dispensing with service of the motion record, the Institute shall file six copies of the motion record, factum and book of authorities, if any, with the tribunal in the hearing of the motion.

Respondent's obligations**Service of motion record, factum and book of authorities****10.05**

- (1) Where a motion record has been served under rule 10.04, the respondent member or firm shall serve on the Institute, not later than 2 p.m. on the day before the hearing of the motion, the motion record, if any, factum, if any, and book of authorities, if any.

Filing documents with the Secretary

- (2) The respondent member or firm shall file with the Secretary, with proof of service, not later than 4 p.m. on the day before the hearing of the motion, six copies of any document served on the Institute under this rule.

Disposition of Motion**10.06**

- (1) The motion shall be heard by a tribunal consisting of at least three members.
- (2) No member of the tribunal hearing the motion shall be a member of the tribunal at the hearing on the merits unless all parties consent.

Order
10.07

- (1) An order made under rule 10.01 shall specify that it remains in effect until the earliest of the following:
 - (a) Where an order was made dispensing with service of the motion record, a tribunal varies or cancels the order on the basis of evidence that is brought by the respondent member or firm to the tribunal within thirty days of service of the order on the respondent member or firm.
 - (b) A tribunal varies or cancels the order on the consent of the Institute and the respondent member or firm prior to the hearing on the merits.
 - (c) A tribunal varies or cancels the order on the basis of fresh evidence or a material change in circumstances that is brought by the Institute or the respondent member or firm to the panel prior to the hearing on the merits.
 - (d) The tribunal presiding at the hearing on the merits, prior to disposing of the hearing, varies or cancels the order.
 - (e) The tribunal presiding at the hearing on the merits disposes of the hearing.
- (2) Where an order was made dispensing with service of the motion record, the Institute shall serve on the respondent member or firm any order made by the tribunal and a copy of the motion record and all other documents used in the hearing of the motion, unless the tribunal orders otherwise.

RULE 11 PRE-HEARING CONFERENCE

Purpose of pre-hearing conference

11.01

- (1) The purpose of a pre-hearing conference is to facilitate the just and most expeditious disposition of a proceeding.
- (2) Without limiting the generality of subrule (1), in a pre-hearing conference, the person conducting the pre-hearing conference may discuss with the parties,
 - (a) the identification, limitation or simplification of the issues in the hearing;
 - (b) the identification and limitation of evidence and witnesses;
 - (c) the possibility of settlement of any or all of the issues in the hearing; and
 - (d) the possibility of the parties entering into an agreed statement of facts with respect to all or part of the facts in issue in the hearing.

Pre-hearing conference to be conducted

11.02

A pre-hearing conference shall be conducted in a proceeding where,

- (1) one party to the proceeding estimates that the hearing on the merits will be longer than two days;
- (2) a member of the adjudicative committee directs the parties to attend at a pre-hearing conference; or
- (3) the parties agree to attend at a pre-hearing conference.

Who presides at pre-hearing conference

11.03

A pre-hearing conference shall be conducted by a member of the adjudicative committee assigned by the chair of that committee.

Timing of pre-hearing conferences

11.04

All pre-hearing conferences shall be conducted prior to the completion of the hearing on the merits and, unless otherwise directed by the tribunal, shall be conducted prior to the commencement of the hearing on the merits.

Method of conducting pre-hearing conference

11.05

- (1) Subject to subrule (2), a pre-hearing conference shall be conducted in person.

Pre-hearing conference by telephone conference

- (2) A pre-hearing conference may be conducted by telephone conference,
 - (a) if the parties consent; and
 - (b) the person conducting the pre-hearing conference permits it.

Scheduling of pre-hearing conference

11.06

- (1) The Secretary shall schedule the pre-hearing conference, taking into account the availability of the parties and the person conducting the pre-hearing conference.

Notice of pre-hearing conference

- (2) The Secretary shall send to all parties a notice of the date and time of every pre-hearing conference (Form 11A), including the name of the person conducting the pre-hearing conference.

Preparation for pre-hearing conference

11.07

- (1) Unless otherwise ordered, the parties shall prepare and exchange pre-hearing conference memoranda (Form 11B) and file such memoranda with the Secretary at least two days before the pre-hearing conference.
- (2) The Secretary shall provide the memoranda to the person conducting the pre-hearing conference prior to the pre-hearing conference.

Attendance at pre-hearing conference

11.08

Unless otherwise directed by the person conducting the pre-hearing conference, all parties, or their representatives, are required to attend at or participate in the pre-hearing conference.

Results of pre-hearing conference

11.09

- (1) At the conclusion of the pre-hearing conference, the person conducting the pre-hearing conference shall complete a pre-hearing report (Form 11C) setting out,
 - (a) who attended at or participated in, and who did not attend at or participate in, the pre-hearing conference; and
 - (b) any agreement reached.
- (2) Any agreement reached at the pre-hearing conference, as set out in the report, is binding on the parties.

No disclosure to tribunal**11.10**

- (1) No communication shall be made to the tribunal presiding at the hearing on the merits or at the hearing of a motion with respect to any statement made at the pre-hearing conference, except as disclosed in the report made under rule 11.09.

Ineligible for tribunal

- (2) A person conducting a pre-hearing conference in a proceeding shall not be a member of the tribunal at the hearing on the merits, except with the consent of all parties.

RULE 12 MOTIONS

Making the motion

12.01

- (1) The following motions shall be made by notice of motion (Form 12A):
 - (a) A motion relating to the jurisdiction of the tribunal or committee.
 - (b) A motion to stay or dismiss a proceeding.
 - (c) A motion raising any constitutional issues.
 - (d) A motion relating to disclosure.
 - (e) A motion that a hearing or a part of a hearing in a proceeding be held in the absence of the public.
- (2) A motion not mentioned in subrule (1) shall be made by notice of motion unless the nature of the motion or the circumstances make a notice of motion unnecessary or impractical.
- (3) Unless otherwise ordered by the Chair of the adjudicative committee, a motion listed in subrule (1) shall be heard and determined by a tribunal hearing the matter on the merits.
- (4) Unless otherwise ordered by the Chair of the adjudicative committee or otherwise provided in the Rules, a motion, other than a motion listed in subrule (1), shall be heard and determined by a tribunal consisting of a single member.

Contents of notice of motion

- (5) In a motion for an order that a hearing or a part of a hearing in a proceeding be held in the absence of the public, the moving party shall include in the notice of motion the grounds upon which the order is sought but shall not include in the notice of motion the specific matters, document or communication in respect of which the order is sought.

Moving party's obligations

Application of rule

12.02

- (1) This rule applies where a motion is made by notice of motion.

Service of motion record

- (2) The moving party shall serve on every other party at least ten days before the hearing of the motion a motion record (Form 12B).
- (3) The moving party's motion record shall have consecutively numbered pages and shall contain,
 - (a) a table of contents listing each document contained in the motion record, including each exhibit, and describing each document by its nature and date and,

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- in the case of an exhibit, by its nature, date and exhibit number or letter;
 - (b) the notice of motion; and
 - (c) all affidavits and other material upon which the moving party intends to rely.

Service of factum and book of authorities

- (4) The moving party shall serve on every other party at least seven days before the hearing of the motion a factum, if any, and a book of authorities, if any.

Filing documents with the Secretary

- (5) The moving party shall file with the Secretary, with proof of service, at least seven days before the hearing of the motion any documents served on other parties under this rule.

Same

- (6) When filing a document with the Secretary, the moving party shall file,
 - (a) three copies of the document where the motion is to be heard by a tribunal consisting of one member; and
 - (b) six copies of the document in all other cases.

Responding party's obligations

Application of rule

12.03

- (1) This rule applies where a motion is made by notice of motion.

Service of motion record, factum and book of authorities

- (2) A responding party shall serve on every other party, at least three days before the hearing of the motion, its motion record, if any, its factum, if any, and its book of authorities, if any.

Responding party's motion record

- (3) The responding party's motion record (Form 12B) shall have consecutively numbered pages and shall contain,
 - (a) a table of contents listing each document contained in the motion record, including each exhibit, and describing each document by its nature and date and,
 - in the case of an exhibit, by its nature, date and exhibit number or letter; and
 - (b) any materials upon which the responding party intends to rely that are not contained in the moving party's motion record.

Filing documents with Secretary

- (4) A responding party shall file with the Secretary, with proof of service, at least three days before the hearing of the motion any document served on a person under this rule.

Same

- (5) When filing a document with the Secretary, a responding party shall file,
 - (a) three copies of the document where the motion is to be heard by a tribunal consisting of one member; and
 - (b) six copies of the document in all other cases.

Dispensing with materials**12.04**

- (1) On motion made by a party, the tribunal may dispense with the requirement that some or all of the materials required by this rule be served and filed.
- (2) An order pursuant to subrule (1) shall only be made in exceptional circumstances and may be made on such terms and conditions as the tribunal deems appropriate.

Abandoning a motion**12.05**

- (1) Prior to the hearing of a motion, the moving party may abandon the motion by serving on all other parties and filing with the Secretary a notice of abandonment (Form 12C).
- (2) Where a moving party serves a motion record but does not file it or appear at the hearing of the motion, the motion is deemed to have been abandoned by the moving party.

Motion on consent**12.06**

Where a motion is on consent, when filing the motion record with the Secretary, the moving party shall also file the consent of every person served with the motion record and a draft of the formal order sought.

Disposition of motion**12.07**

After hearing a motion, the tribunal may,

- (a) make the order sought;
- (b) grant relief on such terms and conditions as the tribunal considers appropriate;
- (c) dismiss the motion, in whole or in part;
- (d) adjourn the hearing of the motion, in whole or in part;
- (e) if the motion is heard prior to the hearing on the merits, adjourn the hearing of the motion to the tribunal hearing the merits of the proceeding.

RULE 13 ADJOURNMENTS

Before date of hearing

13.01

- (1) Where a hearing is scheduled and prior to the date of the hearing a party wishes to adjourn the hearing to another date, the party shall bring a motion to the tribunal as soon as practicable in accordance with this Rule.
- (2) A motion under subrule (1) shall be brought on notice unless circumstances that could not reasonably have been foreseen make notice impractical.

On date of or during hearing

- (3) Where a hearing is scheduled and on the date scheduled for the hearing or during the course of the hearing a party wishes to adjourn the hearing, or the remaining part of the hearing, to a future date, the party shall make a motion to the tribunal for an order adjourning the hearing, or the remaining part of the hearing, to a future date.

Adjournments by the Secretary

13.02

The Secretary may grant a request for an adjournment of a hearing or a motion where,

- (a) all parties consent to the adjournment; and
- (b) the parties notify the Secretary in writing of their consent.

Considerations

13.03

In considering whether to grant an adjournment, a tribunal may consider,

- (a) prejudice to a person;
- (b) the timing of the request or motion for the adjournment;
- (c) the number of prior requests and motions for an adjournment;
- (d) the number of adjournments already granted;
- (e) prior directions or orders with respect to the scheduling of future hearings;
- (f) the public interest;
- (g) the costs of an adjournment;
- (h) the availability of witnesses;
- (i) the efforts made to avoid the adjournment;
- (j) the requirement for a fair hearing; and
- (k) any other relevant factor.

RULE 14 FORM OF HEARING

Oral hearing

14.01

Subject to rules 14.02 and 14.03, and Rule 25, a hearing shall be held as an oral hearing with the parties and their representatives, if any, appearing in person.

Electronic hearing

Motions

14.02

- (1) The following motions may, without a motion or an order being made, be heard as an electronic hearing:
 - (a) A motion on consent.
 - (b) A motion for an adjournment.

Order for electronic hearing

- (2) On the motion of a party, or on a tribunal's own motion, an order may be made that a hearing or a part of a hearing be held as an electronic hearing.

Matters to consider in making order

- (3) In deciding whether to order that a hearing be held as an electronic hearing, a tribunal may consider,
 - (a) the suitability of an electronic hearing to the subject matter of the hearing;
 - (b) the nature of the evidence to be called at the hearing and whether credibility is in issue;
 - (c) whether the matters in dispute in the hearing are questions of law;
 - (d) the convenience of the parties;
 - (e) the cost, efficiency and timeliness of the hearing;
 - (f) the avoidance of delay or unnecessary length;
 - (g) the fairness of the process;
 - (h) public accessibility to the hearing;
 - (i) the fulfillment of the Institute's statutory mandate; and
 - (j) any other matter relevant in order to secure the just and expeditious determination of the hearing.

Conduct of electronic hearing

- (4) An electronic hearing shall be conducted by telephone or other electronic means and all the parties and the tribunal must be able to hear one another and any witnesses throughout the hearing.

Arrangements for electronic hearing

- (5) Where a hearing is to be held as an electronic hearing, the Secretary shall make all the necessary arrangements for the hearing and shall give notice of those arrangements to all parties and their representatives, if any.

Written hearing

14.03

- (1) Subject to subrule (3) and subrules 14.02 (1) and (2), the following hearings shall be held as a written hearing:
 - (a) The hearing of a motion for an order that a hearing be held as an electronic hearing.

Written hearing of motions

- (2) The following motions may be heard as a written hearing:
 - (a) A motion on consent.
 - (b) A motion for an adjournment.

Order for oral hearing

- (3) On the motion of a party, or on a tribunal's own motion, an order may be made that a hearing mentioned in subrule (1) be held as an oral hearing.

Conduct of written hearing

- (4) A written hearing shall be conducted by the exchange of documents and all the parties are entitled to receive every document that the tribunal receives in the hearing.

Arrangements for written hearing

- (5) Where a hearing is to be held as a written hearing, the Secretary shall make all the necessary arrangements for the hearing and shall give notice of those arrangements to all the parties and their representatives, if any.

Motion under Rule 10

No notice required

14.04

The notice requirement in subrule 14.02 (5) and in subrule 14.03 (5) does not apply in the case of a hearing of a motion for an order sought under rule 10.01 where an order was made dispensing with service of a motion record.

RULE 15 LOCATION OF HEARING

Location of Hearings

15.01

- (1) Subject to subrules (2) and (3), every hearing shall be held at the offices of the Institute in Toronto.
- (2) Where all parties consent to a hearing being held at a place other than the offices of the Institute in Toronto, the hearing shall be held at that place.
- (3) On the motion of a party, an order may be made that a hearing be held at a place other than the offices of the Institute in Toronto.
- (4) In deciding whether to order that a hearing be held at a place other than the offices of the Institute in Toronto, a tribunal may consider,
 - (a) the convenience of the parties;
 - (b) the cost, efficiency and timeliness of the hearing;
 - (c) the avoidance of delay or unnecessary length;
 - (d) the fairness of the process;
 - (e) public accessibility to the hearing;
 - (f) the fulfillment of the Institute's statutory mandate; and
 - (g) any other matter relevant in order to secure the just and expeditious determination of the hearing.
- (5) An order that a hearing be held at a place other than the offices of the Institute in Toronto shall be made only after consultation with the Secretary.

RULE 16 ACCESS TO HEARING

Hearing to be public

16.01

Subject to rule 16.02, every hearing in a proceeding shall be open to the public.

Hearing in the absence of the public

16.02

On the motion of a party, an order may be made that a hearing or a part of a hearing shall be held in the absence of the public where,

- (a) matters involving public security may be disclosed;
- (b) it is necessary to maintain the confidentiality of a privileged document or communication;
- (c) intimate financial or personal matters or other matters may be disclosed of such a nature, having regard to the circumstances, that the desirability of avoiding disclosure thereof in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be open to the public; or
- (d) in the case of a hearing or a part of a hearing that is to be held as an electronic hearing, it is not practical to hold the hearing or the part of the hearing in a manner that is open to the public.

Attendance at hearing held in the absence of the public

16.03

Where a hearing or a part of a hearing is held in the absence of the public, unless otherwise ordered by the tribunal, the hearing may be attended by,

- (a) subject to rule 18.01, any witness the nature of whose testimony gave rise to the order that the hearing or the part of the hearing be held in the absence of the public;
- (b) the parties and their representatives; and
- (c) such other persons as the panel considers appropriate.

Non-disclosure of information

16.04

- (1) Subject to subrule (2), where a hearing or a part of a hearing is held in the absence of the public, no person shall disclose, except to his, her or its representative or to another person who attends at or participates in the hearing or the part of the hearing that is held in the absence of the public,

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- (a) any information disclosed in the hearing or the part of the hearing that is held in the absence of the public; and
 - (b) if and as specified by the tribunal, the tribunal's reasons for a decision or an order arising from the hearing or the part of the hearing that is held in the absence of the public, other than the tribunal's reasons for an order that a subsequent hearing or a part of the subsequent hearing be held in the absence of the public.

Order for disclosure: hearing held in the absence of the public

- (2) On the motion of a person, an order may be made permitting a person to disclose any information mentioned in subrule (1).

Order for non-disclosure: hearing open to the public

16.05

On the motion of a party, or on a tribunal's own motion, if any of clauses 16.02 (a), (b) and (c) apply, an order may be made prohibiting a person who attends at or participates in a hearing or a part of a hearing that is open to the public from disclosing, except to his, her or its representative or to another person who attends at or participates in the hearing or the part of the hearing, any information disclosed in the hearing or the part of the hearing.

Review of order

16.06

If an order is made in respect of any matter dealt with in this Rule, on the motion of a person, the tribunal may at any time review all or a part of the order and may confirm, vary, suspend or cancel the order.

RULE 17 CONDUCT OF HEARING

Quorum

17.01

- (1) Except as otherwise provided in these Rules, a tribunal consisting of at least three persons shall preside over every hearing.
- (2) Notwithstanding subrule (1), unless otherwise provided for in the governing documents of the Institute, the Chair of an adjudicative committee may order that a tribunal of fewer than three members preside over a specific hearing.
- (3) If a member of a tribunal who has participated in a hearing becomes unable, for any reason, to complete the hearing or to participate in the decision or order, the remaining member(s) shall complete the hearing, make the decision and any order, and give the reasons.

Transcripts

Production of transcript

17.02

- (1) The Secretary shall cause every oral and electronic hearing to be recorded by a reporting service to permit the production of a transcript of the hearing.

Ordering transcript

- (2) A person wishing to have a copy of the transcript of a hearing may order it from the reporting service that recorded the hearing.

Costs of transcript

- (3) The costs of acquiring a transcript of a hearing shall be borne solely by the person ordering the transcript of the hearing.

Requirement to file transcript

- (4) The first party to obtain a transcript of a hearing shall promptly file both a paper and an electronic copy of the transcript with the Secretary.

Interpreter

17.03

- (1) Where a witness does not understand the language or languages in which an examination at a hearing is to be conducted, the Secretary shall provide an interpreter.

Notice to Secretary

- (2) A person intending to call a witness who will require interpretation shall notify the Secretary of the witness' requirement for an interpreter as early as possible and, in

any event, not later than ten days before the hearing at which the witness will be examined.

Interpreter to be competent

- (3) An interpreter shall be competent and independent.

Interpreter to make affirmation

- (4) Where an interpreter is required under subrule (1), before the witness is called, the interpreter shall solemnly promise to interpret accurately the administration of the affirmation to the witness, the questions put to the witness and the witness' answers.

Accommodation required

17.04

A party shall notify the Secretary as early as possible of any needs of the party or any witnesses that may require accommodation.

Limitation on examination of witness

17.05

A tribunal may reasonably limit further examination or cross-examination of a witness where it is satisfied that the examination or cross-examination has been,

- (a) abusive, harassing or embarrassing;
- (b) unduly repetitive; or
- (c) sufficient to disclose fully and fairly all matters relevant to the issues in the proceeding.

RULE 18 EVIDENCE

Receiving evidence

18.01

- (1) The tribunal may receive any evidence, subject to restrictions in the Act, it finds relevant and reliable.
- (2) The evidence in subrule (1) includes both oral testimony and documents.
- (3) Any witness giving testimony shall do so upon making a solemn promise to tell the truth.

Exclusion of witness

18.02

- (1) Subject to subrule (2), on the motion of a party, an order may be made excluding a witness or witnesses from a hearing until that witness is called to give evidence.

Order not to apply to party or witness instructing representative of party

- (2) An order under subrule (1) may not be made in respect of a party or a witness whose presence is essential to instruct the representative of the person calling the witness, but an order may be made requiring any such party or witness to give evidence before other witnesses are called to give evidence on behalf of the party or the person calling the witness.

No communication with excluded witness

- (3) Subject to subrule (4), where an order is made excluding a witness or witnesses from a hearing, there shall be no communication to any witness of any evidence given during that witness' absence from the hearing until after that witness has been called to give evidence and has given evidence.

Order permitting communication with excluded witness

- (4) On the motion of the person calling a witness who has been excluded from a hearing, an order may be made permitting communication to the witness of any evidence given during the witness' absence from the hearing.

Evidence by affidavit

18.03

At a hearing on the merits of a proceeding, the evidence of a witness or proof of a particular fact or document may be given by affidavit, subject to the tribunal ordering otherwise.

Agreed facts**18.04**

At a hearing on the merits of a proceeding, the tribunal may receive and act on any facts agreed to by the parties without further proof or evidence.

Admissibility of evidence from former proceeding**Interpretation****18.05**

- (1) In this rule, “previously admitted evidence” means evidence that was admitted in a proceeding before a court or tribunal, whether in or outside Ontario, at a hearing that occurred before the hearing in which the evidence is now sought to be admitted.

When may be admitted

- (2) At a hearing on the merits of a proceeding, previously admitted evidence may be admitted if there is no legal bar to its admission, and,
 - (a) the parties to the proceeding consent to its admission; or
 - (i) the tribunal is satisfied that there is a reasonably accurate transcript of the previous hearing,
 - (ii) the previously admitted evidence is relevant to the current proceeding,
 - (iii) the party against whose interest the evidence is sought to be admitted was or is a party or a witness in the previous proceeding, and
 - (iv) if the party against whose interest the evidence is sought to be admitted was not a witness at the previous hearing, the party had the opportunity to cross-examine the witness at the previous hearing.

Proof of prior commission of offence**18.06**

- (1) Proof that a person has, in a proceeding before an adjudicative body, been found to have committed an offence is proof, in the absence of evidence to the contrary, that the offence was committed by the person if,
 - (a) no appeal of the finding was taken and the time for an appeal has expired; or
 - (b) an appeal of the finding was taken but was dismissed or abandoned and no further appeal is available.
- (2) Subrule (1) applies whether or not the person is or was a party to the proceeding.
- (3) For the purposes of subrule (1), a document certifying the finding, purporting to be signed by the official having custody of the records of the adjudicative body, is sufficient evidence of the finding.

Proof of prior facts**18.07**

- (1) Specific findings of fact contained in the reasons for decision of an adjudicative body are proof, in the absence of evidence to the contrary, of the facts so found if,
 - (a) no appeal of the decision was taken and the time for an appeal has expired; or
 - (b) an appeal of the decision was taken but was dismissed or abandoned and no further appeal was taken.
- (2) If the findings of fact mentioned in subrule (1) are with respect to an individual, subrule (1) only applies if the individual is or was a party to the proceeding giving rise to the decision.

Transcript of proceeding**18.08**

- (1) At a hearing, a transcript of a hearing before an adjudicative body may be admitted as evidence.

Reasons

- (2) At a hearing, the reasons for decision of an adjudicative body may be admitted as evidence.

Taking official notice of facts**18.09**

The tribunal may take notice of,

- (a) facts that may be judicially noticed;
- (b) any generally accepted technical facts, information or opinions within its specialized knowledge; and
- (c) any rules or standards governing the profession or its members.

Bank and business records**18.10**

Any proof that must be given or any requirement that must be met prior to a bank record or a business record being received or admitted in evidence under any common law or statutory rule may be given or met by the oral testimony or affidavit of an individual given to the best of the individual's knowledge and belief.

Documentary evidence**18.11**

At a hearing, a party tendering a document as evidence shall provide,

-
- (a) a copy of the document to every other party; and
 - (b) six copies of the document to the tribunal.

Copies
18.12

Where the panel is satisfied as to its authenticity, a copy of a document or other thing may be admitted as evidence at a hearing.

Summonses
18.13

- (1) The tribunal may, by summons (Form 18A), require any person,
 - (a) to give evidence at a hearing; and
 - (b) to produce in evidence at a hearing specified documents and things.

Signing of summons

- (2) A summons may be signed by the Secretary.

Summons may be issued in blank

- (3) On the request of a person, the Secretary shall issue to a party a blank summons and the party may complete the summons and insert the name of the witness to be summoned.

Service of summons

- (4) Subject to subrule (6), the party who obtains a summons shall serve the summons on the witness to be summoned.

Attendance money

- (5) Subject to subrule (6), the party who obtains a summons shall pay or tender to the witness to be summoned, at the same time that the party serves the summons on the witness, attendance money calculated in accordance with Tariff A under the Rules of Civil Procedure.

Service and attendance money not required

- (6) If a witness is in attendance at a hearing, a party is not required to serve a summons on the witness or to pay or tender to the witness attendance money in order to call the witness at the hearing.

RULE 19 COSTS

Awarding costs

19.01

- (1) Where a tribunal has made a determination in a hearing that is adverse to a party other than the Institute, the tribunal may make an order requiring that party to pay all or part of,
 - (a) the Institute's legal costs and expenses;
 - (b) the Institute's costs and expenses incurred in investigating the matter, including any costs and expenses incurred in any further investigation;
 - (c) the Institute's costs and expenses incurred in preparing for and conducting the hearing;
 - (d) the costs and expenses of the hearing; and
 - (e) the Institute's costs and expenses incurred in monitoring, ensuring compliance with and fulfilling any decision or order of the tribunal.
- (2) A tribunal presiding over any interlocutory proceeding, including a motion, may make an order under subrule (1) or may defer the determination to the tribunal presiding over the hearing on the merits.
- (3) A tribunal presiding over any reconsideration pursuant to Rule 21 may make an order requiring a party to pay any or all of,
 - (a) the Institute's legal costs and expenses;
 - (b) the Institute's costs and expenses incurred in investigating the matter, including any costs and expenses incurred in any further investigation; and
 - (c) the Institute's costs and expenses incurred in preparing for and conducting the hearing; and
 - (d) the Institute's costs and expenses incurred in monitoring, ensuring compliance with and fulfilling any decision or order of the tribunal.

Wasted or Unreasonable Costs

19.02

- (1) Where a party other than the Institute has caused costs to be incurred without reasonable cause or to be wasted by undue delay, negligence or other default, the tribunal may make an order awarding such costs as are just.
- (2) An order under subrule (1) may be made by the tribunal on its own motion or on the motion of the Institute.

RULE 20 DECISIONS, ORDERS AND REASONS

Decisions Effective date

20.01

- (1) A decision is effective from the date on which it is made.

Endorsement

- (2) An endorsement of every decision shall be made by the chair of the tribunal,
 - (a) on the originating process; or
 - (b) on a separate sheet of paper that is attached to the originating process.

Orders

20.02

- (1) An order is effective from the date on which it is made, unless ordered otherwise by the tribunal.

Affecting status of member or firm

- (2) Any order affecting the status or practice rights of a member or firm shall be for a definite period of time.
- (3) Subrule (2) does not apply to an order of expulsion, revocation or readmission.

Fine

- (4) Any order imposing a fine on a party shall specify:
 - (a) the principal sum; and
 - (b) the time within which the fine is to be paid.

Costs

- (5) Any order awarding costs shall specify:
 - (a) the principal sum; and
 - (b) the time within which the costs are to be remitted.

Reprimands

- (6) A reprimand may be administered by any member of the tribunal.
- (7) A reprimand may be administered orally or in writing.

Endorsement

- (8) An endorsement of every order shall be made by the chair of the tribunal making it,
 - (a) on the originating process or a separate sheet of paper that is attached to the originating process; or
 - (b) if the order relates to a motion, on the motion record or a separate sheet of paper that is attached to the motion record.

Compliance

- (9) The party subject to the order bears the onus of proving compliance with the terms of the order.
- (10) The party subject to the order shall provide proof of compliance with the terms of the order to the Secretary.

Formal order or decision and order

20.03

A formal order (Form 20B) or decision and order (Form 20A) shall be prepared for any final decision or order made by a tribunal.

Written reasons

20.04

- (1) A tribunal shall give written reasons for its final order or final decision and order.
- (2) A tribunal may give written reasons for any other decision or order.
- (3) The reasons shall include the reasons for any minority or dissent.

Correction of errors

20.05

The Secretary or the tribunal may at any time correct a typographical error, error of calculation or similar minor error made in a decision, an order, a formal decision and order, a formal order or reasons of a tribunal.

Notice of decisions

20.06

- (1) The Secretary shall send to each party or to the representative of each party,
 - (a) who participated in a hearing,
 - (i) a copy of the formal decision and order,
 - (ii) a copy of the written reasons, if any, for the decision, order or decision and order, and
 - (iii) a copy of a corrected decision, corrected order, corrected formal decision and order or corrected reasons; or
 - (b) who participated in a motion,
 - (i) a copy of the formal order, if any,
 - (ii) a copy of the written reasons, if any, for the order, and
 - (iii) a copy of a corrected order, corrected formal order or corrected reasons.

Method of sending notice

- (2) A document required to be sent under subrule (1) shall be sent by,
 - (a) regular mail to the address of the party contained in the Institute's records or to the last known address of the party's representative;
 - (b) fax to the fax number of the party contained in the Institute's records or to the last known fax number of the party's representative;
 - (c) e-mail to the e-mail address of the party contained in the Institute's records or the last known address of the party's representative; or
 - (d) hand delivery to the Institute.

Use of mail

- (3) If a copy of a document is sent by regular mail, it shall be deemed to be received on the fifth day after mailing.

Use of fax or e-mail

- (4) If a copy of a document is faxed or e-mailed, it shall be deemed to be received on the day following the day it is faxed or e-mailed.

RULE 21 RECONSIDERATION

General

21.01

- (1) Except as provided in rule 20.05 or the Act, every decision and order of a tribunal is final when it is pronounced.

Grounds for reconsideration

- (2) Notwithstanding subrule (1), an adjudicative committee may, on its own motion or on the motion of a party, reconsider an order made by its tribunal at any time after the fifth anniversary of its pronouncement, on the following grounds:
 - (a) there has been a material change in circumstances significant enough that the order or a part of the order is no longer necessary;
 - (b) there has been a material change in circumstances significant enough that the order or a part of the order now obstructs or impedes the purpose and intent of the order;
 - (c) there has been a material change in circumstances significant enough that the order or a part of the order is no longer reasonably capable of being complied with or fulfilled; or
 - (d) the order or a part of the order is no longer legally valid or enforceable.

Same

- (3) Notwithstanding subrule (1), an adjudicative committee may, on its own motion or on the motion of a party, reconsider an order made by its tribunal prior to the fifth anniversary of its pronouncement, if:
 - (a) the order will result in a miscarriage of justice that may be prevented by the reconsideration; and
 - (b) the grounds in clause (2) (b), (c) or (d) exist.

Reconsideration

21.02

- (1) A motion for reconsideration shall be brought in accordance with Rule 12, with necessary modifications.
- (2) The motion shall be brought to a tribunal of the same adjudicative committee that made the original order.

Quorum

- (3) Unless ordered otherwise by the Chair of the adjudicative committee, and subject to subrule 17.01 (3), a tribunal consisting of at least three persons shall preside over every reconsideration.

Onus

- (4) The party bringing the motion shall bear the onus of proving the reconsideration should be granted.
- (5) If the adjudicative committee makes the motion, the party who would benefit from the reconsideration shall bear the onus.

Orders

- (6) After hearing the motion, the tribunal may:
 - (a) confirm the order in whole or in part;
 - (b) strike the order in whole or in part; or
 - (c) vary the order in whole or in part, on such conditions and terms as are appropriate.
- (7) The making of an order under clause (6) (b) or (c) does not expunge the original order, and the terms and conditions of the original order remain in full force and effect unless and until such time as they are struck or varied.

Readmission

21.03

- (1) An application for readmission after an order revoking membership made by a tribunal is a reconsideration.
- (2) In this rule, "membership" includes a licence to practise public accounting, and the registration and certificate of authorization of a firm.
- (3) In addition to any other requirements for reconsideration, an applicant for readmission shall satisfy the tribunal hearing the motion, that the applicant:
 - (a) is of good moral character;
 - (b) is competent to practise as a chartered accountant and, if applicable, as a public accountant;
 - (c) has fulfilled all the obligations of membership, including professional development;
 - (d) has abided by all terms of the original order;
 - (e) has not, since the pronouncement of the original order, engaged in conduct that could reasonably be considered to be a breach of the rules of professional conduct, the *Public Accounting Act, 2004*, or the *Chartered Accountants Act, 2010*, and
 - (f) will not pose a risk to the public.

RULE 22 HEARING RECORD

Requirement

22.01

- (1) The Secretary shall compile a record of every hearing.

Contents of record

- (2) A record of a hearing shall contain the following:
 - (a) Every document filed with the Secretary under these Rules in respect of the hearing or a step in the hearing.
 - (b) Every document received by a tribunal under these Rules in respect of the hearing or a step in the hearing.
 - (c) The notice of a hearing on the merits of a proceeding.
 - (d) The endorsement of the decision and order in the hearing and of the order in a motion.
 - (e) The formal decision and order in the hearing and the formal order in a motion.
 - (f) The reasons, if any, for the decision or order in the hearing and for the order in a motion.
 - (g) The transcript of a hearing if obtained by the Secretary.

Record is public record

- (3) Subject to subrule (4) and the Act, the hearing record is a public record.

Documents not available for public inspection

- (4) A document or a part of a document contained in the hearing record that contains information that may not be disclosed under rule 16.04 or 16.05 is not available for public inspection.

RULE 23 SETTLEMENTS

Originating process

23.01

- (1) The originating process for a matter to be considered as a settlement agreement is the proposed agreement itself.

Review

- (2) The tribunal reviewing a settlement agreement shall either approve or reject the agreement.

Effect

- (3) An agreement that is approved takes effect immediately upon approval, unless the agreement provides otherwise.

Further review

- (4) An agreement that is rejected shall not be reviewed by any other tribunal, but the parties may revise the agreement and have it reviewed by the same tribunal.

No reasons

- (5) The tribunal is not required to provide written reasons for its approval or rejection of a settlement agreement.

No appeal

- (6) There is no appeal of the tribunal's approval or rejection of a settlement agreement.

Public record

23.02

- (1) A settlement agreement is a matter of public record from the time of its approval.

Use of rejected agreement

- (2) A settlement agreement that has been rejected is confidential, and neither the fact of the agreement nor its contents shall be referred to by any person in any proceeding except with the consent of all parties to the agreement.

RULE 24 APPEALS

General

24.01

- (1) There is no appeal from an interlocutory order of a tribunal.
- (2) Rule 7 applies to an appeal, except as otherwise provided in this Rule.

Stay pending appeal

24.02

- (1) A party seeking a stay of a final order or any part thereof of a tribunal shall bring a motion to a tribunal of the adjudicative committee with jurisdiction to hear the appeal in accordance with Rule 12 with necessary modifications.
- (2) In making an order under subrule (1), the tribunal shall consider:
 - (a) the possible impact on the public interest;
 - (b) the possible impact on the reputation of the profession;
 - (c) the fulfilment of the Institute's statutory mandate;
 - (d) the detriment to the party seeking the stay should a stay not be granted, and whether such detriment can be otherwise mitigated; and
 - (e) the merits of the appeal.
- (3) The tribunal may prescribe such terms and conditions on any order made under subrule (1), as it sees fit
- (4) A motion under subrule (1) may be served and filed at the same time as the serving and filing of the notice of appeal or cross-appeal, or at any time thereafter.

Commencement of appeal

24.03

- (1) An appeal shall be commenced by a notice of appeal [\(Form 24A\)](#).
- (2) The notice of appeal shall be served on all parties and filed with the Secretary:
 - (a) within 30 days of the pronouncement of the order; or
 - (b) after 30 days on consent of the parties, or with leave of the tribunal.
- (3) Any party served with a notice of appeal may cross-appeal.
- (4) The notice of cross-appeal [\(Form 24B\)](#) shall be served on all parties and filed with the Secretary:
 - (a) within 30 days of the service of the notice of appeal; or
 - (b) after 30 days on consent of the parties, or with leave of the tribunal.

Materials on the Appeal

Certificate

24.04

- (1) A party delivering a notice of appeal shall contemporaneously serve and file a certificate of the contents of the appeal book [\(Form 24C\)](#), listing the contents of the appeal book necessary for that party's purposes.
- (2) Within five days of delivery of a certificate of the contents of the appeal book, all other parties shall serve and file a certificate of the contents of the appeal book.
- (3) Subject to subrule (5), the contents of the appeal book shall contain the documents listed in the certificate(s), as the case may be, unless ordered otherwise by the tribunal.

Appeal Book

- (4) Within thirty days of delivery of the first certificate of the contents of the appeal book, the party delivering a notice of appeal shall serve an appeal book [\(Form 24D\)](#) on the opposing party or the representative for that party and shall file 6 copies of the appeal book with the Secretary.

Failure to comply

- (5) Where a party fails to deliver a certificate of the contents of the appeal book, that party shall be deemed to accept the other party's certificate of the contents of the appeal book, unless the party obtains the consent of the other party or an order from the tribunal.

Contents

- (6) The appeal book shall contain, in consecutively numbered pages, the following,
 - (a) a table of contents describing each document by its nature and date and, in the case of an exhibit, by exhibit number or letter;
 - (b) a copy of each notice of appeal;
 - (c) a copy of the originating process;
 - (d) a copy of the decision and order;
 - (e) a copy of the reasons of the tribunal, if any;
 - (f) a copy of each document required;
 - (g) all relevant transcripts or a list of all relevant transcripts together with a certificate of the court reporter confirming that such transcripts have been ordered and any deposit required for preparation of transcripts has been paid, or, alternatively, the order of the tribunal dispensing with the requirement to provide transcripts; and
 - (h) a copy of each certificate of the contents of the record book.

Transcripts

-
- (7) The party delivering a notice of appeal shall, unless a tribunal orders otherwise on a motion, no later than the date the notice of appeal is filed, order the transcript of the entire hearing from which the appeal is taken, and shall comply with rule 17.02.

Factum

- (8) The party delivering a notice of appeal shall serve a factum on all other parties within 15 days of the delivery of the appeal book.
- (9) Within 30 days of receipt of a factum, a party shall serve a responding factum on all other parties.
- (10) Each factum shall contain a concise statement, without argument, of the facts, issues to be argued, a concise statement of law, and authorities relating to each issue and the order sought.
- (11) Each party shall serve with their factum, a book of authorities unless the authorities to be relied upon are contained in the standard book of authorities.
- (12) Each party shall file 6 copies of that party's factum and book of authorities with the Secretary.

Deemed abandonment

- (13) Where the party who files a notice of appeal fails to file a certificate of contents of the appeal book, or appeal book in the time prescribed by this rule, the notice of appeal shall be deemed to be abandoned, unless the party obtains the consent of the other party or an order from the tribunal.
- (14) No appeal shall be deemed to have been abandoned for the failure to file a factum or book of authorities in the time prescribed by this rule.

Effect of failure to comply

- (15) A party who fails to file any document required by this rule within the time prescribed by this rule or an order of the tribunal, shall not thereafter file such document except on the consent of all other parties or with leave of the tribunal.

Fresh evidence

24.05

- (1) If a party seeks to tender evidence to the tribunal which was not before the tribunal or person whose decision or order is the subject of the appeal, the party shall bring a motion before the tribunal in accordance with rule 12 with necessary modifications.
- (2) All parties shall be prepared to proceed with the appeal on its merits following a motion to tender fresh evidence, in any event of the result of the motion.
- (3) Where the party who files a notice of motion to tender fresh evidence fails to file supporting materials in the time prescribed by this rule or by the tribunal, the notice of motion to tender fresh evidence shall be deemed abandoned, unless the party obtains the consent of the other party or an order from the tribunal.

RULE 25 MEMBERSHIP COMMITTEE

General

25.01

Notwithstanding any other provision in these Rules, all hearings before the Membership Committee shall be in writing, unless ordered otherwise by the tribunal or otherwise provided in the governing documents.

Considerations

25.02

In considering whether to order a hearing not be held in writing, the tribunal may consider:

- (a) convenience of the parties;
- (b) nature of any prior hearing or decision in the same proceeding;
- (c) cost and efficiency of the process;
- (d) the requirement for a fair hearing;
- (e) the need for evidence to be called; and
- (f) any other relevant factor.

Originating Process

25.03

- (1) The originating process for a hearing over which the Membership Committee has original or referred jurisdiction shall be a notice of hearing (Form 7A), and Rule 7 shall apply with necessary modifications.
 - (a) The originating process for a hearing over which the Membership Committee has review jurisdiction shall be a request for review [\(Form 25A\)](#)
 - (b) The originating process for a hearing over which the Membership Committee has appeal jurisdiction shall be a notice of appeal [\(Form 24A\)](#)

Review

25.04

- (1) An applicant seeking a review shall file 6 copies of the request for review with the Secretary within 30 days of the decision to be reviewed.
- (2) A request to review may only be filed more than 30 days after the decision to be reviewed with the leave of the tribunal.
- (3) The Secretary shall not accept the request to review for filing unless it contains all the required information and documents, including:
 - (a) the grounds for the review;
 - (b) a copy of the decision to be reviewed;
 - (c) a copy of each relevant document; and
 - (d) written submissions of the applicant.

Powers on Review

25.05

- (1) The tribunal may, on a review, order the matter to be reconsidered by the same or a differently constituted panel of the tribunal making the original decision if it finds the original tribunal:
 - (a) acted outside its jurisdiction;
 - (b) violated the rules of natural justice or procedural fairness, including allegations of bias; or
 - (c) failed to give due consideration to all the information available to it.
- (2) The decision of the tribunal on the review is final.

Appeal

25.06

- (1) Except as set out in this Rule, the provisions of Rule 24 apply to appeals to the Membership Committee, with necessary modifications.
- (2) In all cases where the appeal is heard as a written hearing, any factum of a party shall include the written submissions of that party.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 6-3
AFFILIATE APPLICANT ADMISSION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the Bylaws
on October 19, 2012, as amended from time to time.**

Repealed by Council April 15, 2014

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

MANDATORY PROFESSIONAL LIABILITY INSURANCE REGULATION

**Adopted by the Council pursuant to Bylaw 701 effective October 1, 1996 and including
amendments to September 25, 2009**

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

LIMITED LIABILITY PARTNERSHIP REGULATION

Adopted by the Council to take effect July 1, 1998 and amended from time to time

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

SPECIALTY OF PRACTICE REGULATION

Adopted by the Council pursuant to Bylaw 103 to take effect June 1, 2000

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION ON THE USE OF THE DESIGNATION "CERTIFIED
PUBLIC ACCOUNTANT" OR THE INITIALS "CPA"**

**Adopted by the Council pursuant to Bylaw 103 to take effect August 1, 2000
and amended on September 14, 2001**

Repealed by Council November 23, 2006

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

REGULATION ON CUSTODY OF CLIENT FILES

Adopted by the Council pursuant to Bylaw 103 to take effect August 1, 2000

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**CONTINUING PROFESSIONAL DEVELOPMENT AUDIT REGULATION
Adopted by the Council on February 26, 2010 pursuant to Bylaw 801(20)**

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**COUNCIL REGULATION: ADMISSION TO MEMBERSHIP
Adopted by the Council on October 7, 2010**

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION IN RESPECT OF UFE CANDIDATES OF THE QUEBEC ORDRE
Adopted by the Council on October 7, 2010 pursuant to Bylaw 403.**

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION I – A REGULATION IN RESPECT OF STUDENTS
including revisions to February 2010**

Repealed by Council June 16, 2011

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION II – A REGULATION IN RESPECT OF CERTIFIED PUBLIC ACCOUNTANTS
FROM THE UNITED STATES OF AMERICA AND MEMBERS OF OTHER RECOGNIZED
ACCOUNTING BODIES OUTSIDE CANADA**

**A regulation adopted by the Council pursuant to a regulation with respect to
Admission to membership, February 22, 2008**

Repealed by Council June 16, 2011



CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO

CPA CODE OF PROFESSIONAL CONDUCT

Adopted by the Council on February 26, 2016, under the authority of Section 63 and Section 65 of the *Chartered Accountants Act, 2010*, S.O. 2010, Chapter 6, Schedule C and the bylaws of CPA Ontario, as amended from time to time.

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PREAMBLE TO THE CPA CODE OF PROFESSIONAL CONDUCT

Application of the CPA Code

The CPA Code of Professional Conduct (the “CPA Code”) sets out general and specific duties for sound and fair financial and management reporting and business practices owed by all members and firms to clients, employers and the public generally as well as to the profession.

- The CPA Code applies to all members and firms, irrespective of the type of professional services being provided.
- Members not engaged in the practice of public accounting must observe the CPA Code unless there is a specific exception made in a particular provision or the wording of any provision makes it clear that it relates specifically to the practice of public accounting.
- The term “professional services” applies to all members and firms and is not restricted only to those who are engaged in the practice of public accounting. It includes those of a member’s or firm’s activities, whether undertaken for remuneration or not, where clients, employers, the public or professional colleagues are entitled to rely on membership or registration with the Chartered Professional Accountants of Ontario (“CPA Ontario”) as giving the member or firm particular competence and requiring due care, integrity and an objective state of mind.
- The CPA Code also applies, with the necessary modifications, to every member or firm acting in respect of a matter of personal concern and to the exercise, by the member or firm of any other activity, in particular, a job, a function, an office or the operation of an enterprise.
- The CPA Code is to be read and applied in light of this Preamble, legislation, the bylaws of CPA Ontario, and the definitions included in the CPA Code, legislation and the bylaws of CPA Ontario. Rules impose an obligation on members and firms; accordingly, compliance with the Rules is mandatory. Where Guidance is provided, it is intended to assist in the understanding and application of the related Rule.

Introduction

This Preamble to the CPA Code sets out the philosophy that underlies the code governing the Chartered Professional Accountant’s responsibilities to those to whom professional services are provided, to the public generally and to colleagues, in respect of:

- characteristics of a profession;
- responsibility for compliance with the CPA Code;
- fundamental principles governing conduct;
- personal character and ethical conduct;
- ethical conflict resolution; and
- principles governing the responsibilities of firms.

The CPA Code, comprehensive in its scope, practical in application and addressing high ethical standards, serves not only as a guide to the profession itself but as a source of assurance of the profession’s concern to serve the public. It is a hallmark of a profession that there is a voluntary assumption, by those who comprise it – the members of the profession of ethical principles which are aimed, first and foremost, at serving the public interest and, second, at achieving orderly and courteous conduct within the profession. It is to these purposes that the CPA Code is directed.

Characteristics of a profession

The CPA Code presumes the existence of a profession. Since the word “profession” has lost some of its earlier precision, through widespread application, it is worthwhile reviewing the characteristics which mark a calling as professional in the traditional sense. Much has been written on the subject and court cases have revolved around it. The weight of the authorities, however, identifies the following distinguishing elements:

- there is mastery of a particular intellectual skill, acquired by lengthy training and education;
- the traditional foundation of the calling rests in the provision of services to others through the application of the acquired skill to their affairs;
- the calling centers on the provision of personal services rather than entrepreneurial dealing in goods;
- there is an outlook, in the practice of the calling, which is essentially objective;
- there is acceptance of a responsibility to subordinate personal interests to those of the public good;
- there is acceptance of being accountable to and governed by professional peers;
- there exists a developed and independent body, comprising the members of the profession, which sets and maintains standards of qualification, attests to the competence of the individual members and safeguards and develops the skills and standards of the profession;
- there is a specialized code of ethical conduct, laid down and enforced by that body, designed principally for the protection of the public; and
- there is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their profession, adding to its knowledge and sharing advances in knowledge and technique with their fellow professionals.

By these criteria chartered professional accountancy is a profession.

Responsibility for compliance with the CPA Code

- Members and firms are responsible to CPA Ontario for compliance with the CPA Code by others who are either under their supervision or share with them proprietary interest in a firm or other enterprise. In this regard, a member or firm must not permit others to carry out acts which if carried out by the member or firm would contravene the CPA Code.
- Members or firms who reside or operate outside Ontario continue to be subject to the CPA Code or its equivalent in each province of membership or registration. They may also be subject to the code of another organized accounting profession in the jurisdiction in which they reside or operate. Should the code in two or more jurisdictions conflict, a member or firm will, where possible, observe the higher or stronger of the conflicting codes and, where that is not possible, the ethical conflict guidance set out as part of this Preamble will apply.

Fundamental principles governing conduct

Members and firms have a fundamental responsibility to act in the public interest. The public’s trust and reliance on sound and fair financial and management reporting and competent advice on business affairs - and the economic importance of that reporting and advice - impose these special obligations on the profession. They also establish, firmly, the profession’s social usefulness.

The CPA Code is derived from five fundamental principles of ethics - statements of accepted

conduct for all members and firms whose soundness is, for the most part, self-evident. These principles are fundamental to the conduct of all members and firms and are as follows:

Professional Behaviour

Chartered Professional Accountants conduct themselves at all times in a manner which will maintain the good reputation of the profession and serve the public interest.

In doing so, members and firms are expected to avoid any action that would discredit the profession.

There are business considerations involved in the creation and development of any organization, whether it is a professional practice or an entity that operates outside of that domain. A member's involvement in any organization should be based primarily upon a reputation for professional excellence. In particular, members who occupy positions of senior authority should recognize that such positions include an obligation to influence events, practices and attitudes within that organization. Accordingly, such members should encourage an ethics-based culture in their organizations that emphasizes the importance of ethical behaviour and compliance with generally accepted standards of practice of the profession.

At all times, members and firms are expected to act in relation to other professional colleagues with the courtesy and consideration they would expect to be accorded by their professional colleagues.

Integrity and Due Care

Chartered Professional Accountants perform professional services with integrity and due care.

Members and firms are expected to be straightforward, honest and fair dealing in all professional relationships. They are also expected to act diligently and in accordance with applicable technical and professional standards when providing professional services. Diligence includes the responsibility to act, in respect of any professional service, carefully, thoroughly, and on a timely basis. Members are required to ensure that those performing professional services under their authority have adequate training and supervision.

Objectivity

Chartered Professional Accountants do not allow their professional or business judgment to be compromised by bias, conflict of interest or the undue influence of others.

Clients, employers and the public generally expect that members and firms will bring objectivity and sound professional judgment to their services. It thus becomes essential that a member or firm will not subordinate professional judgment to external influences or the will of others.

The principle of objectivity underlies the Rules related to potential conflicts of interest as well as the requirement for independence in relation to the performance of assurance engagements. With respect to both independence and conflicts of interest, the profession employs the criterion of whether a reasonable observer would conclude that a specified situation or circumstance posed an unacceptable threat to a member's or firm's objectivity and professional judgment. Only then can public confidence in the objectivity and integrity of the member or firm be sustained, and it is upon this public confidence that the reputation and usefulness of the profession rest. The reasonable observer should be regarded as a hypothetical individual who has knowledge of the facts which the member or firm knew or ought to have known, and applies judgment objectively with integrity and due care.

Professional Competence

Chartered Professional Accountants maintain their professional skills and competence by keeping informed of, and complying with, developments in their area of professional service.

Clients, employers and the public generally expect the accounting profession to maintain a high level of competence. This underscores the need for maintaining individual professional skill and competence by keeping abreast of and complying with developments in the professional standards and pertinent legislation in all functions where a member or firm performs professional services, or where others rely upon a member's or firm's calling.

Confidentiality

Chartered Professional Accountants protect confidential information acquired as a result of professional, employment and business relationships and do not disclose it without proper and specific authority, nor do they exploit such information for their personal advantage or the advantage of a third party.

The principle of confidentiality obliges members to protect and maintain the confidentiality of information both outside of and within a member's firm or employing organization and to properly address a situation that may arise when confidentiality is breached.

The disclosure of confidential information by a member or firm may be required or appropriate where such disclosure is:

- Permitted or authorized by the client or employer;
- Required by law; or
- Permitted or required by a professional right or duty, when not prohibited by law.

Personal character and ethical conduct

The Rules and Guidance which follow are based on the principles expressed above in this Preamble. These principles have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to the clients, employers and the public generally. By their commitment to honourable conduct, members and firms of CPA Ontario and its predecessors, throughout their history, have given particular meaning and worth to the designation and its predecessors. They have done so by recognizing that a code of professional conduct, which is enforceable by sanctions, does not by its nature state the most that is expected of members and firms, but simply the least.

Ethical conduct in its highest sense, however, is a product of personal character — an acknowledgement by the individual that the standard to be observed goes beyond that of simply conforming to the letter of a list of prohibitions.

Ethical conflict resolution

Circumstances may arise where a member or firm encounters and is required to resolve a conflict in the application of the fundamental principles or compliance with the CPA Code derived therefrom.

When initiating a process for the resolution of an ethical conflict, a member or firm should consider, either individually or together with others, as part of the resolution process, the following:

- relevant facts;

- ethical issues involved;
- fundamental principles and provisions of the CPA Code applicable to the matter in question;
- established internal procedures; and
- alternative courses of action.

Having considered these issues, the member or firm should determine the appropriate course of action that is consistent with the CPA Code. The member or firm should also weigh the consequences of each possible course of action. If the matter remains unresolved, the member should consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, a firm or an employing organization, a member should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It would be in the best interests of the member or firm to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

If a significant conflict cannot be resolved, a member or firm may wish to obtain guidance on ethical issues without breaching confidentiality from CPA Ontario or legal advisors. For example, a member or firm may have encountered a fraud, the reporting of which could breach the responsibility to respect confidentiality. The member or firm is advised to consider obtaining legal advice to determine whether there is a requirement to report.

If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, the member or firm should, where ethically possible, refuse to remain associated with the matter creating the conflict. The member or firm may determine that, in the circumstances, it is appropriate to withdraw from the particular engagement team or assignment, or to resign altogether from the engagement, the firm or the employing organization in a manner consistent with the CPA Code.

Principles governing the responsibilities of firms

Firms of Chartered Professional Accountants have a responsibility which they share with all other persons in the firm to provide services that maintain the profession's reputation for competence and integrity. It is clear that the manner in which firms conduct their affairs and provide services has an importance that goes well beyond the establishment of their individual reputations; it affects the public perception of the chartered professional accountancy profession as a whole. Accordingly, it is critical that firms be bound by the CPA Code.

This broader responsibility requires that firms be accountable to the profession and to clients, employers and the public generally in respect of ethical conduct and professional competence. The accountability of firms is formalized by bringing them within the authority of the CPA Code in a manner that is similar to that for members but which also appropriately recognizes that the responsibility of firms as business organizations differs in important respects from that of the individual members carrying on professional engagements on their behalf.

The responsibility of firms to the profession is fulfilled in the first instance by establishing, maintaining and upholding appropriate policies and procedures designed to ensure that their members provide professional services in a manner that complies with the standards of conduct and competence prescribed in the CPA Code.

The accountability of firms is based on the recognition that the services they provide are carried out

by Chartered Professional Accountants through their individual and collective actions, through the actions of all other persons in a firm and through the exercise of professional judgment. All persons in a firm are expected at all times to comply with the CPA Code and to adhere to the generally accepted standards of practice of the profession. Depending on the circumstances and the particular standard of competence or conduct, therefore, a firm's accountability for a failure to comply with the CPA Code may be shared with a member or other persons in the firm. It is acknowledged in this regard that a firm cannot be held accountable for the conduct of any person in the firm who does not comply with the CPA Code, where the firm has done all that it could be reasonably expected to have done to ensure that such persons do comply with the CPA Code.

A firm will be held accountable, as an organization, for its professional conduct in those instances where:

- the firm has policies and/or procedures which are inconsistent with the CPA Code;
- the breach of the CPA Code by any person in the firm is found to be related to the absence of quality control procedures or to the existence of quality control procedures that are inadequate for the type of practice in which it is engaged;
- the firm is identified with conduct or the provision of professional services that is in breach of the CPA Code and a person in the firm who is responsible for such breach cannot be identified or cannot be held accountable by CPA Ontario;
- the conduct that breaches the CPA Code was authorized, initiated, implemented or condoned by the firm prior to or at the time it takes place;
- the conduct that breaches the CPA Code is condoned or concealed by the firm after it learns of it;
- the firm did not take appropriate action in response to becoming aware of any conduct that breaches the CPA Code; or
- there are repeated instances of breaches of the CPA Code by persons in the firm.

In keeping with the principle that firms have a responsibility to maintain the good reputation of the profession, it is only appropriate in these circumstances that the firm and the individual member(s) be the subject of investigation and disciplinary sanction.

The inclusion of firms within the authority of the CPA Code does not presume that an investigation against a firm automatically calls into question the character, competence or conduct of all of the members of the firm. Indeed, there is an obligation on the part of those given responsibility for the enforcement of the CPA Code to ensure that any investigation of a firm be restricted to those who should properly be the subject of the investigation and resulting disciplinary sanction. This involves recognizing that firms may have many partners and/or offices and/or a number of departments or units within the offices, whether or not they are geographically distinct. In some circumstances, therefore, accountability for a failure to comply with the CPA Code will rest solely with the individual partners of a firm who had knowledge of the matter that is the reason for making charges against the firm. In other circumstances, the accountability will rest with identifiable departments or units within a firm, or with a firm's executive committee, management committee or equivalent group.

DEFINITIONS

The following terms have been defined for the purpose of the CPA Code only. They form an integral part of the CPA Code and the CPA Code is to be read, interpreted and applied on that basis.

This section includes terms that have been defined for general use in the CPA Code and they have that meaning throughout the CPA Code.

In addition, some terms have been defined for application to a particular provision(s) of the CPA Code, and such definitions apply in respect of those provision(s); if such a term is used elsewhere, it has the meaning that it is normally understood to have.

“appropriate financial reporting framework(s)” encompass broad principles and conventions of general application as well as rules and procedures that determine accepted accounting principles and practices at a particular time. An appropriate financial reporting framework would include those frameworks contained in the CPA Canada Handbook – Accounting and the CPA Canada Public Sector Accounting Handbook. However, some entities will report financial information in accordance with other bases of accounting, for example, accounting principles that are generally accepted in another jurisdiction. Where another basis of accounting is appropriate in the particular circumstances, it is also an appropriate financial reporting framework.

“confidential information” means information acquired in the course of a professional services relationship with a party. Such information is confidential to the party regardless of the nature or source of the information or the fact that others may share the knowledge. Such information remains confidential until the party expressly or impliedly authorizes it to be divulged. In the case of an employee-employer relationship, a member has legal obligations to the employer that include a duty of confidentiality. The CPA Code imposes a duty of confidentiality as a professional obligation, which is in addition to the member’s legal obligation to the employer.

“conflict of interest” means an interest, restriction or relationship that, in respect of the provision of any professional service, would be seen by a reasonable observer to influence a member’s or firm’s judgment or objectivity in the provision of the professional service.

“consent” means fully informed and voluntary consent given, after disclosure of sufficient information and with sufficient time to make a knowledgeable decision,

- (a) in writing, provided that if more than one person consents, each signs the same or a separate document recording the consent; or
- (b) orally, provided that each person consenting receives a separate written communication recording the consent as soon as practicable.

“contingent fee” means a fee that is calculated on a predetermined basis relating to the outcome of a transaction or the result of services performed by the member or firm. It does not include:

- (a) a fee fixed by a court or other public authority;
- (b) a fee for a professional service in respect of any aspect of an insolvency practice, including acting as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager;
- (c) a fee for the administration of trusts or estates, which by statute or tradition, are based on a percentage of realizations, assets under administration, or both; or

- (d) *a fee that is agreed to at the time of billing, commonly referred to as a value billing, that is based on criteria which include:*
- i. the level of training and experience of the persons engaged in the work;*
 - ii. the time expended by the persons engaged in the work;*
 - iii. the degree of risk and responsibility which the work entails;*
 - iv. the priority and importance of the work to the client; and*
 - v. the value of the work to the client.*

“cross-referenced” has the meaning set out in the bylaws and regulations of CPA Ontario.

“employer” means an individual or organization that

- (a) *enters into an arrangement, whether in relation to a contract or other de facto employment relationship, with a member for the provision of professional services by a member, or*
- (b) *obtains professional services from a member other than a firm, whether the services are provided with or without remuneration.*

and “employee”, “employ” and “employment” and any other related words have corresponding meanings.

“firm” has the meaning set out in the bylaws and regulations of CPA Ontario.

“generally accepted standards of practice of the profession” refers to the body of principles and practices which have been recognized by the profession and which address how professional services are to be performed and the applicable criteria to be applied when performing these services, including:

- (a) *appropriate financial reporting frameworks;*
- (b) *generally accepted auditing, assurance and related services standards such as are set out in the CPA Canada Handbook- Assurance;*
- (c) *standards that are established by any governing legislation or regulation, the application of which are required in particular circumstances; and*
- (d) *other standards that are recognized as established standards applying to a particular area of professional service that is provided by the member or firm, the application of which are appropriate in particular circumstances.*

“member” is a member, whether or not in good standing, of CPA Ontario as defined in CPA Ontario’s bylaws. Members are referred to as “registrants” by some other provincial bodies.

“professional colleague” has the meaning set out in the bylaws and regulations of CPA Ontario.

“professional service” means a service or activity of a member or firm, whether undertaken for remuneration or not, where the public or a professional colleague is entitled to rely on membership or registration with CPA Ontario as giving the member or firm particular competence and requiring due care, integrity and an objective state of mind. For greater certainty, in this context, the public includes, but is not limited to clients, employers and not-for-profit or other organizations.

“provincial body” has the meaning set out in the bylaws and regulations of CPA Ontario.

“public accounting” has the meaning set out in CPA Ontario bylaws definitions “practice of public accounting” and “providing accounting services to the public”.

“rebuttable presumption” means a presumption that will be deemed to be valid or true until adequate evidence to the contrary is produced. A presumption is rebutted when the actual facts are found to be different than the presumption assumes.

“related business or practice” has the meaning set out in the bylaws and regulations of CPA Ontario.

100 PROFESSIONAL GOVERNANCE

101 Compliance with governing legislation, bylaws, regulations and the CPA Code

RULES:

- 101.1** (a) *All members and firms, regardless of their jurisdiction of residence or operation, shall comply with the CPA Code.*
- (b) *All members and firms regardless of their jurisdiction of residence or operation, shall comply with:*
- (i) *legislation, bylaws, and regulations of CPA Ontario, as they may be approved and in force from time to time; and*
- (ii) *any order or resolution of the Council, or any order of any officer, agent, tribunal, committee or other authoritative body acting on behalf of CPA Ontario, made under legislation or bylaws.*
- (c) *Notwithstanding the provisions of paragraph (a) and (b), if a member or firm is prohibited by law from complying with any part of the bylaws, regulations and the CPA Code, the member or firm shall comply with all other parts of those governing documents.*
- (d) *Where a member holds membership in or a firm is registered with CPA Ontario and another professional body, whether in Canada or elsewhere, and there is a conflict between the requirements of CPA Ontario and the other professional body, the member or firm shall comply with the requirement that establishes the more stringent requirement.*
- 101.2** *Members or firms who identify that they have breached the CPA Code shall:*
- (a) *take whatever action might be appropriate or required by law, as soon as possible, to satisfactorily address the consequences of any such breach; and*
- (b) *evaluate whether the breach is such that it needs to be reported to CPA Ontario, and if so, report it promptly.*

GUIDANCE – Rule 101

- 1 Rule 101.1 applies to all members and firms, regardless of their jurisdiction of residence or operation. It also applies to all activities undertaken by a member or firm, whether professional or not, unless a provision of the CPA Code specifies otherwise.
- 2 The requirement for members and firms to comply with legislation, bylaws, regulations and the CPA Code serves the public interest. Rules 101.2 and 102 require members and firms to report to CPA Ontario, specific matters pertaining to their own conduct. Rule 211 requires members and firms to report, to CPA Ontario, specific matters in relation to the conduct of other members or firms.
- 3 However, members and firms also have an obligation to take appropriate action to address breaches of the CPA Code for which they themselves are responsible, as set out in Rule 101.2.

When such a breach has occurred, members or firms are required to take appropriate action which satisfactorily addresses the consequences of the breach or may be required by law. Such action may include notifying those who may have been affected by the breach and when the breach is such that it diminishes the reputation of the profession or fails to serve the public interest, members and firms are also required to notify CPA Ontario of the breach.

- 4 Those who are affected by a breach described in Rule 101.2 may decide to pursue legal action against a member or firm. In case such action is taken, insured members or firms should contact their insurance provider once a breach has been identified. Failing to do so may invalidate insurance coverage, thus exposing the affected party to the risk that coverage will be denied. It is also simply prudent from a personal liability perspective to discuss such possible claims with one's insurer as soon as possible.
- 5 Members and firms are reminded that legislation or bylaws, or both, in their jurisdiction are likely to provide that the coming into force of new legislation, bylaws, regulations, the CPA Code or other governing documents does not relieve members or firms from the obligation to have been compliant with the former legislation, bylaws, regulations, codes or other governing documents, nor does it relieve a member's or firm's obligation to comply with any order issued by or on behalf of CPA Ontario or its predecessors under the former legislation, bylaws, regulations, codes or other governing documents.

102 Matters to be reported to CPA Ontario

RULES:

102.1 *Illegal activities*

Members or firms shall promptly notify CPA Ontario after having been, in any jurisdiction:

- (a) convicted of an offence of fraud, theft, forgery, money-laundering, extortion, counterfeiting, criminal organization activities, charging criminal interest rates, financing terrorism or similar offences related to financial matters or convicted of an offence of conspiring or attempting to commit such offences;
- (b) convicted of any other serious criminal offence that is not related to financial matters but which involves conduct that is of such a nature that it diminishes the good reputation of the profession or fails to serve the public interest;
- (c) convicted of any criminal offence that is a repeat offence;
- (d) found guilty of a violation of the provisions of any securities legislation or having entered into a settlement agreement with respect to such matters;
- (e) found guilty of a violation of the provisions of any tax legislation that involves, explicitly or implicitly, dishonesty on the part of the member or firm, or having entered into a settlement agreement with respect to such matters; or
- (f) discharged absolutely or upon condition after pleading guilty to or being found guilty of an offence described in (a), (b), (c), (d) or (e) above.

102.2 *Other provincial bodies*

Members or firms shall promptly notify CPA Ontario after having, in relation to a disciplinary or similar process of any provincial body:

- (a) been found guilty, of a failure to comply with the requirements of that provincial body;
- (b) entered into a settlement agreement with that provincial body with respect to a matter referred to in (a); or
- (c) voluntarily deregistered or resigned from membership in that provincial body, where permitted to do so, in order to resolve a disciplinary matter.

102.3 *Other professional regulatory bodies*

Members or firms shall promptly notify CPA Ontario after having, in any jurisdiction in relation to a disciplinary or similar process of another professional regulatory body:

- (a) been found guilty of a failure to comply with the requirements of that professional regulatory body;
- (b) entered into a settlement agreement with that professional regulatory body with respect to a matter referred to in (a); or
- (c) resigned from membership in or voluntarily deregistered from that professional regulatory body, where permitted to do so, in order to resolve a disciplinary matter.

102.4 Other regulatory bodies

Members or firms shall promptly notify CPA Ontario after having, in any jurisdiction in relation to a disciplinary or similar process of a regulatory body other than a provincial body or professional regulatory body where the matter involves acting in a professional capacity, relates to professional skills or involves circumstances where there was reliance on membership in or association with any provincial body:

- (a) *been found guilty of a failure to comply with the requirements of that other regulatory body; or*
- (b) *entered into a settlement agreement with that other regulatory body with respect to a matter referred to in (a).*

GUIDANCE - Rule 102

- 1 Rules 102.1(a), 102.1(c), 102.1(d), 102.2 and 102.3 identify certain matters which must be reported to CPA Ontario by members and firms.
- 2
 - (a) Rules 102.1(b), 102.1(e) and 102.4 identify matters where a decision as to whether the matter should be reported to CPA Ontario requires the exercise of professional judgment.
 - (b) Compliance with Rule 102.1(b) will require the exercise of professional judgment to determine whether a serious criminal offence diminishes the good reputation of the profession or fails to serve the public interest.
 - (c) With respect to Rule 102.1(e), in some cases a violation of tax legislation may be very technical in nature or may be the result of an unintentional oversight. In addition, there may be occasions when an aggressive tax filing position does not withstand a challenge by taxation authorities and is found by the courts to be in contravention of tax legislation. Such situations may not explicitly involve dishonesty but will require the exercise of professional judgment to decide whether they implicitly involve dishonesty and must be reported.
 - (d) Compliance with Rule 102.4 will also require the exercise of professional judgment to determine whether a breach of the requirements of another regulatory body is a matter that involves acting in a professional capacity, relates to professional skills, or involves reliance on membership or registration in or association with any provincial body.
- 3 Members or firms faced with a decision as to whether a matter is reportable are expected to exercise professional judgment and to be prepared to demonstrate how professional judgment was exercised, should it later be called into question. Therefore, it would be prudent to obtain legal advice, document the rationale behind a decision that a matter need not be reported and, if doubt remains, report the matter to CPA Ontario.
- 4 It is particularly important that the conduct of members and firms in a matter that involves acting in a professional capacity, relates to professional skills, involves reliance on membership, registration or association with any provincial body, or which diminishes the good reputation of the profession or fails to serve the public interest, is subject to scrutiny. Accordingly, members and firms are required to report offences of fraud, theft, forgery, money-laundering, extortion, counterfeiting, criminal organization activities, charging criminal interest rates, financing terrorism and similar offences related to financial matters, including offences involving a violation of any of the provisions of securities legislation.

- 5 There may also be occasions when a criminal offence is of such a nature that the conduct of a member or firm has diminished the good reputation of the profession or fails to serve the public interest, even though the offence may appear to be unrelated to the profession. Many such offences may still be serious and, accordingly, the member or firm should evaluate the breach against the requirements of the Rules and in particular, Rule 201.1. Any such matters which do not meet those requirements must also be reported to CPA Ontario.
- 6 In addition, when a member or firm repeats a criminal offence that might not otherwise be reportable, such repeat offences must also be reported to CPA Ontario.
- 7 Members and firms may hold membership or registration with more than one provincial body. In order to properly protect the public across jurisdictions, where a member or firm has been found guilty by or entered into a settlement agreement with one provincial body, the member or firm must report that finding or settlement agreement to any other provincial body in which membership or registration is held. In addition, some provincial bodies permit the voluntary deregistration or resignation of members or firms in order to resolve a disciplinary proceeding; in these cases, the member or firm must also report such voluntary deregistrations or resignations to any other provincial body in which membership or registration is held.
- 8 Conduct which results in a breach of the requirements of another professional regulatory body is likely to diminish the good reputation of the profession or otherwise breach the CPA Code. Such breaches must be evaluated by CPA Ontario against the requirements of the CPA Code and therefore, all such matters must be reported. Reporting of these matters is required whether they were addressed through a settlement agreement with or by a finding of guilt by the professional regulatory body.
- 9 A “professional regulatory body” is a body that sets and maintains standards of qualification, attests to the competence of the individual practitioner, develops skills and standards of the profession, sets a code of ethical standards and enforces its professional and ethical standards. Such a body has power to compel a person to appear and answer to disciplinary actions relating to compliance with its standards. Examples of professional regulatory bodies include, but are not limited to, bodies that regulate the accounting, legal, actuarial, investment, real estate, engineering and financial planning professions.
- 10 Conduct which results in a breach of the requirements of any other regulatory body may also breach the CPA Code. In such situations, the member or firm should exercise professional judgment to determine whether such a breach is a matter that involves acting in a professional capacity, relates to professional skills, or involves reliance on membership, registration or association with any provincial body. The breach must be evaluated against the requirements of the CPA Code and in particular Rule 201.1, and any such matters which do not meet those requirements must be reported to CPA Ontario. Reporting of these matters is required whether they were addressed through a settlement agreement with or by a finding of guilt by the other regulatory body.
- 11 A “regulatory body” is a body that has power to compel a person to appear and answer to charges relating to compliance with its requirements. In this context, such a regulatory body’s requirements include legislation that it is empowered to enforce, whether against its own members or the public generally, codes of ethics, bylaws, regulations, professional or practice requirements and similar standards. Examples of regulatory bodies include, but are not limited to, bodies that regulate competition, election, gaming, human rights, environmental protection and health and occupational safety.
- 12 In applying Rules 102.1 through 102.4, the words “guilt” and “guilty” include findings by a regulatory body of a contravention, breach, violation, infringement and other similar term

in relation to failures to comply with its requirements. Additionally, the imposition of a requirement or restriction on a member or firm by a regulatory body is equivalent to “guilt”. However, administrative orders for penalties such as late filing penalties from tax assessments or reassessments or interim cease trade orders of a securities regulator do not constitute findings of guilt.

- 13** Members and firms are reminded that confidentiality agreements with respect to matters described in Rule 102.1 through 102.4 do not provide an exemption from the reporting requirements of the CPA Code.

103 False or misleading applications

RULE:

A member or firm shall not sign or associate with any letter, report, statement or representation relating to any application to CPA Ontario which the member or firm knows, or should know, is false or misleading.

104 Requirement to co-operate

RULES:

- 104.1** *A member or firm shall co-operate with the regulatory processes of CPA Ontario.*
- 104.2** *A member or firm shall:*
- (a) promptly reply in writing to any communication from CPA Ontario in which a written reply is specifically required;*
 - (b) promptly produce documents when required to do so by CPA Ontario; and*
 - (c) attend in person in the manner requested when required to do so by CPA Ontario in relation to the matters referred to in Rule 104.1.*

GUIDANCE – Rule 104

- 1** The regulatory processes of CPA Ontario include practice inspections, investigations into professional conduct, disciplinary or other hearings, admission, registration, readmission or re-registration, revocation, and appeals of any decisions resulting from the aforementioned processes.
- 2** Lack of co-operation includes attempts to delay, mislead or misdirect CPA Ontario by concealing relevant information, providing false, incomplete or misleading statements or information, failing to respond to communications or otherwise obstructing the regulatory processes of CPA Ontario. Lack of co-operation does not include good faith assertions of legal privilege.
- 3** The requirement for prompt written replies and production of documents contemplates the establishment of a reasonable timeframe to respond to the request. Requests for reasonable extensions will not normally be refused; however, repeated requests without adequate grounds will be refused.
- 4** Requirements for attendance in person may be modified by agreement between CPA Ontario and the member or firm to provide reasonable accommodations. However, repeated requests for alternative accommodations without adequate grounds will be refused.
- 5** Subject to the agreement of CPA Ontario, the requirement to attend in person may include attendance by teleconference, videoconference or other means.
- 6** The requirement to co-operate with CPA Ontario includes a requirement to co-operate with officers, staff, volunteers or agents acting on behalf of CPA Ontario in matters described in Rules 104.1 and 104.2.

105 Hindrance, inappropriate influence and intimidation

RULES:

- 105.1** *A member or firm shall not, directly or indirectly hinder any regulatory process of CPA Ontario or otherwise attempt to exert inappropriate influence or pressure on the outcome of a regulatory matter of CPA Ontario.*
- 105.2** *A member or firm shall not threaten or intimidate a complainant, witness, or any other person related to a regulatory matter of CPA Ontario nor shall a member or firm threaten or intimidate officers, staff, volunteers or agents acting on behalf of CPA Ontario.*

GUIDANCE – Rule 105

- 1 Rule 105.1, which prohibits hindering or otherwise exerting inappropriate influence on the outcome of a specific regulatory matter, explicitly includes a reference to “inappropriate influence or pressure”. The rule is not intended to prevent members or firms from taking appropriate steps to advocate for or defend themselves or another member or firm before the appropriate regulatory decision-making body within CPA Ontario or the courts. Further, another member or firm may act as an expert or other witness, provide letters of reference, or appear before the appropriate regulatory decision-making body within CPA Ontario as the representative of the member or firm.
- 2 Without limiting the generality of the Rule, in particular, when a complaint has been made against a member or firm, the requirements of Rule 105.2 apply to any communication that the member or firm has with the complainant. Any such communication must meet the requirements of Rule 105.2 and should ordinarily be limited to only those matters that must be addressed to continue to serve the interests of the complainant.

200 PUBLIC PROTECTION

201 Maintenance of the good reputation of the profession

RULES:

- 201.1** *A member or firm shall act at all times with courtesy and respect and in a manner which will maintain the good reputation of the profession and serve the public interest.*
- 201.2** *There is a rebuttable presumption that a member or firm has failed to maintain the good reputation of the profession or serve the public interest when the member or firm is charged under Rule 201.1 on account of any matter referred to in Rule 102.1(a), (c), (d) and (e) and a certified copy of a document which provides proof of guilt in respect of such matters is filed with the discipline committee. For purposes of this Rule, documents which provide proof of guilt include a certificate of conviction, order, decision, settlement agreement which includes an admission of guilt or other similar relevant document.*
- 201.3** *There is a rebuttable presumption that a member or firm has failed to maintain the good reputation of the profession or serve the public interest when the member or firm is charged under Rule 201.1 on account of a matter referred to in Rule 102.2 where the resolution of the matter includes:*
- (a) *a finding of guilt by, or a settlement agreement with, another provincial body or another designated body under the Public Accounting Act, 2004, and the member or registration of the firm was suspended, revoked, expelled, or deregistered voluntarily in order to resolve a disciplinary matter, or when restrictions were placed on practice rights, or a former member was barred from readmission; or*
 - (b) *a finding of guilt by, or an admission of guilt by the member or firm to, another provincial body or another designated body under the Public Accounting Act, 2004, that Rule 201.1 was breached by the member or firm;*
- and a certified copy of the order, decision, settlement agreement or other relevant document from the other provincial body is filed with the discipline committee.*

GUIDANCE - Rule 201

Compliance with regulatory legislation

- 1 Provincial as well as federal legislation often requires licensing and may govern activities such as public accounting, dealing in securities, mortgage brokering, real estate brokering, practising law, acting as an employment agency, and handling trust monies.
- 2 A member or firm should be cognizant of and comply with the provisions of any legislative requirements pertaining to any of the member's or firm's professional services.
- 3 In Ontario, various pieces of legislation have application to a member's activities. The most notable example is the *Public Accounting Act, 2004*.

Public Accounting Act, 2004

All members and firms who are engaged in the practice of public accounting in Ontario, whether full or part-time, should be familiar with the provisions of the *Public Accounting Act, 2004* and the public accounting licencing requirements set out in CPA Ontario's bylaws and regulations.

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Criticism of the work of other professionals

- 4 In the course of performing professional services, a member or firm may on occasion criticize the work of another professional; such criticism may be direct, or may be implied by material adjustments to a client's accounts considered necessary to correct work performed by the other professional. It may be, however, that there are facts or explanations known to the other professional concerned which could have a bearing on the matter.
- 5 Unless limited or restricted in writing by the terms of the engagement, it is recommended that the member or firm first communicate any proposed criticism to the other professional involved so that any eventual criticism takes into account all the available information. This is a step dictated by considerations both of professional courtesy and simple prudence.
- 6 Paragraphs 4 and 5 apply to criticisms of a general nature as well as to criticisms of specific professional work of another professional.
- 7 Paragraph 5 does not apply to a member or firm bringing to the attention of the professional conduct committee any apparent breach of the CPA Code or any instance involving doubt as to the competence, integrity or capacity to practise of a member or firm, as required by Rule 211.

Resignation/termination of auditors

- 8 Statutory provisions with regard to auditors form a very important part of legislation. The whole background of corporation legislation makes it clear that the auditor fulfils an essential statutory and independent function and assumes statutory duties when accepting an appointment. As a general rule, the proper course for an appointed auditor to follow is the completion of the auditor's statutory duties; having been appointed by the shareholders, the auditor has a duty to them and should report as required in the legislation. The auditor should cease to act on behalf of a client only after a successor has been properly appointed and the auditor has been relieved or disqualified. The auditor should never lightly resign an appointment before reporting and should not resign at all before reporting if there is reason to suspect that the auditor's resignation is required by reason of any impropriety or concealment, upon which it is the auditor's duty to report. Subject to that general statement, however, there may be exceptional circumstances in a particular case which would justify the auditor's resignation. This will be a matter of individual judgment in each case.
- 9 A duly appointed auditor's appointment may be terminated or the auditor may be asked to resign at the request of a board of directors before fulfilling the auditor's statutory duties. When the auditor's appointment is terminated before completing the audit, the auditor may still have a requirement to report under legislation or regulation.
- 10 An auditor should not voluntarily cease to act on behalf of a client after commencement of an audit engagement except for good and sufficient reason. Reasons may include:
 - loss of trust in the client;
 - the fact that the auditor is in a situation where the auditor's independence or objectivity could reasonably be questioned; or
 - inducement by the client to perform illegal, unjust or fraudulent acts.

When an auditor's appointment is terminated or an auditor is asked to resign or is contemplating resignation, it would be prudent for the auditor to consider obtaining legal advice.

202 Integrity and due care and Objectivity

RULES:

202.1 Integrity and due care

A member or firm shall perform professional services with integrity and due care.

202.2 Objectivity

A member or firm shall not allow his or her professional or business judgment to be compromised by bias, conflict of interest or the undue influence of others.

GUIDANCE - Rule 202

- 1 A person who acts with honesty and truthfulness and whose actions, values and principles are consistent is described as having integrity.
- 2 Objectivity is a state of mind, which has regard to all considerations that are relevant but disregards those that are not. An objective person does not allow bias, conflict of interest or the influence of others to compromise judgment. The judgment of an objective person is intellectually honest. Objectivity should not be confused with neutrality or impartiality.
- 3 Objectivity and integrity are two of the five fundamental principles of ethics, as stated in the Preamble to the CPA Code. These two principles are closely related and they are essential ethical elements in establishing the credibility of a member or firm. Objectivity is essential for any member or firm to exercise professional judgment and act with integrity whether in public practice or elsewhere.

Professional Services and fiduciary duty

- 4 Members are reminded that they may also be performing professional services when serving in the capacity of a volunteer and, accordingly, are subject to the requirement for objectivity when acting in that capacity.
- 5 Members and firms have duties to those to whom they provide professional services that arise from the nature of the relationships with the recipients of the services. Members and firms have a professional duty to act with integrity and due care and a contractual duty to provide services as defined by the terms of their engagement or employment. In certain cases, the relationship between a member or firm and those to whom they provide professional services could also be one that the courts describe as a fiduciary relationship that gives rise to fiduciary duties.

Depending on the particular facts and circumstances, members who are employees may have a fiduciary relationship with their employers.

The concepts of fiduciary relationship and fiduciary duty are derived from the law of trusts. The obligations of a fiduciary can be onerous and the implications of being in breach of a fiduciary duty can be significant. If there is any question as to whether a fiduciary relationship exists, legal advice should be obtained.

The public interest

- 6 Clients, employers and the public generally expect that a member or firm bring the qualities of objectivity, integrity and due care to all professional services. It therefore becomes essential

that members or firms will not compromise their professional judgment to the will of others. When a possible ethical conflict arises because another person in an organization overrides the professional judgment of a member, the member or firm should refer to the ethical conflict resolution guidance in the Preamble to the CPA Code.

- 7 Members or firms may be exposed from time to time to situations that place pressures upon objectivity and integrity, and it would be impractical to define all such situations. However, such pressures are subject to powerful countervailing forces and restraints. These forces include liability in law, responsibility to the profession for professional actions and, most importantly, the ingrained resistance of a disciplined professional person to any infringement upon integrity. A member or firm recognizes that credibility and value as a professional depend largely on integrity and objectivity.

Objectivity and advocacy

- 8 The requirement for an objective state of mind does not preclude a member or firm from acting in an advocacy role for a client or from working to advance the best interests of an employer. A member's or firm's effectiveness as an advocate in these cases is based on professional credibility, which is sustained by objectivity and integrity in addition to competence. However, a member or firm must consider the ability to effectively advocate the client's or employer's position, while still maintaining objectivity and integrity. It may be possible to do so when the advocacy role is apparent in the circumstances and the position being advocated is supportable. In any advocacy service, there is a possibility that circumstances may arise which stretch the bounds of performance standards, go beyond sound and reasonable professional or commercial practice or compromise credibility. Such circumstances may pose an unacceptable risk of impairing the reputation of the member, firm, client and/or employer. In those circumstances, the member or firm should consider whether it is appropriate to perform the service.
- 9 When acting as an advocate a member or firm should bear in mind other provisions of the CPA Code, such as Rules 203 and 205. Rule 203 requires a member to sustain professional competence in relation to all professional services provided by the member. Rule 205 provides that a member or firm may not associate with any letter, report, statement or representation which the member or firm knows, or should know, is false or misleading.
- 10 A member or firm, when acting as an advocate, should ensure that such an advocacy role service does not constitute the practice of law.

Practice of public accounting – additional requirements

- 11 In addition to the general requirement to maintain an objective state of mind applicable to all professional services, a member or firm practising public accounting or in a related business or practice must ensure compliance with the specific provisions of the CPA Code in relation to:
- Independence, for certain types of engagement, (Rule 204 – see also paragraph 12 below); and
 - Conflicts of interest (Rule 210).
- 12 The requirement to be objective is not the same as the requirement to be independent pursuant to Rule 204. Objectivity is a state of mind. Independence is not only a state of mind; it also includes the appearance of independence, in the view of a reasonable observer. It is the reasonable observer test that distinguishes “independence” from “objectivity” and that gives the public the necessary confidence that the member or firm can express a conclusion without bias, conflict of interest or the undue influence of others. Rule 204 and the related Guidance provide specific information on the independence requirements in these circumstances.

Continuing assessment of objectivity and integrity

- 13** A member or firm must remain conscious of the need to remain objective and act with integrity in the conduct of all professional services, and must continually assess and manage the risks to objectivity and integrity. In the absence of specific rules, standards or guidance, a member or firm should consider whether another member or firm, without the relationships or influence that have put objectivity or integrity at risk, would have come to the same decision with access to the same information. The member or firm may wish to apply the ethical conflict resolution guidance in the Preamble to the CPA Code in circumstances where difficult decisions may be required. In order to resolve the conflict, it may be necessary to consult with an experienced member or appropriate staff at CPA Ontario.
- 14** A firm is accountable under Rule 502 for a lack of objectivity or integrity of any members and other persons who carry out professional services on behalf of the firm.

203 Professional competence

RULE:

A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member provides professional services or is relied upon because of the member's calling.

204 Independence

DEFINITIONS:

For the purposes of Rules 204.1 to 204.10 and the related Guidance:

“accounting role” means a role in which a person is in a position to or does exercise more than minimal influence over:

- (a) the contents of the client’s accounting records related to the financial statements subject to audit or review by the member or firm; or
- (b) anyone who prepares such financial statements.

“assurance client” means an entity in respect of which a member or firm has been engaged to perform an assurance engagement. In the application of Rule 204.4(1) to (12) “assurance client” includes its related entities, and the reference to an assurance client, a client or an entity that is an assurance client shall be read as including all related entities of the assurance client, client or entity as the case may be.

“assurance engagement” means an assurance engagement as contemplated in the CPA Canada Handbook – Assurance. For the purpose of Rule 204.4, “assurance engagement” also includes a specified auditing procedures engagement as contemplated by the CPA Canada Handbook – Assurance.

“audit client” means an entity in respect of which a member or firm has been engaged to perform an audit of the financial statements. In the application of Rule 204.4(1) to (12) “audit client” includes its related entities, and the reference to an assurance client, a client or an entity that is an audit client shall be read as including all related entities of the assurance client, client or entity as the case may be.

“audit committee” means the audit committee of the entity, or if there is no audit committee, another governance body which has the duties and responsibilities normally granted to an audit committee, or those charged with governance of the entity.

“audit engagement” means an engagement to audit financial statements as contemplated in the CPA Canada Handbook – Assurance.

“audit partner” means a person who is a partner in a firm or a person who has equivalent responsibility, who is a member of the engagement team, other than a specialist or technical partner or equivalent who consults with others on the engagement team regarding technical or industry-specific issues, transactions or events.

“clearly insignificant” means trivial and inconsequential.

“close family member” means a parent, child or sibling who is not an immediate family member.

“direct financial interest” means a financial interest:

- (a) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);
- (b) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control or ability to influence investment decisions;
- (c) owned through an investment club or by a private mutual fund in which the individual participates in the investment decisions.

“engagement period” means the period that starts at the earlier of the date when the member or firm signs the engagement letter or commences procedures in respect of the engagement and ends when the assurance report is issued, except when the engagement is of a recurring nature, in which case the engagement period ends with

- (a) notification by either the client or the firm that the professional relationship has terminated or the issuance of the final assurance report, whichever is later, or
- (b) in the case of an audit engagement for a reporting issuer or listed entity, notification by either the client or the firm to the relevant Securities Commission that the audit client is no longer an audit client of the firm.

“engagement quality control reviewer”, often referred to as reviewing, concurring or second partner, means the audit partner or other person in the firm who, prior to issuance of the audit report, provides an objective evaluation of the significant judgments made and conclusions reached by the members of the engagement team in formulating the report on the engagement.

“engagement team” means:

- (a) each member of the firm performing the assurance engagement;
 - (b) all other members of the firm who can directly influence the outcome of the assurance engagement, including:
 - (i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of, the assurance engagement partner in connection with the performance of the assurance engagement. For the purposes of an audit engagement this includes those at all successively senior levels above the lead engagement partner through to the firm’s chief executive officer;
 - (ii) those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement; and
 - (iii) those who provide quality control for the assurance engagement;
- and
- (c) in the case of an audit client, all persons in a network firm who can directly influence the outcome of the audit engagement.

“financial interest” includes a direct or indirect ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

“financial reporting oversight role” means a role in which a person is in a position to or does exercise influence over:

- (a) the contents of the financial statements subject to audit or review by the member or firm; or
- (b) anyone who prepares the financial statements.

“firm” means a sole practitioner, partnership, professional corporation or association of members who carries or carry on the practice of public accounting, or carries or carry on related activities as defined by the Council. A related business or practice, as defined by CPA Ontario bylaws and regulations, is considered to be part of the firm.

“fund manager” means, with respect to a mutual fund, an entity that is responsible for investing the

mutual fund's assets, managing its portfolio trading and providing it with administrative and other services, pursuant to a management contract.

“immediate family member” means a spouse (or equivalent) or dependant.

“indirect financial interest” means a financial interest beneficially owned through a collective investment vehicle such as a mutual fund, estate, trust or other intermediary over which the beneficial owner has no control or ability to influence investment decisions.

“key audit partner” means:

- (a) an audit partner who is the lead engagement partner;
- (b) the engagement quality control reviewer; and
- (c) any other audit partner on the engagement team who makes important decisions or judgments on significant matters with respect to the audit or review engagement.

“lead engagement partner” means the partner or other person who is responsible for the engagement and its performance, for the report that is issued on behalf of the firm and who, where required, has the appropriate authority from a professional, legal or regulatory body.

“legal service” means any service that may only be provided by a person licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided. If the same service could be provided in Canada by a person who is not a lawyer, such a service is not a legal service for the purpose of this Rule.

“listed entity” means an entity whose shares, debt or other securities are quoted on, listed on or marketed through a recognized stock exchange or other equivalent body, whether within or outside of Canada, other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000. An entity that becomes a listed entity by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a listed entity thenceforward unless and until the entity ceases to have its shares or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (a) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and
- (b) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.

“market capitalization” in respect of a particular fiscal year means the average market price of all outstanding listed securities and publicly traded debt of the entity measured at the end of each of the first, second and third quarters of the prior fiscal year and the year-end of the second prior fiscal year.

“member of a firm” or **“member of the firm”**, as the case may be, means a person, whether or not a member of a provincial body, who is:

- (a) a sole practitioner;

- (b) *a partner, professional employee or student of the firm;*
- (c) *an individual engaged under contract by the firm to provide services that might otherwise be provided by a partner or professional employee of the firm, but does not include an external expert possessing skills, knowledge and experience in a field other than accounting or auditing whose work in that field is used to assist the member or firm in obtaining sufficient appropriate evidence;*
- (d) *an individual who provides to the firm services which are referred to in Rule 204.1 and includes any corporate or other entity through which the individual contracts to provide such services; or*
- (e) *a retired partner of the firm who retains a close association with the firm.*

“mutual fund” means a mutual fund that is a reporting issuer under the applicable Canadian provincial or territorial securities legislation.

“mutual fund complex” means:

- (a) *a mutual fund that has the same fund manager as a client;*
- (b) *a mutual fund that has a fund manager that is controlled by the fund manager of a client; and*
- (c) *a mutual fund that has a fund manager that is under common control with the fund manager of a client.*

“network firm” means an entity that is, or that a reasonable observer would conclude to be, part of a larger structure of co-operating entities that shares:

- (a) *common quality control policies and procedures that are designed, implemented and monitored across the larger structure;*
- (b) *common business strategy that involves agreement to achieve common strategic objectives;*
- (c) *the use of a common brand name, including the use of common initials and the use of the common brand name as part of, or along with, a firm name when a partner of the firm signs an audit or review engagement report; or*
- (d) *professional resources, such as*
 - (i) *common systems that enable the exchange of information such as client data, billing or time records;*
 - (ii) *partners and staff;*
 - (iii) *technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;*
 - (iv) *audit methodology or audit manuals; or*
 - (v) *training courses and facilities,**where such professional resources are significant.*

“office” means a distinct sub-group of a firm, whether organized on geographical or practice lines.

“related entity” means any one of the following:

- (a) *in the case of an engagement to audit the financial statements of a client that is a reporting issuer or listed entity;*

- (i) *an entity over which the client has control;*
 - (ii) *an entity that has control over the client, provided that the client is material to such entity;*
 - (iii) *an entity that has significant influence over the client, provided that the client is material to such entity;*
 - (iv) *an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or*
 - (v) *an entity over which a client has significant influence, provided that the entity is material to the client;*
- (b) *in the case of an engagement to audit or review the financial statements of a client that is not a reporting issuer or listed entity:*
- (i) *an entity over which the client has control; or*
 - (ii) *any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the audit or review of the financial statements of the client:*
 - (A) *an entity that has control over the client, provided that the client is material to such entity,*
 - (B) *an entity that has significant influence over the client, provided that the client is material to such entity,*
 - (C) *an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity, or*
 - (D) *an entity over which a client has significant influence, provided that the entity is material to the client; and*
- (c) *in the case of an assurance engagement that is not an engagement to audit or review the financial statements of a client, any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the assurance engagement:*
- (i) *an entity over which the client has control;*
 - (ii) *an entity that has control over the client, provided that the client is material to such entity;*
 - (iii) *an entity that has significant influence over the client, provided that the client is material to such entity;*
 - (iv) *an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or*
 - (v) *an entity over which a client has significant influence, provided that the entity is material to the client.*

“reporting issuer” means an entity that is defined as a reporting issuer under the applicable Canadian provincial or territorial securities legislation, other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000. An entity

that becomes a reporting issuer by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a reporting issuer thenceforward unless and until the entity ceases to have its shares or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (a) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and*
- (b) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.*

In the case of a reporting issuer that does not have listed securities or publicly traded debt, the definition of reporting issuer shall be read without reference to market capitalization.

“review client” *means an entity in respect of which a member or firm conducts a review engagement. In the application of Rule 204.4(1) to (12) “review client” includes its related entities, and the reference to an assurance client, a client or an entity that is a review client shall be read as including all related entities of the assurance client, client or entity, as the case may be.*

“review engagement” *means an engagement to review financial statements as contemplated in the CPA Canada Handbook – Assurance.*

“specified auditing procedures engagement” *means an engagement to perform specified auditing procedures as contemplated in the CPA Canada Handbook – Assurance.*

“total assets” *in respect of a particular fiscal year means the amount of total assets presented on the third quarter of the prior fiscal year’s financial statements prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange. In the case of an entity that is not required to file quarterly financial statements, total assets in respect of a particular fiscal year means the amount of total assets presented on the annual financial statements of the second previous fiscal year prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange.*

GUIDANCE – Rule 204 Definitions

“clearly insignificant”

Throughout this Rule and Guidance, reference is made to “significant” and “clearly insignificant”. In considering the significance of any particular matter, qualitative as well as quantitative factors should be taken into account. A matter should be considered clearly insignificant only if it is both trivial and inconsequential.

“firm”

The definition of “firm” refers to related activities as defined by the Council. A related activity includes a related business or practice that is cross-referenced with a practice of public accounting or with any other business or practice which is cross-referenced with a practice of public accounting in accordance with CPA Ontario bylaws and regulations.

“key audit partner”

A key audit partner does not include those “specialty” and “technical” partners who consult with others on the engagement team regarding technical or industry-specific issues, transactions or events, including tax matters. In addition, the provisions of Rules 204.4(20)(b) and 204.4(38) do not apply to those partners who, subsequent to the issuance of the audit report, provide quality control for the engagement. Such partners typically have a low level of involvement with senior management as well as a relatively low level responsibility for overall presentation in the financial statements.

A transitional provision has been introduced in relation to the adoption, in 2014, of the term “key audit partner”. This transitional provision will permit a person who was not required to rotate under the previous requirements to serve up to an additional two years in a key audit partner role before rotation is required.

“member of a firm” – retired partner

A retired partner who retains a close association with the firm from which the partner has retired is considered to be a member of the firm for the purposes of Rules 204.1 to 204.10 and the related Guidance. Retired partners may have varying degrees of involvement with the firm. When a retired partner continues to provide administrative or client service for or on behalf of the firm, the partner may be closely associated with the firm. The following factors may indicate that the partner retains a close association with the firm:

- the nature and extent of the retired partner’s client and administrative activities within the firm may be more than clearly insignificant and transitional;
- the retired partner holds a direct or indirect financial interest in the firm, including share-based retirement income that may fluctuate with the firm’s income; and
- the retired partner is held out to be a member of the firm through, for example, having a separate, identified office on the firm’s premises, acting as its spokesperson or representative, using a firm business card or having a listing in the firm’s telephone directory for other than a predetermined period of time following retirement.

When evaluating whether a retired partner has a close association with the firm, consideration should be given to how a reasonable observer would regard the association.

“network firm”

The references to “firms” and “network firms” in Rules 204.1 to 204.10 and this Guidance should be read as referring to those entities themselves and not to the persons who are partners or employees thereof.

Rules 204.1 to 204.4 and their Guidance bring the independence of a network firm into consideration when evaluating the independence of a member or firm for an assurance engagement. It is the member’s or firm’s responsibility to determine whether the network firm and its members have any interests or relationships or provide any services that would create threats to independence.

A firm may participate in a larger structure with other firms and entities to enhance its ability to provide professional services. Whether the agreements and relationships among the firms and entities that are part of such a larger structure are such that any of the firms or entities is a network firm depends on the particular facts and circumstances. The geographic location of the firms and entities, either within or outside of Canada, is irrelevant as to whether such a larger structure exists. Whether the firms and entities are legally separate from each other is not determinative, in and of itself, of whether such a larger structure exists.

Another firm or entity will not be considered to be network firm simply by virtue of the existence of one of the following arrangements between that other firm or entity and the firm itself:

- the sharing of costs that are immaterial to the firm that is performing the particular engagement;
- an association with the other firm or entity to provide a service or develop a product on a joint basis;
- co-operation to facilitate the referral of work or solely to respond jointly to a request for a proposal for the provision of a professional service;
- references on stationery or in promotional materials to an association with other firms or entities that does not constitute a larger structure of co-operating firms or entities as described in the definition of network firm; or
- the use of a common name when an agreement in relation to the sale of a component of a firm or entity provides that each of the transacting firms or entities may use the existing name for a limited period of time.

The definition of a network firm refers to co-operating entities that share significant professional resources. Shared professional resources may be considered to be significant where there is an exchange of people or information, such as where staff is drawn from a shared pool, or a common technical department is created within a larger structure to provide participating firms or entities with technical advice that they are required to follow. Shared professional resources will not be considered to be significant when they are limited to common audit methodology or audit manuals or a shared training endeavour, with no exchange of personnel or client or market information. Similarly, the sharing of costs limited only to the development of such common audit methodology, audit manuals or a shared training endeavour will not be considered to give rise to a network firm relationship.

“related entity”

For the purposes of Rules 204.1 to 204.10, “related entity” is a defined term that is dependent on the nature of the assurance engagement, the nature of the client and the relationship between the client and the other entity. The circumstances in which another entity is defined to be a related entity of an assurance client are outlined below:

Definition reference	Test	Reporting issuer or listed entity client	Audit or review client that is not a reporting issuer or listed entity	Non-audit, non-review assurance client
(a)(i) (b)(i) (c)(i)	The entity is controlled by the client.	Related	Related	Conditional*
(a)(ii)&(iii) (b)(ii) (A)&(B) (c)(ii)&(iii)	The entity has either control or significant influence over the client and the client is material to the entity.	Related	Conditional*	Conditional*
(a)(iv) (b)(ii)(C) (c)(iv)	The entity and the client are both controlled by a second entity and both the client and the first entity are material to the controlling second entity.	Related	Conditional*	Conditional*

Definition reference	Test	Reporting issuer or listed entity client	Audit or review client that is not a reporting issuer or listed entity	Non-audit, non-review assurance client
(a)(v) (b)(ii)(D) (c)(v)	The entity is subject to significant influence by the client and the entity is material to the client.	Related	Conditional*	Conditional*

*An entity referred to in paragraphs (b)(ii)(A) to (D) and (c)(i) to (v) of the definition of “related entity”, as applicable, is a related entity if the engagement team knows or has reason to believe that an activity, interest or relationship involving the other entity is relevant to the evaluation of independence of the member or firm with respect to the assurance engagement. This condition is not intended to require the engagement team to undertake a search for such possible activities, interests or relationships with such entities.

In determining whether significant influence exists members should follow the guidance established in the *CPA Canada Handbook - Accounting*. Ideally, the client’s related entities and the interests and relationships that involve the related entities should be identified in advance.

RULES:**Effective date and transitional provisions****A. Effective date**

Rules 204.1 to 204.10 shall take effect:

- (a) for an assurance engagement in respect of a particular reporting period of a client, for the first reporting period commencing after December 15, 2014; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 15, 2014,

subject to the following transitional provisions, as may be applicable.

B. Provision of litigation support services

The litigation services referred to in 204.4(29)(a) do not include a service that has not been completed before July 1, 2014 where:

- (a) there exists on June 30, 2014 a binding contract for the member or firm to provide the service; and
- (b) the provision of the service by the member or firm would not have contravened the provisions of Rule 204.1 as it read prior to July 1, 2014.

C. Key audit partner rotation

Notwithstanding the requirements of 204.4(20), where the application of the definition of “key audit partner” which takes effect pursuant to the effective date established by A. above has the effect of requiring the rotation of a person who would not have been subject to rotation based on the definition of “audit partner” in effect immediately prior to that effective date, that person may continue to participate in the audit of the financial statements of the particular client up to and including the second fiscal year of the client commencing after December 15, 2014.

D. Rule 204.6 Breach of a provision of Rule 204.3 or 204.4

Rule 204.6 shall take effect:

- (a) for audit or review engagements for fiscal periods beginning after December 15, 2016; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 15, 2016.

E. Rule 204.4(36.1) Contingent Fees

Rule 204.4(36.1) shall take effect:

- (a) for audit or review engagements for fiscal periods beginning after December 15, 2016; and
- (b) for any other assurance engagement and an engagement to issue a report of the results

of applying specified auditing procedures where the engagement is commenced after December 15, 2016.

GUIDANCE

- 1 Paragraph D above refers to an effective date of December 15, 2016 for Rule 204.6 Breach of a provision of Rule 204.3 or 204.4. Until that Rule is effective, members and firms should continue to refer to the following pre-existing guidance in the CPA Code related to inadvertent breaches.

Guidance to Rule 204.1 to 204.3, paragraph 27;

- 27 The ongoing evaluation and disposition of threats to independence should be supported by evidence obtained both before accepting an engagement and while it is being performed. The obligation to make such evaluation and take action arises when a member of a firm or network firm knows, or should reasonably be expected to know, of circumstances or relationships that might impair independence. There may be occasions when a member, a firm or a network firm is inadvertently in breach of a provision of this Rule. If such an inadvertent breach occurs, it would generally not impair independence for the purposes of Rules 204.1 to 204.10, provided the firm had appropriate quality control policies and procedures in place to promote independence and, once discovered, the breach was corrected promptly and any necessary safeguards were applied. An inadvertent breach would include a situation where the member did not know of the circumstances that created the breach.

Guidance to Rule 204.4(1) to (6), paragraph 11;

- 11 An inadvertent breach of the provisions of Rules 204.4(1) to (6) and 204.4(10) to (12), would not impair the independence of the member of the firm or the firm when:
- the firm has established policies and procedures that require a network firm and all members of the firm to report promptly any breaches resulting from the purchase, inheritance or other acquisition of a financial interest in the assurance client;
 - the firm promptly notifies the network firm or the member of the firm that the financial interest should be disposed of; and
 - the disposal occurs at the earliest practical date after identification of the issue, but no later than 30 days after the person has both the knowledge of the financial interest and the right or ability to dispose of it, or the person is removed from the engagement team.

Guidance to Rule 204.4(14) and (15), paragraphs 7 and 8

- 7 An inadvertent breach of the provisions of Rules 204.4(14) or (15) as they relate to family and personal relationships would not impair the independence of the member of the firm, or the firm, when:
- the firm has established policies and procedures that require all members of the firm to report promptly to the firm any breaches resulting from changes in the employment status of their immediate or close family members or other personal relationships that create a threat to independence;
 - either the responsibilities of the engagement team are restructured so that the person on the engagement team does not deal with matters that are within the responsibility of the person with whom he or she is related or has a personal

- relationship, or, if that is not possible, the firm promptly removes that person from the engagement team; and
- additional care is given to reviewing the work of the particular person on the engagement team.
- 8 When an inadvertent breach of the provisions of Rules 204.4(14) or (15) relating to family and personal relationships has occurred, the firm should consider whether, and if so which, safeguards should be applied. Such safeguards might include:
- involving another member of the firm who is not, and never was, on the engagement team to review the work done by the person on the engagement team; or
 - excluding that person from any substantive decision-making concerning the assurance engagement.

Members and students are reminded that Rule 204.7 requires a member or student who has a relationship that is precluded by this Rule to advise in writing a designated partner of the firm of the relationship. Inadvertent breaches are also discussed in paragraph 27 of the Guidance to Rules 204.1 to 204.3.

- 2 Paragraph E above refers to an effective date of December 15, 2016 for Rule 204.4(36.1) – Independence - Contingent Fees. Members and firms should continue to refer to the provisions of Rules 215.1 and 215.2 and their related Guidance.

New August 26, 2016: Paragraphs D and E with related Guidance paragraphs 1 and 2

RULES:**204.1 Assurance and Specified Auditing Procedures Engagements**

A member or firm who engages or participates in an engagement:

- (a) *to issue a written communication under the terms of an assurance engagement; or*
- (b) *to issue a report on the results of applying specified auditing procedures;*

shall be and remain independent such that the member, firm and members of the firm shall be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or a member of the firm.

204.2 Compliance with Rule 204.1

A member or firm who is required to be independent pursuant to Rule 204.1 shall, in respect of the particular engagement, comply with the provisions of Rules 204.3 and 204.4.

204.3 Identification of Threats and Safeguards

A member or firm who is required to be independent pursuant to Rule 204.1 shall, in respect of the particular engagement, identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to reduce the threats to an acceptable level. Where safeguards are not available to reduce the threat or threats to an acceptable level, the member or firm shall eliminate the activity, interest or relationship creating the threat or threats, or refuse to accept or continue the engagement.

GUIDANCE – Rules 204.1 to 204.3**Introduction**

- 1 It is a fundamental principle of the practice of Chartered Professional Accountancy that a member who provides assurance services shall do so with unimpaired professional judgment and objectivity, and shall be seen to be doing so by a reasonable observer. This principle is the foundation for public confidence in the reports of assurance providers.
- 2 The confidence that professional judgment has been exercised depends on the unbiased and objective state of mind of the reporting accountant, both in fact and appearance. Independence is the condition of mind and circumstance that would reasonably be expected to result in the application by a member of unbiased judgment and objective consideration in arriving at opinions or decisions in support of the member's report. A member or firm is not considered to be independent if the member or firm does not comply with the provisions of Rules 204.1 to 204.4.
- 3 Rule 204.1 provides that a member or firm who engages or participates in an engagement:
 - to issue a written communication under the terms of any assurance engagement; or
 - to issue a report on the results of applying specified auditing procedures;must be independent of the client. Independence requires the avoidance of situations which

impair the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair that professional judgment or objectivity.

- 4 Rule 204.2 provides that a member or firm, who is required to be independent pursuant to Rule 204.1 in respect of a particular engagement, must comply with Rules 204.3 and 204.4.
- 5 Rule 204.3 provides that a member or firm must identify and evaluate threats to independence and, if they are not clearly insignificant, identify and apply safeguards to reduce them to an acceptable level. Where safeguards are not available to reduce the threats to an acceptable level the member or firm must eliminate the activity, interest or relationship creating the threats, or refuse to accept or continue the engagement.

Rule 204.4 describes circumstances and activities which members and firms must avoid when performing assurance and specified auditing procedure engagements because adequate safeguards will not exist that will, in the view of a reasonable observer, eliminate the threat or reduce it to an acceptable level, as required by Rule 204.3. The requirements to avoid these circumstances and activities are referred to as “prohibitions.”
- 6 Rule 204.5 requires the member or firm to document compliance with Rules 204.3, 204.4(24)(b), 204.4(34)(b), 204.4(35) and 204.4(40).
- 7 Rule 204.7 provides that a member or student must disclose breaches of the CPA Code to a designated partner in the firm. It also provides that, when a member or student has been assigned to an engagement team, the member or student must disclose to a designated partner any interest, relationship or activity that would preclude the member or student from being on the engagement team.
- 8 Rule 204.8 provides that a firm must ensure that members of the firm comply with Rule 204.4. The Rule provides that a firm may not permit any member of the firm to have a relationship with or an interest in an assurance client, or provide a service to an assurance client, which is precluded by Rule 204.
- 9 This Guidance describes a conceptual framework of principles that members and firms should use to identify threats to independence and evaluate their significance. If the threats are other than clearly insignificant, the member or firm should identify available safeguards. Some safeguards may already exist within the structure of the firm or the client, while others may be created by the action of the member, firm or client. Safeguards should be identified and, where applicable, applied to eliminate the threats or reduce them to an acceptable level. Members should exercise professional judgment to determine which safeguards to apply and whether the safeguards will permit the member or firm to accept or continue the engagement.
- 10 The effectiveness of safeguards largely depends on the culture of the particular firm. Therefore, the Council encourages leaders of firms to stress the importance of compliance with Rule 204 and emphasize the expectation that members of the firm will act in the public interest. In doing so, firms should create and monitor effective policies and procedures designed to preserve the independence of the firm and its partners and employees when required by Rule 204.
- 11 The specific circumstances and examples presented herein are intended to illustrate the application of the principles; they are not, nor should they be interpreted as, an exhaustive list of all circumstances that may create a threat to independence. Consequently, it is not sufficient for a member or a firm merely to comply with the specific circumstances and examples presented. Rule 204.3 requires that they apply the principles to any particular circumstance encountered, whether or not the examples used in the Guidance, or the prohibitions set out in Rule 204.4, reflect those circumstances.

- 12 Specific circumstances and relationships that may create threats to independence are described together with safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level in each circumstance. While the specific circumstances and examples relate to the audit or review of financial statements and other assurance engagements, they also apply to engagements to issue a report on the results of applying specified auditing procedures as required by Rule 204.1(b).
- 13 This Guidance sets out how, in the Council's opinion, a reasonable observer might view certain situations in the application of Rule 204.1 to 204.10. The reasonable observer is a hypothetical individual who has knowledge of the facts which the member knew or ought to have known, including the safeguards applied, and who applies judgment objectively, with integrity and due care. Members should also refer to the Preamble to the CPA Code, which provides the rationale for establishing the reasonable observer principle.
- 14 Members are reminded that for the purposes of Rules 204.1 to 204.10, independence includes both independence of mind and independence in appearance. As stated in Rule 204.1, independence requires the absence of any influence, interest or relationship which would impair the professional judgment or objectivity of the member or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member or a member of the firm. Frequently it is appearance of independence, or lack thereof, that poses the greatest challenge. In all situations, members should reflect on the wording of the Rule and Guidance to ensure compliance with the spirit and intent of the Rule and Guidance.
- 15 If, after considering the Rules and this Guidance, members are uncertain as to their correct application, they are encouraged to discuss the matter with partners, professional colleagues or CPA Ontario staff. Members may also request the view of the professional conduct committee.
- 16 Members should also be cognizant of any relevant Canadian or foreign legislation that may preclude a member from accepting or continuing an engagement. Members are cautioned that legislation under which corporations and other enterprises are incorporated or governed may impose differing requirements in respect of independence. Members should satisfy both the requirements of any governing legislation and the CPA Code.

The framework

- 17 The objective of this Guidance is to assist members and firms in:
- identifying and evaluating threats to independence; and
 - identifying and applying appropriate safeguards to eliminate or reduce the threat or threats to an acceptable level in instances where their cumulative effect is not clearly insignificant.

This Guidance also describes those situations referred to in Rule 204.4 where safeguards are not available to reduce a threat or threats to an acceptable level, and the only possible actions are to eliminate the activity, interest or relationship creating them, or to refuse to accept or continue the assurance engagement.

- 18 The use of the word "independence" on its own may create misunderstandings. Standing alone, the word may suggest that a person exercising professional judgment ought to be free from all economic, financial and other relationships. This is impossible, as everyone has relationships with others. Therefore, members should evaluate the significance of economic, financial and other relationships in the light of what a reasonable observer would conclude to be acceptable in maintaining independence.

- 19 In making this evaluation, many different circumstances may be relevant. Accordingly, it is impossible to define every situation that creates a threat to independence and specify the appropriate mitigating action. In addition, because of differences in the size and structure of firms, the nature of assurance engagements and client entities different threats may exist, that require the application of different safeguards. A conceptual framework that requires members and firms to identify, evaluate and address threats to independence, rather than merely comply with a set of specific and perhaps arbitrary rules, is, therefore, in the public interest.
- 20 Based on such an approach, this Guidance describes a conceptual framework of principles for compliance with Rules 204.1 to 204.10. Members, firms and network firms should use this conceptual framework to identify threats to independence, to evaluate their significance and, if they are other than clearly insignificant, to identify and apply safeguards to eliminate them or reduce them to an acceptable level, so that independence in fact and appearance are not impaired. In addition, consideration should be given to whether relationships between members of the firm who are not on the engagement team and the assurance client may also create threats to independence. Where safeguards are not available to reduce threats to an acceptable level, the member, firm or network firm should eliminate the activity, interest or relationship creating the threats, or the member or firm should refuse to accept or continue the particular engagement.
- 21 Rule 204.1 requires members and firms to be independent in fact and in appearance. The requirement to comply with the specific prohibitions set out in Rule 204.4 does not relieve a firm from complying with Rules 204.1 and 204.3 and the need to apply the conceptual framework and determine on a principles-based approach whether or not the firm is independent with respect to all assurance engagements, including audit and review engagements.
- 22 Rule 204.1 and, therefore, the principles in this Guidance apply to all assurance engagements and engagements to issue a report on the results of applying specified auditing procedures. The nature of the threats to independence and the applicable safeguards necessary to eliminate them or reduce them to an acceptable level will differ depending on the particulars of the engagement. Differences in threats and safeguards will arise, for example, if the engagement is an audit or review engagement or another type of assurance engagement; and, in the case of an assurance engagement that is not an audit or review engagement, in the purpose, subject matter and intended users of the report. Members and firms should, therefore, evaluate the relevant circumstances, the nature of the engagement and the entity, the threats to independence and the adequacy of available safeguards in deciding whether it is appropriate to accept or continue an engagement, and whether a particular person should be on the engagement team.
- 23 For audit clients and review clients, the persons on the engagement team, the firm and network firms should be independent of the client. In the case of an assurance engagement where the client is neither an audit nor a review client, those on the engagement team and the firm should be independent of the client. In addition, in the case of an engagement that is not an audit or review engagement, consideration should be given to any threats the firm has reason to believe may be created by the interests and relationships of network firms.

Extent of application or requirement for independence for different types of engagement

- 24 An engagement to report on the results of applying specified auditing procedures is not an assurance engagement as contemplated in the *CPA Canada Handbook - Assurance*. However, for the purposes of Rules 204.1 to 204.10 and this Guidance, the principles contained herein applicable to an assurance engagement, other than an audit or review engagement, also apply to an engagement to report on the results of applying specified auditing procedures. In

so applying those principles, the reference to an assurance client is to be read as a reference to a client where the engagement is to report on the results of applying specified auditing procedures.

- 25** In the case of an assurance report to an assurance client that is not an audit client or a review client where the report is intended only for the use of identified users, as contemplated by the *CPA Canada Handbook – Assurance*, the users of the report are considered to be knowledgeable as to the purpose, subject matter and limitations of the report. Users gain such knowledge through their participation in establishing the nature and scope of the member’s or firm’s engagement, including the criteria by which the particular subject matter is to be evaluated. The member’s or firm’s knowledge and enhanced ability to communicate about safeguards with all the report’s users increase the effectiveness of safeguards to independence in appearance. Therefore, the member or firm may take these circumstances into account when evaluating the threats to independence and considering the applicable safeguards necessary to eliminate them or reduce them to an acceptable level. With respect to network firms, limited consideration of any threats created by their interests and relationships may be sufficient.
- 26** The effect of Rules 204.1 to 204.8 is that:
- for an assurance engagement for a client that is an audit or review client, those on the engagement team, the firm and network firms are required to be independent of the client;
 - for an assurance engagement for a client that is not an audit or review client, when the assurance report is not intended only for the use of identified users, those on the engagement team and the firm are required to be independent of the client; and
- for an assurance engagement for a client that is not an audit or review client, when the assurance report is intended only for the use of identified users, those on the engagement team are required to be independent of the client. In addition, the firm should not have a material direct or indirect financial interest in the client.

Evaluating threats and safeguards

- 27** The ongoing evaluation and disposition of threats to independence should be supported by evidence obtained both before accepting an engagement and while it is being performed. The obligation to make such evaluation and take action arises when a member of a firm or network firm knows, or should reasonably be expected to know, of circumstances or relationships that might impair independence.
- 28** Rule 204.4 describes activities, interests or relationships that create threats to independence that are so significant that there are no safeguards available to reduce them to an acceptable level and, accordingly, prohibits the provision of assurance services, as specified, in conjunction with such activities, interests or relationships. Rules 204.1 to 204.8 and this Guidance also describe the threats to independence and analyze safeguards that may be capable of eliminating them or reducing them to an acceptable level. They conclude with some examples of how the conceptual framework to independence is to be applied to specific circumstances and relationships and the relevant threats and safeguards. The examples are not all inclusive. Professional judgment should be used to determine whether appropriate safeguards exist to eliminate all threats to independence or to reduce their cumulative effect to an acceptable level. In some examples, it may be possible to eliminate the threat or reduce it to an acceptable level by the application of safeguards. In some other examples, the threat or threats to independence will be so significant that the only possible actions are to eliminate the activity, interest or relationship creating the threat or threats, or to refuse to accept or continue the engagement.

- 29** When a member or firm identifies a threat to independence that is not clearly insignificant, and the member or firm decides to apply appropriate safeguards and accepts or continues the assurance engagement, the decision should be documented in accordance with Rule 204.5. The documentation should include the following information:
- a description of the nature of the engagement;
 - the threat identified;
 - the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and
 - an explanation of how, in the member or firm's professional judgment, the safeguards eliminate the threat or reduce it to an acceptable level.

Threats to independence

- 30** Independence is potentially affected by self-interest, self-review, advocacy, familiarity and intimidation threats. The mere existence of such threats does not per se mean that the performance of a prospective engagement is precluded. The undertaking or continuation of an engagement is only precluded where safeguards are not available to eliminate or reduce the threats to an acceptable level or where Rule 204.4 provides a specific prohibition.

31 Self-Interest Threats

A self-interest threat occurs when a firm or a person on the engagement team could benefit from a financial interest in, or other self-interest conflict with, an assurance client. Examples of circumstances that may create a self-interest threat include, but are not limited to:

- a direct financial interest or material indirect financial interest in an assurance client;
- a loan or guarantee to or from an assurance client or any of its directors or officers;
- dependence by a firm, office or member on total fees from an assurance client;
- undue concern about the possibility of losing the engagement;
- evaluating performance or providing compensation for selling non-audit services to an assurance client;
- having a close business relationship with an assurance client; and
- potential employment with an assurance client.

32 Self-Review Threats

A self-review threat occurs when any product or judgment from a previous engagement needs to be evaluated in reaching a conclusion on the particular assurance engagement, or when a person on the engagement team was previously an officer or director of the client, or was in a position to exert significant influence over the subject matter of the assurance engagement. Examples of circumstances that may create a self-review threat include, but are not limited to:

- a person on the engagement team being, or having recently been, an officer or director of the client;
- a person on the engagement team being, or having recently been, an employee of the assurance client in a position to exert significant influence over the subject matter of the assurance engagement, or another person having the duties or responsibilities normally associated with such an employee;
- a member or firm performing services for an assurance client that directly affect the subject matter of the engagement; and

- a member or firm preparing original data used to generate financial statements or preparing other records that are the subject matter of the engagement.

33 Advocacy Threats

An advocacy threat occurs when a firm, or a person on the engagement team, promotes, or may be perceived to promote, an assurance client's position or opinion to the point that objectivity may be, or may be perceived to be, impaired. Such would be the case if a person on the engagement team were to subordinate his or her judgment to that of the client, or the firm were to do so. Examples of circumstances that may create an advocacy threat include, but are not limited to:

- dealing in, or being a promoter of, shares or other securities of an assurance client; and
- acting as an advocate for or on behalf of an assurance client in litigation or in resolving disputes with third parties.

34 Familiarity Threats

A familiarity threat occurs when, by virtue of a close relationship with an assurance client, its directors, officers or employees, a firm or a person on the engagement team becomes too sympathetic to the client's interests. Examples of circumstances that may create a familiarity threat include, but are not limited to:

- a person on the engagement team having an immediate or close family member who is an officer or director of the assurance client;
- a person on the engagement team having an immediate or close family member who is in a position to exert significant influence over the subject matter of the assurance engagement;
- a former partner of the firm being an officer or director of the assurance client or in a position to exert significant influence over the subject matter of the assurance engagement;
- the long association of a senior person on the engagement team with the assurance client; and
- the acceptance of gifts or hospitality from the assurance client, its directors, officers or employees, unless the value thereof is clearly insignificant.

35 Intimidation Threats

An intimidation threat occurs when a person on the engagement team may be deterred from acting objectively and exercising professional skepticism by threats, actual or perceived, from the directors, officers or employees of an assurance client. Examples of circumstances that may create an intimidation threat include, but are not limited to:

- the threat of being replaced due to a disagreement with the application of an accounting principle; and
- the application of pressure to inappropriately reduce the extent of work performed in order to reduce or limit fees.

Safeguards

- 36 Members and firms have an ongoing responsibility to comply with Rules 204.1 to 204.10 by taking into account the context in which they practise, the threats to independence and the safeguards which may be available to eliminate the threats or reduce them to an acceptable level. Safeguards fall into three broad categories:

- safeguards created by the profession, legislation or regulation;
- safeguards within the assurance client; and
- safeguards within the firm's own systems and procedures.

37 Safeguards created by the profession, legislation or regulation include the following:

- education, training and practical experience requirements for entry into the profession;
- continuing education programs;
- professional standards;
- external practice inspection;
- disciplinary processes;
- members' practice advisory services;
- participation by members of the public in oversight and governance of the profession; and
- legislation governing the independence requirements of the firm and its members.

38 Safeguards within the assurance client may include the following:

- employees of the client who are competent to make management decisions;
- policies and procedures that emphasize the client's commitment to fair financial reporting;
- internal procedures that ensure objective choices in commissioning non-assurance engagements; and
- an audit committee that provides appropriate oversight and communications regarding a firm's services.

However, it is not possible to rely solely on safeguards within the assurance client to reduce threats to an acceptable level.

39 Where an audit committee does not exist, as is set out in the definition of "audit committee", references in the CPA Code to an audit committee should be interpreted to refer to another governance body which has the duties and responsibilities normally granted to an audit committee or to those charged with governance for the entity. In some cases, this role may be filled by client management personnel. The *CPA Canada Handbook - Assurance* requires members and firms to determine the appropriate person or persons within the entity's governance structure with whom to communicate and establishes requirements for communication on matters relating to independence with such a person or persons.

40 Safeguards within the firm's own systems and procedures may include firm-wide safeguards such as the following:

- firm leadership that stresses the importance of independence and the expectation that persons on engagement teams will act in the public interest;
- policies and procedures to implement and monitor quality control of assurance engagements;
- documented independence policies regarding the identification of threats to independence, the evaluation of their significance and the identification and application of appropriate safeguards to eliminate or reduce the threats, other than those that are clearly insignificant, to an acceptable level;
- internal policies and procedures, including annual reporting by members of the firm, to

- monitor compliance with firm policies and procedures as they relate to independence;
 - policies and procedures that will enable the identification of interests or relationships between the firm or those on the engagement team and assurance clients;
 - policies and procedures to monitor and manage the reliance on revenue received from a single assurance client;
 - internal performance measures that do not put excessive pressure on partners to generate non-assurance revenue from their assurance clients and do not over emphasize budgeted hours;
 - using different partners and teams with separate reporting lines for the provision of non-assurance services to an assurance client;
 - policies and procedures to prohibit members of the firm who are not on the engagement team from influencing the outcome of the assurance engagement;
 - timely communication of a firm's policies and procedures, and any changes thereto, to all members of the firm, including appropriate training and education thereon;
 - designating a member of the firm's senior management as responsible for overseeing the adequate functioning of the safeguarding system;
 - means of advising all members of the firm of those clients and related entities from which they should be independent;
 - an internal disciplinary mechanism to promote compliance with firm policies and procedures; or
 - policies and procedures that empower members of the firm to communicate, without fear of retribution, to senior levels within the firm any issue of independence and objectivity that may concern them.
- 41 Safeguards within the firm's own systems and procedures may include engagement-specific safeguards such as the following:
- involving another person to review the work done or advise as necessary. This person could be someone from outside the firm or network firm, or someone from within who was not otherwise associated with the engagement team. The person should be independent of the assurance client and will not, by reason of the review performed or advice given, be considered to be on the engagement team;
 - consulting a third party, such as a committee of independent directors, a professional regulatory body or a professional colleague;
 - rotating senior personnel on the engagement team;
 - discussing independence issues with the audit committee;
 - disclosing to the audit committee, the nature of services provided and extent of fees charged;
 - policies and procedures designed to ensure that persons on the engagement team do not make, or assume responsibility for, management decisions for the client;
 - involving another firm to perform or re-perform part of the assurance engagement;
 - involving another firm to re-perform the non-assurance service; or
 - removing a person from the engagement team, when that person's financial interests, relationships or activities create a threat to independence.

Practitioners with small or owner-managed clients

- 42 The size and structure of the firm and the nature of the assurance client and the engagement will affect the type and degree of the threats to independence and, consequently, the types of safeguards appropriate to eliminate such threats or reduce them to an acceptable level. For example, it is understood that not all the safeguards noted in paragraphs 36 to 41 of the Guidance to Rules 204.1 to 204.3 will be available to the sole practitioner or small firm or within smaller clients such as owner-managed entities. Smaller clients often rely on members to provide a broad range of accounting and business services. Independence will not be impaired provided such services are not specifically prohibited by Rule 204.4 and provided safeguards are applied to reduce any threat to an acceptable level. In many circumstances, explaining the result of the service and obtaining client approval and acceptance for the result of the service will be an appropriate safeguard for such smaller entities. Similarly, such clients often have a long-standing relationship with an individual who is a sole practitioner or partner from a firm. Independence will not be impaired provided safeguards are applied to reduce any familiarity threat to an acceptable level. In most circumstances, periodic external practice inspection and, where appropriate, consultation will reduce any threat to independence to an acceptable level.

Application of the framework

- 43 Rule 204 and its related Guidance describe the application of the framework to specific circumstances and relationships that may create threats to independence. The provisions describe potential threats created and safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level. The circumstances that are described are not intended to be comprehensive or all-inclusive. In practice, when independence is required, members and firms should assess the implications of all circumstances and relationships and, where required, assess those of network firms, to determine whether there are threats to independence that are other than clearly insignificant and, if they exist, whether safeguards can be applied to satisfactorily address them. In situations where safeguards are not available to reduce a threat or threats to an acceptable level, the only possible actions are to eliminate the activity, interest or relationship creating the threats, or to refuse to accept or continue the assurance engagement.

Rebuttable presumption – not subject to audit procedures

- 44 Rules 204.4(24) to (28) set out non-audit services that may not be provided during either the period covered by the financial statements subject to audit or during the engagement period to an audit client that is a reporting issuer or listed entity unless it is reasonable to conclude that the results of any such service will not be subject to audit procedures during the audit of the client's financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of such services will be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome this presumption. For example, determining whether a subsidiary, division or other unit of the consolidated entity is material is a matter of audit judgment. Therefore, the determination of whether to apply detailed audit procedures to a unit of a consolidated entity is, in itself, an audit procedure.

Other specific threats

- 45 Rule 204.3 sets out the general requirement to identify and evaluate threats and either apply safeguards or decline an engagement. Rule 204.4 sets out prohibitions in relation to specific circumstances and relationships. There are also some circumstances and relationships that have been specifically identified as creating threats to independence and, accordingly, require an evaluation of their significance and the application of appropriate safeguards. Paragraphs 46 to 50 discuss those specific circumstances and relationships.

Provision of non-assurance services to an assurance client

- 46 Firms have traditionally provided to their clients a range of non-assurance services that are consistent with their skills and expertise. The provision of such a non-assurance service is not subject to the requirements of Rule 204.1 and, accordingly, does not require independence on the part of a member or firm. However, the provision of such a non-assurance service may create a self-interest, self-review or advocacy threat that impacts the independence of the member or firm with respect to the provision of an assurance or specified auditing procedures service for which independence is required by Rule 204.1. Consequently, before a firm accepts an engagement to provide a non-assurance service, it should evaluate the significance of any threat to independence, in relation to an existing assurance service, that may be created by providing the non-assurance service. When such a threat is other than clearly insignificant, the non-assurance engagement should be declined unless appropriate safeguards can be applied to eliminate the threat or threats or reduce them to an acceptable level. Specific circumstances in which adequate safeguards do not exist to eliminate or reduce such a threat to independence to an acceptable level are set out in Rules 204.4(22) to (34) as prohibitions.
- 47 Subject to the specific prohibitions set out in Rules 204.4(22) to (34), a firm or a member of a firm may provide a non-assurance service to an assurance client or related entity, provided that any threats to independence have been reduced to an acceptable level by safeguards, such as:
- policies and procedures to prohibit members of the firm from making management decisions for the client, or assuming responsibility for such decisions;
 - discussing independence issues related to the provision of non-assurance services with the audit committee;
 - policies within the assurance client regarding the oversight responsibility for provision of non-assurance services by the firm;
 - involving another member of the firm who is not on the engagement team to advise on any impact of the non-assurance service on the independence of the persons on the engagement team and the firm;
 - involving a professional accountant from outside of the firm to provide assurance on a discrete aspect of the assurance engagement;
 - obtaining the client's acknowledgement of responsibility for the results of the non-assurance service performed by the firm;
 - disclosing to the audit committee the nature of the non-assurance service and extent of fees charged; or
 - arranging that the members of the firm providing the non-assurance service do not participate on the assurance engagement team.

- 48 Intentionally left blank.

Actual or threatened litigation

- 49 Actual, threatened or prospective litigation between a firm or a member of an engagement team and the assurance client or a shareholder or creditor of the client may create a self-interest or intimidation threat. The relationship between client management and persons on the engagement team should be characterized by complete candour and full disclosure regarding all aspects of the client's business operations and all matters relevant to the client's financial statements. The firm and the client's management may be placed in adversarial positions by actual, threatened or prospective litigation, which could impair complete candour and full disclosure, and in this, or other ways, the firm may face a self-interest or intimidation threat. The significance of the threat will depend upon such factors as:

- the materiality of the litigation;
- the nature of the assurance engagement;
- the stage of the litigation; and
- whether the litigation relates to a prior assurance engagement.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- disclosing to the audit committee the extent and nature of the litigation;
- removing from the engagement team any person involved in the litigation; or
- involving an additional member of the firm who is not part of the engagement team to review the work done or advise as necessary.

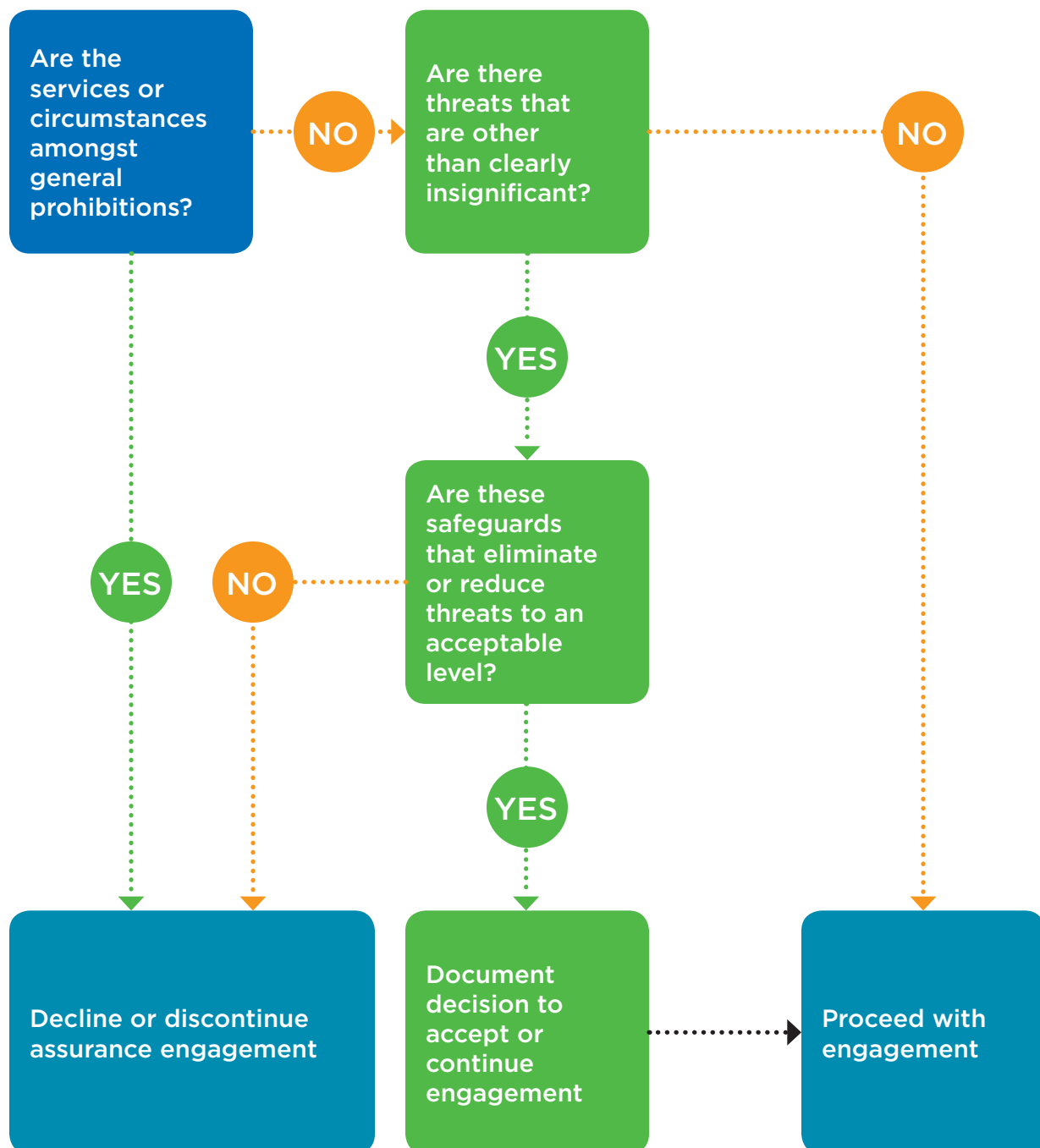
If such safeguards do not reduce the threat to an acceptable level, the only appropriate action is for the member or firm to withdraw from, or refuse to accept, the assurance engagement.

- 50** Members are cautioned that actual litigation often results in a conflict of interest between the client and the member or firm which will preclude the member or firm from continuing to provide professional services to the client. Threatened or prospective litigation can have the same result. When faced with threatened, prospective or actual litigation, members and firms should refer to Rule 210 and the related Guidance, and consult with their legal counsel, to determine whether they can continue to provide professional services to the client and, if so, whether there are particular arrangements which should be made with the client.

New August 26, 2016:

- *Paragraph 27 in Guidance to Rules 204.4(1) to (3) was truncated*
- *Paragraph 48 Contingent Fees in Guidance to Rules 204.4(1) to (3) was deleted*

Overview of independence standard for assurance engagements – flowchart



RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Financial interests**

- (1) (a) *A member or student shall not participate on the engagement team for an assurance client if the member or student, or an immediate family member of the member or student, holds a direct financial interest or a material indirect financial interest in the client.*
- (b) *A member or student shall not participate on the engagement team for an assurance client if the member or student, or an immediate family member of the member or student, holds, as trustee, a direct financial interest or a material indirect financial interest in the client.*
- (1.1) *Notwithstanding Rules 204.4(1)(a) and (b), if the assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the assurance client held, either personally or as a trustee, by a member or student or an immediate or close family member of the member or student shall not preclude the member or student from participating on the engagement team provided that:*
- (a) *such a financial interest is restricted to the minimum amount that is a prerequisite of membership;*
- (b) *the assets of the organization cannot by virtue of the organization's by-laws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and*
- (c) *the member, student or immediate or close family member:*
- (i) *does not serve on the governing body or as an officer of the organization;*
- (ii) *does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;*
- (iii) *does not exercise any right derived from membership to vote at meetings of the organization; and*
- (iv) *cannot dispose of the financial interest for gain.*
- (2) (a) *A member or firm shall not perform an assurance engagement for an entity if the member or firm holds a direct financial interest or material indirect financial interest in the entity.*
- (b) *A member or firm shall not perform an audit or review engagement for an entity if the member, firm or a network firm, has a direct financial interest or a material indirect financial interest in the entity.*
- (2.1) *Notwithstanding Rules 204.4(2)(a) and (b), if an assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the entity held by a member or firm, or in the case of an audit or review engagement, a member, firm or a network firm, shall not preclude the member or firm from performing an assurance or audit or review engagement, as the case may be, for the entity*

provided that:

- (a) *such a financial interest is restricted to the minimum amount that is a prerequisite of membership;*
 - (b) *the assets of the organization cannot by virtue of the organization's by-laws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and*
 - (c) *the member, firm or network firm, as the case may be:*
 - (i) *does not serve on the governing body or as an officer of the organization;*
 - (ii) *does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;*
 - (iii) *does not exercise any right derived from membership to vote at meetings of the organization; and*
 - (iv) *cannot dispose of the financial interest for gain.*
- (3) *A member or firm shall not perform an audit or review engagement for an entity if a pension or other retirement plan of the firm or network firm has a direct financial interest or a material indirect financial interest in the entity.*
- (4) *A member who is a partner of a firm and who holds, or whose immediate family member holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not practise in the same office as the lead engagement partner for the client, unless, in the case of a financial interest held by an immediate family member, the financial interest is received as a result of employment and*
- (a) *the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or*
 - (b) *where such rights are obtained, the financial interest is disposed of as soon as is practicable.*
- (5) (a) *A member who is a partner or managerial employee of a firm and who holds a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless the non-assurance service is clearly insignificant.*
- (b) *A member who is a partner or managerial employee of a firm whose immediate family member holds a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless:*
- (i) *the non-assurance service is clearly insignificant; or*
 - (ii) *the financial interest is received as a result of employment and*
 - (A) *the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or*
 - (B) *where such rights are obtained, the financial interest is disposed of as soon as*

is practicable.

- (6) (a) *A member or firm shall not perform an audit or review engagement for an entity (the first entity) if the firm or a network firm has a financial interest in a second entity, and the member or firm knows that the first entity or a director, officer or controlling owner of the first entity also has a financial interest in the second entity, unless the respective financial interests of the firm or network firm and the first entity, the director, officer or controlling owner of the first entity are immaterial and the first entity cannot exercise significant influence over the second entity.*
- (b) *A member or student shall not participate on the engagement team for an audit or review client if the member or student or an immediate family member of the member or student has a financial interest in an entity and the member or student knows that the client or a director, officer or controlling owner of the client also has a financial interest in the entity, unless the respective financial interests of the member or student, or immediate family member, and the client, the director, officer or controlling owner of the client are immaterial and the client cannot exercise significant influence over the entity.*

GUIDANCE - Rule 204.4(1) to (6)

- 1 A financial interest in an assurance client may create a self-interest threat. In evaluating the significance of the threat, and the appropriate safeguards to be applied to eliminate the threat or reduce it to an acceptable level, it is necessary to examine the nature of the financial interest. This includes an evaluation of the role of the person holding the financial interest, whether that interest is material and whether it is direct or indirect.
- 2 Financial interests may be held through an intermediary such as a collective investment vehicle, estate or trust. The determination of whether such financial interests are direct or indirect will depend upon whether the beneficial owner has control over the investment vehicle or the ability to influence its investment decisions. When such control or ability exists, that financial interest is a direct financial interest. Conversely, when such control or ability does not exist, such a financial interest is an indirect financial interest.
- 3 In the application of Rules 204.4(1) to (12) to an assurance, audit or review client the reference to an assurance, audit or review client, a client or an entity includes related entities, as defined, of the assurance, audit or review client, client or entity, as the case may be.

Assurance clients

- 4 A reasonable observer will not view a member who holds a direct financial interest or material indirect financial interest as a trustee differently than someone who holds the interest beneficially. Accordingly Rule 204.4(1) applies to members, students and immediate family members of members or students who hold a direct financial interest or material indirect financial interest in the capacity of a trustee.
- 5 When a person on an engagement team, or any of the person's immediate family members, receives, for example, by way of gift or inheritance, a direct financial interest or a material indirect financial interest in an assurance client, or a related entity, one of the following actions should be taken to comply with Rule 204.4(1):
 - dispose of the financial interest at the earliest practical date but no later than 30 days after the person has knowledge of the financial interest and the right or ability to dispose of it; or
 - remove the person from the engagement team.

During the period prior to disposal of the financial interest or the removal of the person from the engagement team, consideration should be given to whether additional safeguards are necessary to reduce the threat to independence to an acceptable level. Such safeguards might include:

- discussing the matter with the audit committee; or
- involving another member of the firm who is not, and has not been, on the engagement team to review the work done by the person, or advise as necessary.

Members are reminded that Rule 204.6 requires a member who has an interest that is precluded by this Rule to advise in writing a designated partner of the firm of the interest. When a financial interest in an assurance client or related entity is acquired as a result of a merger or acquisition, the provisions of Rule 204.4(40) apply.

6 When a person on an engagement team knows that a close family member has a direct financial interest or a material indirect financial interest in the assurance client, or a related entity, a self-interest threat may exist. In evaluating the significance of any such threat, consideration should be given to the nature of the relationship between the person on the engagement team and the close family member and the materiality of the financial interest. Once the significance of the threat has been evaluated, safeguards should be applied. Such safeguards might include:

- the close family member disposing of all or a sufficient portion of the financial interest at the earliest practical date;
- discussing the matter with the audit committee;
- involving another member of the firm who is not, and never was, on the engagement team to review the work done by the particular person on the engagement team or advise as necessary; or
- removing the person from the engagement team.

7 Consideration should be given to whether a self-interest threat may exist because of the financial interests of individuals other than those on the engagement team and their immediate and close family members. Such individuals would include:

- a member of the firm who provides a non-assurance service to the assurance client;
- a member of the firm who has a close personal relationship with a person on the engagement team;
- a spouse or dependant of an immediate or close family member of a person on the engagement team; and
- an individual for whom a member of the engagement team holds power of attorney.

Whether the interests held by such individuals may create a self-interest threat will depend upon factors such as:

- the firm's organizational, operating and reporting structure;
- the nature of the relationship between the individual and the person on the engagement team; and
- in the case of a power of attorney, the degree of decision making power granted by the power of attorney.

The significance of the threat should be evaluated and, if the threat is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level. Such safeguards might include:

- where appropriate, policies to prohibit such individuals from holding such interests;
 - discussing the matter with the audit committee; or
 - involving another member of the firm who is not, and never was, on the engagement team to review the work done by the particular individual or advise as necessary.
- 8 The specific prohibitions of Rule 204.4 do not preclude a firm from accepting an assurance engagement with an entity if one or more partners of the firm who do not participate on the engagement team, and who do not practice in the same office as the lead engagement partner, have a financial interest in the entity. However, Rule 204.1 requires the firm to be independent in fact and appearance and requires the firm to identify threats to independence arising from such circumstances, evaluate the significance of the threats and, if they are other than clearly insignificant, apply safeguards to reduce the threats to an acceptable level. If adequate safeguards are not available the firm should not accept the engagement.

Assurance clients that are not audit or review clients

- 9 With respect to an assurance report for an assurance client that is not an audit client or a review client where the report is intended only for the use of identified users, as contemplated by the *CPA Canada Handbook - Assurance*, members are referred to the provisions in paragraph 26 of the Guidance to Rules 204.1 to 204.3.

Audit or review clients

- 10 Rule 204.4(4) refers to the office in which the lead engagement partner practices in connection with an audit or review engagement. Such an office is not necessarily the office to which that partner is ordinarily assigned. Accordingly, for the purposes of Rule 204.4(4) and this Guidance, when the lead engagement partner is located in a different office from others on the engagement team, professional judgment should be exercised to determine in which office the partner practices in connection with the audit or review engagement.

New August 26, 2016: Paragraphs 11 and 12 in Guidance to Rules 204.4(1) to (6) were deleted.

Rules 204.4(7) to (9) Reserved for future use

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Loans and guarantees**

- (10) (a) *A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by the client, except when the client is a bank or similar financial institution and the loan or guarantee is immaterial to the firm, the network firm, and the client, and the loan or guarantee is made under normal commercial terms and conditions and is in good standing.*
- (b) *A member or firm shall not perform an assurance engagement for a client that is not a bank or similar financial institution if the firm, or a network firm in the case of an audit or review client, has a loan to the client.*
- (c) *A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, guarantees a loan of the client.*
- (11) (a) *A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by:*
- (ii) *an officer or director of the assurance client; or*
 - (iii) *a shareholder of the assurance client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.*
- (b) *A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan to or guarantees a loan of:*
- (i) *an officer or director of the assurance client; or*
 - (ii) *a shareholder of the assurance client who owns more than 10% of the equity securities of the client.*
- (12) (a) *A member or student shall not participate on the engagement team for an assurance client where the member or student has a loan from or has a loan guaranteed by:*
- (i) *such a client, except a client that is a bank or similar financial institution where the loan or guarantee is made under normal commercial terms and conditions and the loan is in good standing;*
 - (ii) *an officer or director of the client; or*
 - (iii) *a shareholder of the client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.*
- (b) *A member or student shall not participate on the engagement team for an assurance client where the member or student has a loan to or guarantees the borrowing of:*
- (i) *such a client that is not a bank or similar financial institution;*

- (ii) *an officer or director of the client; or*
- (iii) *a shareholder of the client who owns more than 10% of the equity securities of the client.*

GUIDANCE - Rule 204.4(10) to (12)

- 1** A loan from, or a loan guaranteed by, an assurance client that is a bank or a similar financial institution to a person on the engagement team or his or her immediate family member would not create a threat to independence provided the loan or guarantee is made under normal commercial terms and conditions and is in good standing. Examples of such loans include home mortgages, bank overdrafts, car loans and credit card balances.
- 2** Similarly, deposits or brokerage accounts of a firm or a person on the engagement team with an assurance client that is a bank, broker or similar financial institution would not create a threat to independence provided the deposit or brokerage account was held under normal commercial terms and conditions.
- 3** Rules 204.4(10) and (11) relate to loans and guarantees between a firm and an assurance client. In the case of an assurance client that is an audit or review client, the provisions of Rules 204.4(10) and (11) also apply to network firms. In all cases the provisions of Rule 204.4(10), (11) and (12) should be read as applying also to related entities of the client.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Close business relationships**

- (13) (a) *A member or firm shall not perform an audit or review engagement for an entity if the firm, or a network firm, has a close business relationship with the entity, a related entity or the management of either, unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the firm or network firm and either entity or its management, as the case may be.*
- (b) *A member or firm shall not perform an assurance engagement that is not an audit or review engagement if the firm has a close business relationship with the assurance client, a related entity or the management of either unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the firm and the client, the related entity or the management of either, as the case may be.*
- (c) *A member or student who has, or whose immediate family member has a close business relationship with an assurance client, a related entity or the management of either shall not participate on the engagement team for the client unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the member, student or immediate family member and the client, the related entity or the management of either, as the case may be.*

GUIDANCE – Rule 204.4(13)

- 1 A close business relationship between a firm, a network firm or a person on the engagement team and the assurance client or its management, involving a common commercial or financial interest may create a self-interest or an intimidation threat. Members and firms should also consider whether such threats may be created by close business relationships with a related entity or its management. The following are examples of such relationships:
- having a material financial interest in a joint venture with the client or a controlling owner, director, officer or other individual who performs senior management functions for that client;
 - arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties; and
 - arrangements under which either the firm or the client acts as a distributor or marketer of the other's products or services.
- A close business relationship does not include the relationship created by the professional engagement between the client and the member, the firm, or the network firm as the case may be.
- 2 In the case of an audit or review client, a business relationship involving an interest held by a firm, a network firm or a person on the engagement team or any of that person's immediate family members in a closely held entity in which the client or a director or officer of the client, or any group thereof, also has an interest, does not create threats to independence provided:
- the relationship is clearly insignificant to the firm, the network firm and the client;
 - the interest held is immaterial to the investor, or group of investors; and

- the interest does not give the investor, or group of investors, the ability to control the closely held entity.
- 3** The purchase of goods or services from an assurance client by a firm (and, in the case of an audit client, by a network firm) or a person on the engagement team will not generally create a threat to independence, provided the transaction is conducted in the normal course of the client's business and on an arm's length basis. However, such a transaction may be of a nature or magnitude such that it does create a self-interest threat. If the threat so created is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:
- reducing the magnitude of or eliminating the transaction;
 - removing the individual involved from the engagement team; or
 - discussing the issue with the audit committee.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Family and personal relationships**

- (14) *A member or student shall not participate on the engagement team for an assurance client if the member's or student's immediate family member is an officer or director of the client or a related entity or is in a position to exert significant influence over the subject matter of the engagement, or was in such a position during the period covered by the assurance report or the engagement period.*
- (15) *A member or student shall not participate on the engagement team for an audit client that is a reporting issuer or listed entity if the member's or student's immediate or close family member has an accounting role or a financial reporting oversight role, or had such a position during the period covered by the financial statements subject to audit by the member or firm or the engagement period.*

GUIDANCE - Rule 204.4(14) and (15)

- 1 Family and personal relationships between a person on an engagement team and a director, officer or certain employees, depending on their role, of the assurance client or a related entity may create a self-interest, familiarity or intimidation threat. The significance of such a relationship will depend on a number of factors, including the person's responsibilities on the assurance engagement, the closeness of the relationship and the role of the family member or other individual within the assurance client or related entity. Consequently, there are many circumstances that involve a threat to independence that will require evaluation.
- 2 A person has an accounting role when the person is in a position to or does exercise more than minimal influence over the contents of the client's accounting records related to the financial statements that are subject to audit or review by the member or firm or over anyone who prepares such financial statements.
- 3 A person has a financial reporting oversight role when the person is in a position to or does exercise influence over the financial statements that are subject to audit or review by the member or firm or over anyone who prepares such accounting records or financial statements.

An individual holding one of the following titles will generally be considered to be in a financial reporting oversight role: a member of the board of directors or similar management or governing body, president, chief executive officer, chief operating officer, chief financial officer, controller, director of internal audit, director of financial reporting, treasurer, and, depending upon the particular facts and circumstances, the general counsel.

When the financial statements of an audit or review client are consolidated, a financial reporting oversight role can extend beyond the client to its subsidiaries or investees. In determining whether an individual is in a financial reporting oversight role for the audit or review client, consideration should be given to the position of the individual, the extent of the individual's involvement in the financial reporting process of the client and the impact of the individual's role on the financial statements subject to audit or review by the member or firm.

- 4 When a close family member of a person on the engagement team is an officer or director of the assurance client or is in a position to exert significant influence over the subject matter of the assurance engagement, a threat to independence may be created. The significance of the threat will depend on factors such as:

- the position the close family member holds; and
- the role of the particular person on the engagement team.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level. Such safeguards might include:

- removing the particular person from the engagement team;
- where possible, restructuring the engagement team's responsibilities so that the particular person does not deal with matters that are within the responsibility of the close family member; or
- policies and procedures to empower staff to communicate, without fear of retribution, to senior levels within the firm any issue of independence and objectivity that may concern them.

5 A self-interest, familiarity or intimidation threat may exist when:

- an officer or director or person in a position to exert significant influence over the subject matter of the assurance engagement, who is not an immediate or close family member of a person on the engagement team, has a close relationship with a person on the engagement team; or
- a director, officer or employee in a financial reporting oversight role with respect to an audit or review client, who is not an immediate or close family member of a person on the engagement team, has a close relationship with a person on the engagement team.

Those on the engagement team should identify such individuals, and evaluate the relationship and consult with others in the firm in accordance with its policies and procedures. The evaluation of the significance of any threat and the availability of safeguards appropriate to eliminate it or reduce it to an acceptable level will include considering matters such as the closeness of the relationship and the role of the individual.

6 Consideration should be given to whether a self-interest, familiarity or intimidation threat exists because of a personal or family relationship between a member of the firm who is not part of the engagement team and:

- an officer or director of the assurance client or a related entity, or person in a position to exert significant influence over the subject matter of the assurance engagement; or
- an officer or director of the assurance client or a related entity, or person in a financial reporting oversight role with respect to the financial statements subject to audit or review by the member or firm.

Members of the firm should identify and evaluate the relationship and consult with others in the firm in accordance with its policies and procedures. The evaluation of the significance of any threat and the availability of safeguards appropriate to eliminate it or reduce it to an acceptable level will include considering matters such as the closeness of the relationship, the interaction of the member of the firm with the engagement team, the position held within the firm, and the role of the individual.

New August 26, 2016: Paragraphs 7 and 8 in Guidance to Rules 204.4(14) to (15) were deleted.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Employment or service with a reporting issuer or listed entity audit client***

(16) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if:

- (a) a person who participated in an audit capacity in an audit of the financial statements of the entity performed by the member or firm is an officer or director of the entity or is in a financial reporting oversight role unless a period of one year has elapsed from the date that the financial statements were filed with the relevant securities regulator or stock exchange; or
- (b) a person who was the firm's chief executive officer is an officer or director of the entity or is in a financial reporting oversight role, unless a period of one year has elapsed from the date that the individual was the chief executive officer of the firm.

Recent service with or for an assurance client

(17) (a) A member or [student shall not participate on the engagement team for an assurance client if the member or student served as an officer or director of the client or a related entity or was in a position to exert significant influence over the subject matter of the engagement during the period covered by the assurance report or the engagement period.

Temporary loan of staff to an audit or review client

- (17) (b) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member or firm has loaned a member of the firm or a network firm to the entity or a related entity, unless:
- (i) the loan of any such person or persons is made for only a short period of time;
 - (ii) the loan of any such person or persons is not made on a recurring basis;
 - (iii) the loan of any such person or persons does not result in the person or persons making a management decision or performing a management function or providing any non-assurance services that would otherwise be prohibited by Rules 204.4(22) to (34); and
 - (iv) management of the entity or related entity directs and supervises the work performed by the person or persons.

GUIDANCE - Rule 204.4(16) and (17)

- 1 The independence of a firm or a person on the engagement team may be threatened if an officer or director of the assurance client or a related entity, or a person in a position to exert influence over the subject matter of the assurance engagement has been a member of the engagement team or a partner of the firm. Such circumstances may create a self-interest, familiarity or intimidation threat, particularly when a significant connection remains between the individual and his or her former firm.

- 2 The significance of a threat so created will depend upon the following factors:
- the position the individual has taken at the client and whether the position involves significant influence over the subject matter of the assurance engagement or the financial statements subject to audit or review by the member or firm;
 - the amount of any involvement the individual will have with the engagement team;
 - the length of time since the individual was on the engagement team or with the firm; and
 - the former position of the individual within the engagement team or firm.

The significance of such a threat should be evaluated and, if it is other than clearly insignificant, available safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- modifying the plan for the assurance engagement;
- assigning an engagement team to the subsequent assurance engagement that is of sufficient seniority and experience in relation to the individual who has joined the assurance client;
- involving another member of the firm who is not, and never was, on the engagement team to review the work done or advise as necessary; or
- performing an additional quality control review of the assurance engagement by the firm.

In such cases, all of the following safeguards will be necessary to reduce the threat to an acceptable level:

- the particular individual is not entitled to any benefits or payments from the firm unless these are made in accordance with fixed predetermined arrangements. In addition, any amount owed to the individual should not be of such significance to threaten the firm's independence; and
- the particular individual does not continue to participate or appear to participate in the firm's business or professional activities.

- 3 A self-interest threat exists when a person on the engagement team participates in the assurance engagement while knowing, or having reason to believe, that he or she will or may join the client. In all such cases the following safeguards should be applied:

- having firm policies and procedures that require those on the engagement team to notify the firm when entering employment negotiations with the assurance client; and
- removing the person from the engagement team.

In addition, consideration should be given to performing an independent review of any significant judgments made by that person while performing the engagement.

The effect of the safeguards described above is that members and students who initiate or entertain discussions with respect to a potential role with an assurance client would be precluded from being on the engagement team for that assurance engagement until such discussions have been concluded and acceptance of such a role has been declined.

- 4 For the purposes of Rule 204.4(16)(a), other than a key audit partner, the following persons are not considered to have participated in an audit capacity in an earlier audit.
- a person who is employed by the reporting issuer or listed entity due to an emergency or other unusual situation provided that the entity's audit committee has determined that the employment of such person is in the interest of the shareholders;
 - a person who provided ten or fewer hours of assurance services in the earlier audit;

- a person who recommended the compensation of, or who provided direct supervisory, management or oversight of, the lead engagement partner in connection with the performance of the earlier audit, including those at all successively senior levels above the lead engagement partner through to the firm's chief executive; and
 - a person who provided quality control for the audit engagement.
- 5 An individual may have fully complied with Rule 204.4(16)(a) and (b) in accepting employment with an entity, and subsequently thereto, the entity merged with or was acquired by another entity resulting in that individual having a financial reporting oversight role of a combined entity which is audited by the firm in which the individual was previously an employee or a partner. In such a circumstance, unless the employment offer was accepted in contemplation of the merger or acquisition, the individual or the entity could not be expected to know that the employment decision could result in a threat to independence. In all such cases the safeguard of informing the audit committee should be applied.
- 6 For the purposes of Rule 204.4(16)(a) audit procedures are deemed to have commenced for the current audit engagement period on the day after the financial statements for the previous period are filed with the relevant securities regulator or stock exchange.
- 7 For the purposes of Rule 204.4(16)(b), chief executive officer means a person in a position having the usual responsibility and authority of a chief executive officer regardless of the title applied to the person.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Serving as an officer or director of an assurance client***

- (18) (a) *A member or firm shall not perform an assurance engagement for an entity if a member or an employee of the firm serves as an officer or director of the entity or a related entity, except for serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.*

Serving as an officer or director of an audit or review client

- (18) (b) *A member or firm shall not perform an audit or review engagement for an entity that is not a reporting issuer or listed entity if a member or an employee of the firm or of a network firm serves as an officer or director of the entity or a related entity except for serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.*

Serving as an officer or director of a reporting issuer or listed entity audit client

- (19) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if a member or an employee of the firm or of a network firm serves as an officer or a director of the reporting issuer or listed entity or a related entity.*

GUIDANCE – Rule 204.4(18) and (19)

- 1 A self-interest, self-review or familiarity threat may exist when a former officer or director of an assurance client or related entity or a person who has been in a financial reporting oversight role becomes a part of the engagement team for that assurance client.
- 2 If, prior to the period covered by an assurance report, a person on the engagement team served as an officer or director of the assurance client or a related entity, or had been in a position to exert significant influence over the subject matter of the assurance engagement, a self-interest, self-review or familiarity threat may exist. For example, such a threat will exist if a decision made or work performed by that individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the assurance engagement. The significance of the threat will depend upon factors such as:
 - the position the individual held;
 - the length of time since the individual left the position; and
 - the role of the individual on the engagement team.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- involving another member of the firm who is not, and never was, on the engagement team to review the work of the particular person or advise as necessary; or
- discussing the issue with the audit committee.

Company secretary

- 3 The position of company secretary has different implications in different jurisdictions. The duties of company secretary may range from administrative duties such as personnel management and the maintenance of company records and registers, to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally this position is seen to imply a close degree of association with the entity and may create self-review and advocacy threats.
- 4 If a partner or employee of a firm serves as company secretary for an assurance client or related entity, the self-review and advocacy threats created would generally be so significant that safeguards are unlikely to be available to reduce the threats to an acceptable level. Similarly, if a partner or employee of a firm or network firm serves as company secretary for an audit or review client that is not reporting issuer or listed entity or a related entity, the self-review and advocacy threats created would generally be so significant that safeguards are unlikely to be available to reduce the threats to an acceptable level. However, when the practice of acting as company secretary is specifically permitted under local law, professional rules or practice, the duties and functions undertaken should be limited to those of a routine and formal administrative nature such as the preparation of minutes and maintenance of statutory returns.
- 5 Routine administrative services to support a company secretarial function or advisory work in relation to company secretarial administration matters is generally not perceived to impair independence, provided client management makes all relevant decisions.

Religious organizations

- 6 A threat to independence is ordinarily not created when a person on the engagement team, or any of the person's immediate or close family members, belongs to a religious organization that is an assurance client provided the person on the engagement team, or the immediate or close family member:
 - does not serve on the religious organization's governing body; and
 - does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the religious organization or any of its associates.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Long association of senior personnel with a reporting issuer or listed entity audit client***

(20) (a) *A member shall not continue as the lead engagement partner or the engagement quality control reviewer with respect to the audit of the financial statements of a reporting issuer or listed entity for more than seven years in total, and shall not thereafter participate in an audit of the financial statements of the reporting issuer or listed entity until a further five years have elapsed.*

In the case of an audit engagement of a reporting issuer that is a mutual fund, the lead engagement partner and the engagement quality control reviewer shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further five years have elapsed.

(b) *A member, who is a key audit partner with respect to the audit of the financial statements of a reporting issuer or listed entity, other than a lead engagement partner or engagement quality control reviewer, shall not continue in such role for more than seven years in total and shall not thereafter participate in an audit of the financial statements of the reporting issuer or listed entity until a further two years have elapsed.*

In the case of an audit engagement of a reporting issuer that is a mutual fund, such an audit partner shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further two years have elapsed.

(c) *Notwithstanding paragraph (b), when an audit client becomes a reporting issuer or listed entity, a key audit partner who has served in that capacity for five or more years at the time the client becomes a reporting issuer or listed entity may continue in that capacity for two more years before being replaced as a key audit partner.*

GUIDANCE - Rule 204.4(20)

1 The use of the same senior personnel on the engagement team on an assurance engagement over a long period of time may create a familiarity threat. The significance of such a threat will depend upon factors such as:

- the length of time that the particular individual has been on the engagement team;
- the role of that individual on the engagement team;
- the structure of the firm; and
- the nature of the assurance engagement including the complexity of the subject matter and degree of professional judgment needed.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- discussing the matter with the audit committee;
- replacing the senior personnel on the engagement team;
- involving an additional member of the firm who is not, and never was, on the

- engagement team to review the work done by the particular individual, or advise as necessary;
- the member or firm is subject to external practice inspection; or
- an independent internal quality review of the assurance work performed by a member of the firm who was not part of the engagement team.

Audit clients that are reporting issuers or listed entities

- 2** Rule 204.4(20) restricts an audit partner who has completed the permitted term as a lead engagement partner, engagement quality control reviewer or other key audit partner from participation in the audit until further prescribed time periods have elapsed. Accordingly, such partners may not:
- provide services pertaining directly to the audit or to a review of interim financial statements;
 - provide quality control for either such engagement;
 - consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events; or
 - otherwise directly influence the outcome of any such engagement.

However, such partners may be consulted for the purpose of transferring knowledge of the client to the engagement team.

- 3** When an audit client becomes a reporting issuer or listed entity, the length of time a key audit partner has served in that capacity should be considered in determining when the partner must be replaced on the engagement team. However, Rule 204.4(20)(c) provides that if a key audit partner has served in that capacity for five or more years at the time the client becomes a reporting issuer or listed entity, such person may continue in that capacity for two more years.

RULE:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Audit committee approval of services to a reporting issuer or listed entity audit client***

(21) *A member or firm shall not provide a professional service to an audit client that is a reporting issuer or listed entity, or to a subsidiary thereof, without the prior approval of the reporting issuer's or listed entity's audit committee.*

GUIDANCE - Rule 204.4(21)

- 1 Rule 204.4(21) provides that a member or firm may not provide a service to a reporting issuer or listed entity, that is an audit client, or to a subsidiary thereof, unless the audit committee of the client pre-approves such service. The requirement applies to all audit and non-audit services. For the purpose of Rule 204.4(21) the audit committee recommendation to the entity's board of directors that the particular audit firm be the entity's auditor will be considered to be the approval of the audit service. Subject to paragraph 3 of this Guidance, all non-audit services for the reporting issuer or listed entity and its subsidiaries must be specifically pre-approved by the audit committee.
- 2 The audit committee may establish policies and procedures for pre-approval provided that they are detailed as to the particular services and designed to safeguard the independence of the member and the firm. For example, one or more audit committee members who are independent board directors may pre-approve the service provided decisions made by the designated audit committee members are reported to the full audit committee.
- 3 Notwithstanding Rule 204.4(21), audit committee pre-approval of services other than assurance services provided to an audit client that is a reporting issuer or listed entity, or to a subsidiary of the client, is not required where all such services that have not been pre-approved:
 - (a) do not represent more than five per cent of total revenues paid by the audit client to the member, the firm and network firms in the fiscal year in which the services are provided;
 - (b) were not recognized as non-audit services at the time of the engagement; and
 - (c) are promptly brought to the attention of the audit committee and the audit committee or one or more designated representatives approves the services prior to the completion of the audit.
- 4 For the purposes of Rule 204.4(21) audit services include all those services performed to discharge responsibilities to provide an opinion on the financial statements of the reporting issuer or listed entity. For example, in connection with some audit engagements, a tax partner may be involved in reviewing the tax accrual of the client. Since it is a necessary part of the audit process, the activity constitutes an audit service. Similarly, complex accounting issues may require consultation with a national office technical partner to reach an audit judgment. That consultation, being a necessary part of the audit process, also constitutes an audit service, and as such will be considered to have been pre-approved by the audit committee whether or not the firm charges separately for it. These examples contrast with a situation where a client is evaluating a proposed transaction and requests the member, the firm or a network firm to evaluate it and, after research and consultation, the member, firm or network firm provides an answer to the client and bills for those services. Such services would not be considered to be audit services and, therefore, will not be considered to have been pre-approved with the audit service.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Performance of management functions**

- (22) (a) *A member or firm shall not perform an assurance engagement for an entity if, during the period covered by the assurance report or the engagement period, a member of the firm makes a management decision or performs a management function for the entity or a related entity, including:*
- (i) *authorizing, approving, executing or consummating a transaction;*
 - (ii) *having or exercising authority on behalf of the entity;*
 - (iii) *determining which recommendation of the member or firm will be implemented; or*
 - (iv) *reporting in a management role to those charged with governance of the entity;*
- unless the management decision or management function is not related to the subject matter of the assurance engagement that is performed by the member or firm.*
- (b) *A member or firm shall not perform an audit or review engagement for an entity, if a member of the firm or a network firm, during either the period covered by the financial statements subject to audit or review or the engagement period, makes a management decision or performs a management function for the entity or a related entity, including any of the services listed in paragraph 22(a)(i) to (iv), whether or not the management decision or management function is related to the subject matter of the audit or review engagement that is performed by the member or firm.*

Preparation of journal entries or source documents

- (23) *A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, a member of the firm or a network firm:*
- (a) *prepares or changes a journal entry, determines or changes an account code or a classification for a transaction or prepares or changes another accounting record, for the entity or a related entity, that affects the financial statements subject to audit or review by the member or firm, without obtaining the approval of management of the entity; or*
 - (b) *prepares a source document or originating data, or makes a change to such a document or data underlying such financial statements.*

Preparation of accounting records or financial statements for a reporting issuer or listed entity audit client

- (24) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, firm, a network firm or a member of the firm or a network firm provides accounting or bookkeeping services related to the accounting records or financial statements including:*
- (a) *maintaining or preparing the entity's, or related entity's, accounting records;*

- (b) *preparing the financial statements or preparing financial statements which form the basis of the financial statements on which the audit report is provided; or*
- (c) *preparing or originating source data underlying such financial statements;*

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of such financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the accounting or bookkeeping services will be subject to audit procedures.

In the event of an emergency situation, the member or firm may perform the audit and perform such an accounting or bookkeeping service provided:

- (i) *those who provide the service are not members of the engagement team for the audit;*
- (ii) *the provision of the service in such circumstances is not expected to recur;*
- (iii) *the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and*
- (iv) *the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).*

GUIDANCE - Rule 204.4(22) to (24)

Performance of management functions

- 1 Obtaining an understanding of the client's internal controls is required by generally accepted auditing standards. Members often become involved in diagnosing, assessing and recommending to management ways in which internal controls can be improved or strengthened. Notwithstanding Rule 204.4(22) the independence of a member or firm would not be impaired by the provision of services to assess the effectiveness of the internal controls of an assurance client or a related entity and to recommend improvements in the design and implementation of internal controls and risk management controls.

Preparation of accounting records and financial statements

General provisions

- 2 It is the responsibility of management to ensure that accounting records are kept and financial statements are prepared, although in discharging its responsibility management may request a member or firm to provide assistance.
- 3 Assisting an audit or review client or a related entity in matters such as preparing accounting records or financial statements will create a self-review threat when the financial statements are subsequently audited or reviewed by the member or firm. The significance of any such threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level.
- 4 With respect to Rule 204.4(23), members may be permitted, provided that approval from management is obtained, to prepare or change a journal entry, determine or change an account code, or a classification for a transaction or prepare or change another accounting

record for the entity or a related entity, that affects the financial statements subject to audit or review by the member or firm. However, preparing or changing a source document or originating data in respect of any transaction underlying the financial statements subject to audit or review by the member or firm is not permitted.

- 5** A source document is an initial recording or original evidence of a transaction. Examples of source documents are purchase orders, payroll time cards, customer orders, invoices, disbursement approvals, signed cheques and written contracts. Source documents are often followed by the creation of additional records and reports, such as trial balances, account reconciliations and aged account receivable listings, which do not constitute source documents or initial recordings. Source documents may also be preceded by documents containing calculations and advice, such as bonus calculations for tax purposes, impairment test calculations in the oil and gas industry and sample wording for clauses in a contract that will be prepared by the client's lawyers. The creation of such additional records, reports and documents would not constitute the creation of source documents.
- 6** The financial statement audit and review process involves extensive dialogue between persons on the engagement team and management of the audit or review client. During this process, management will often request and receive input regarding such matters as accounting principles and financial statement disclosure, the appropriateness of controls and the methods used in determining the stated amounts of assets and liabilities. The provision of technical assistance of this nature for an audit or review client is an appropriate method of promoting the fair presentation of the financial statements. The provision of such advice, per se, does not generally threaten the member's or the firm's independence. Other services that are usually a part of the audit or review process and that do not, under normal circumstances, threaten independence include:
- assisting with resolving account reconciliation problems;
 - analyzing and accumulating information for regulatory reporting;
 - assisting in the preparation of consolidated financial statements (including assisting in the translation of local statutory accounts to comply with group accounting policies and transition to a different reporting framework such as International Financial Reporting Standards);
 - assisting the drafting of disclosure items;
 - proposing adjusting journal entries; and
 - providing assistance and advice in the preparation of local statutory accounts of subsidiary entities.
- 7** A self-review threat may exist when a member, firm or network firm assists in the preparation of subject matter other than financial statements and subsequently provides assurance thereon. For example, a self-review threat will exist if a member or firm develops and prepares prospective financial information and subsequently provides assurance on it. Consequently, a member or firm should evaluate the significance of any self-review threat created by the provision of such a service. If the threat is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level.

Audit or review clients that are not reporting issuers or listed entities

- 8** Subject to Rule 204.4(23), a member, firm or network firm may provide an audit or review client or related entity that is not a reporting issuer or listed entity with accounting and bookkeeping services provided that any resulting self-review threat so created is reduced to an acceptable level. Examples of such services include:

- recording transactions for which management has determined or approved the appropriate account classification;
- posting transactions to the general ledger;
- preparing financial statements;
- drafting notes to the financial statements;
- posting journal entries to the trial balance;
- performing payroll services which do not involve having custody of the client's or related entity's assets; and
- preparing tax receipts for charitable donations or tax information returns, such as T4 slips.

Client approval of journal entries

- 9 A member, firm or network firm may prepare journal entries for an audit or review client or related entity that is not a reporting issuer or listed entity provided management approves and takes responsibility for such journal entries. In obtaining this approval, the member, firm or network firm may choose to obtain approval for each journal entry or, alternatively, to obtain approval following a thorough review of the completed financial statements with management. This approval may also be obtained through the management representation letter.

Evaluation of significance of threats

- 10 The significance of a threat created by providing accounting and bookkeeping services to an audit or review client or related entity that is not a reporting issuer or listed entity should be evaluated. The significance of such a threat will depend upon factors such as:
- the degree of involvement of the member or firm;
 - the complexity of the transactions to be accounted for; and
 - the extent of professional judgment required in selecting the appropriate accounting treatment.

If the threat is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level. Such safeguards might include:

- making arrangements so that such services are not performed by a person on the engagement team;
- requiring the client or related entity to create the source data for the accounting entries;
- requiring the client or related entity to develop the underlying assumptions;
- obtaining the views of another professional accountant;
- arranging for another firm to review a significant accounting treatment; or
- discussing a significant accounting treatment with the practice advisory services department of the member's provincial body.

Complex transactions

- 11 Preparing the journal entries for a complex transaction would likely create a self-review threat the significance of which could only be reduced to an acceptable level by applying safeguards that involve consultation with others, for example by:
- obtaining the views of another professional accountant;
 - arranging for another firm to review a significant accounting treatment; or

- discussing the proposed accounting treatment with the practice advisory services department of the member's provincial body

Audit clients that are reporting issuers or listed entities

- 12** Rule 204.4(24) permits the provision of accounting or bookkeeping services by a member, a firm or a network firm, or a member of the firm or a network firm to an audit client that is a reporting issuer or listed entity, or a related entity in the event of emergency situations provided that the requirements Rule 204.4(24) are met. Such emergency situations might arise when, due to events beyond the control of the member or firm and the client or related entity,
- there are no viable alternative resources to those of the member or firm with the necessary knowledge of the client's or related entity's business to assist in the timely preparation of its accounting records or financial statements, and
 - a restriction on the member's or firm's ability to provide the services would result in significant difficulties for the client or related entity, for example, as might result from a failure to meet regulatory reporting requirements, in the withdrawal of credit lines, or would threaten the going concern status of the client or related entity. Significant difficulties would not be created simply by virtue of the fact that the client or related entity would be required to incur additional costs to engage the services of an alternative service provider.

Members and firms are also required by Rule 204.5(b) to document both the rationale supporting the determination that the situation constitutes an emergency and compliance with the provisions of subparagraphs (i) through (iv) of Rule 204.4(24).

Members, firms and network firms should fully assess and consider the circumstances that would constitute an emergency situation. Emergency situations are rare, non-recurring and would arise only when clearly beyond the control of the member or firm and the client or related entity. Caution should be exercised when deciding to undertake services under this exception.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Provision of valuation services to an audit or review client that is not a reporting issuer or listed entity***

- (25) (a) *A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the entity or a related entity where the valuation involves a significant degree of subjectivity and relates to amounts that are material to the financial statements subject to audit or review by the member or firm, unless the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation.*

Provision of valuation services to a reporting issuer or listed entity audit client

- (25) (b) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the client or a related entity, unless:*
- (i) *the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation, or*
 - (ii) *it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the valuation service will be subject to audit procedures.*

GUIDANCE - Rule 204.4(25)**General provisions**

- 1 A valuation service involves the making of assumptions with respect to future events and the application of certain methodologies and techniques, in order to compute an amount or provide an opinion with respect to a specific value or range of values, for a business as a whole, an intangible or tangible asset or a liability.
- 2 When a member or firm performs a valuation that forms part of the subject matter of an assurance engagement that is not an audit or review engagement, the firm should consider whether there is a self-review threat. If such a threat exists, and it is other than clearly insignificant, safeguards should be applied to eliminate it or reduce it to an acceptable level.

Audit or review clients that are not reporting issuers or listed entities

- 3 Members and firms should refer to paragraph 5 of the Guidance to Rule 204.4(34) when performing a valuation service for an audit or review client or a related entity for tax purposes only, that relates to amounts that will affect the financial statements subject to audit or review by the member or firm only through accounting entries related to taxation.
- 4 Performing a valuation service for audit or review client or a related entity that is not a reporting issuer or listed entity will create a self-review threat when the valuation resulting

from the service is incorporated into the financial statements subject to audit or review by the member or firm. The significance of such a threat should be evaluated. The significance will depend on factors such as:

- the materiality of the results of the valuation service;
- the extent of the client's or related entity's knowledge, experience and ability to evaluate the issues concerned, and the extent of the client's or related entity's involvement in determining and approving significant matters of judgment;
- the degree to which established methodologies and professional guidelines are applied when performing the particular valuation service;
- the degree of subjectivity inherent in the item concerned where the valuation involves standard or established methodologies;
- the reliability and extent of the underlying data;
- the degree of dependence on future events of a nature which could create significant volatility in the amounts involved; and
- the extent and clarity of the financial statement disclosures.

If the threat is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- involving an additional professional accountant who was not a member of the engagement team to review the valuation work or otherwise advise as necessary;
- confirming with the client or related entity its understanding of the underlying assumptions of the valuation and the methodology to be used and obtaining approval for their use;
- obtaining the client's or related entity's acknowledgement of responsibility for the results of the valuation work performed by the firm or network firm; or
- arranging that members of the firm or network firm providing such services do not participate on the engagement team.

5 Certain valuations do not involve a significant degree of subjectivity. This is likely the case where the underlying assumptions are either established by law or regulation, or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

6 The independence of a member or firm will not be impaired when:

- the firm's valuation specialist reviews the work of an audit or review client or a related entity or a specialist employed by the client or related entity, provided the client, related entity or specialist supplies the technical expertise that the client or related entity uses in determining the required amounts recorded in the financial statements. In such circumstances there will be no self-review threat because a client's or related entity's management or a third-party is the source of the financial information subject to audit or review by the member or firm; or
- the valuation service is provided for non-financial reporting purposes only, for example, transfer pricing studies or other valuations that are performed solely for tax purposes.

RULE:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Provision of actuarial services to a reporting issuer or listed entity audit client***

(26) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an actuarial service to the client or a related entity, unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the actuarial service will be subject to audit procedures.*

GUIDANCE - Rule 204.4(26)

- 1 For the purposes of Rule 204.4(26), actuarial services include the determination of an amount to be recorded in the client's financial statements and related accounts, except for:
 - services that involve assisting the client in understanding the methods, models, assumptions and inputs used in determining such amounts; and
 - advising management on the appropriate actuarial methods and assumptions that will be used in the actuarial valuations.

In addition, the firm may use its own actuary to assist in conducting the audit if the client's actuary or a third-party actuary provides management with its actuarial capabilities.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Provision of internal audit services to an audit or review client**

- (27) (a) *A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm or a network firm or a member of the firm or network firm provides an internal audit service to the entity or a related entity unless, with respect to the entity for which the internal audit service is provided:*
- (i) *the entity designates an appropriate and competent resource within senior management to be responsible for internal audit activities and to acknowledge responsibility for designing, implementing and maintaining internal controls;*
 - (ii) *the entity or its audit committee reviews, assesses and approves the scope, risk and frequency of the internal audit services;*
 - (iii) *the entity's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;*
 - (iv) *the entity's management evaluates and determines which recommendations resulting from the internal audit services to implement and manages the implementation process; and*
 - (v) *the entity's management reports to the audit committee the significant findings and recommendations resulting from the internal audit services.*

Provision of internal audit services to a reporting issuer or listed entity audit client

- (27) (b) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an internal audit service to the client or a related entity, that relates to the client's, or the related entity's, internal accounting controls, financial systems or financial statements unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the internal audit service will be subject to audit procedures.*

GUIDANCE - Rule 204.4(27)**General provisions**

- 1 A self-review threat may exist when a member, firm or network firm provides internal audit services to an audit or review client or a related entity. Such services may comprise an extension of the firm's audit service beyond the requirements of generally accepted auditing standards, assistance in the performance of the client's or related entity's internal audit activities, or outsourcing of the activities. In evaluating any threat to independence, the nature of the service should be considered.
- 2 Services involving an extension of the procedures required to conduct an audit or review in accordance with the *CPA Canada Handbook - Assurance* will not be considered to impair independence with respect to an audit or review client provided that a member of the firm

or network firm does not act or appear to act in the capacity of the client's or related entity's management.

- 3 During the course of an audit or review engagement the engagement team considers the client's internal controls and, as a result, may make recommendations for its improvement. This is part of an audit or review engagement and is not considered to be an internal audit service.
- 4 In addition to complying with the requirements of Rule 204.4(27)(a), a member or firm should also consider whether internal audit services should be provided to an audit or review client or a related entity only by a member or members of the firm not involved in the audit or review engagement and with different reporting lines within the firm.
- 5 Performing a significant portion of the audit or review client's or related entity's internal audit activities may create a self-review threat and a member, firm or network firm should consider that possibility and proceed with caution before taking on such an activity.

Audit clients that are reporting issuers or listed entities

- 6 Rule 204.4(27)(b) does not prohibit a member, firm or network firm from providing a nonrecurring service to evaluate a discrete item or program, if the service is not in substance the outsourcing of an internal audit function. For example, the member, firm or network firm, or a member of the firm of a network firm, may conduct a nonrecurring specified auditing procedures engagement related to the internal controls of an audit client that is a reporting issuer or listed entity or a related entity.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Provision of information technology systems services to an audit or review client***

- (28) (a) *A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a financial information systems design or implementation service to the entity or a related entity where the service involves the design or implementation of all or part of a financial information technology system that either generates information that is significant to the accounting records or financial statements subject to audit or review by the member or firm, or forms a significant part of either entity's internal controls that are relevant to the financial statements that are subject to audit or review by the member or firm, unless, with respect to the entity for which the information technology service is provided:*
- (i) *the entity acknowledges its responsibility for establishing and monitoring a system of internal controls;*
 - (ii) *the entity assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;*
 - (iii) *the entity makes all management decisions with respect to the design and implementation process;*
 - (iv) *the entity evaluates the adequacy and results of the design and implementation of the system; and*
 - (v) *the entity is responsible for operating the hardware or software system and for the data it uses or generates.*

Provision of information technology system services to a reporting issuer or listed entity audit client

- (28) (b) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides financial information systems design or implementation services and the services involve:*
- (i) *directly or indirectly operating, or supervising the operation of, the entity's or a related entity's information system, or managing the entity's or a related entity's local area network; or*
 - (ii) *designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the entity's or a related entity's financial statements or other financial information systems taken as a whole;*

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the

financial information systems design and implementation services will be subject to audit procedures.

GUIDANCE – Rule 204.4(28)

General provisions

- 1 The provision of services by a member, firm or network firm to an audit or review client or a related entity that involve the design or implementation of financial information technology systems that are, or will be, used to generate information forming part of the client's or the related entity's financial statements may create a self-review threat.

There are, however, some information technology systems services that may not create a threat to independence, provided that the member or firm does not make a management decision or perform a management function for the client or the related entity. Such services include the following:

- designing or implementing information technology systems that are unrelated to internal controls over financial reporting;
- designing or implementing information technology systems that do not generate information forming a significant part of the accounting records or financial statements subject to audit or review by the member or firm;
- implementing “off-the-shelf” accounting or financial information reporting software that was not developed by the firm if the customization required to meet the client's or related entity's needs is not significant; and
- evaluating and making recommendations with respect to a system designed, implemented or operated by another service provider or the client or related entity.

Audit or review clients that are not reporting issuers or listed entities

- 2 In addition to complying with the requirements of Rule 204.4(28)(a), a member or firm should also consider whether financial information systems design and implementation services should be provided to an audit or review client or related entity only by members of the firm who are not involved in the audit or review engagement and with different reporting lines within the firm.

Audit clients that are reporting issuers or listed entities

- 3 For the purposes of Rule 204.4(28)(b), information will be considered to be significant if it is likely to be material to the financial statements. Since materiality determinations may not be complete before the financial statements are prepared, the audit client or related entity and the member or firm should evaluate the general nature of the information as well as system output during the period of the audit engagement.
- 4 Rule 204.4(28) does not preclude a member, a firm or a network firm from:
 - designing or implementing a hardware or software system that is unrelated to the financial statements or accounting records of the reporting issuer or listed entity, or a related entity;
 - as part of the audit, or another assurance engagement, evaluating and making recommendations to management on the internal controls of a system as it is being designed, implemented or operated; or
 - making recommendations on internal control matters to management or other service provider in conjunction with the design and installation of a system by another service provider.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Provision of litigation support services to an audit or review client***

(29) (a) *A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's, interest in a civil, criminal, regulatory, administrative or legislative proceeding or investigation with respect to an amount or amounts that are material to the financial statements subject to audit or review by the member or firm.*

Provision of litigation support services to a reporting issuer or listed entity audit client

(29) (b) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's, interest in a civil, criminal, regulatory, administrative or legislative proceeding or investigation.*

GUIDANCE – Rule 204.4(29)**General provisions**

- 1 Litigation support services include such activities as acting as an expert witness, calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute, and assistance with document management and retrieval in relation to a legal dispute or litigation.
- 2 A self-review threat may exist when a member, firm or network firm provides to an audit or review client or related entity, litigation support services that include the estimation of the possible outcome of a dispute or litigation and thereby affects the amounts or disclosures to be reflected in the client's or related entity's financial statements. The significance of any such threat will depend upon factors such as:
 - the nature of the engagement;
 - the materiality of the amounts involved; and
 - the degree of subjectivity inherent in the matter concerned.

The member or firm should evaluate the significance of any threat so created and, if it is other than clearly insignificant, safeguards should be applied to eliminate it or reduce it to an acceptable level. Such safeguards might include:

- policies and procedures to prohibit individuals who assist the client from making management decisions on the client's or related entity's behalf;
- using a member of the firm who is not part of the engagement team to perform the litigation support service; or
- the involvement of others, such as independent specialists.

If adequate safeguards are not available to reduce a threat to an acceptable level the member, firm or network firm should decline the engagement.

- 3** The effect of Rule 204.4(29) is to prohibit, except for the specified circumstances set out in paragraph 202.4(29)(a), a member, firm or network firm, or a member of the firm or a network firm, from providing specialized knowledge, experience or expertise to advocate or support the audit client's positions, or the positions of a related entity, in an adversarial or similar proceeding such as an investigation, a litigation matter, or a legislative or administrative tribunal. Litigation or other matters frequently escalate to a level, such as a civil, criminal, regulatory, administrative or legislative proceeding or investigation, which creates a self-review or advocacy threat which cannot be reduced to an acceptable level by available safeguards. Accordingly, it is particularly important for members and firms to consider initially, and thereafter reconsider periodically, whether the matter in support of which the service is provided is likely to escalate, or has escalated, to such a level. In addition, members and firms should discuss, with the audit committee, the possibility that a matter could escalate to such a level and the consequential impact on the member's or firm's ability to continue to provide the litigation support service or to continue to perform the audit or review engagement.
- 4** Rule 204.4(29) does not preclude a member, a firm or a network firm, or a member of the firm or a network firm, from being engaged by an audit committee of an audit or review client to assist it in fulfilling its responsibilities to conduct its own investigation of a potential accounting impropriety. For example, if the audit committee is concerned about the accuracy of the inventory records at a subsidiary, it may engage the member, the firm or the network firm, or a member of the firm or a network firm, to conduct a thorough inspection and analysis of these records, the physical inventory at the subsidiary and related matters without impairing independence. This type of engagement may include forensic or other fact-finding work that results in the issuance of a report to the audit client. It will generally require performing procedures that are consistent with, but more detailed or more comprehensive than, those required by generally accepted auditing standards.
- 5** In an investigation or proceeding for an audit or review client, or for a related entity, the member, firm or network firm, or a member of the firm or a network firm, may provide an account or testimony with respect to a matter of fact, such as describing the work performed by the member's firm or the predecessor auditor. The member, firm or network firm, or a member of the firm or network firm, may explain the positions taken or the conclusions reached during the performance of any service provided for the audit or review client.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Provision of legal services to an audit or review client***

(30) *A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a legal service to the entity or a related entity in the resolution of a dispute or litigation in circumstances where the matters in dispute or subject to litigation are material in relation to such financial statements.*

Provision of legal services to a reporting issuer or listed entity audit client

(31) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a legal service to the entity or a related entity.*

GUIDANCE – Rule 204.4(30) and (31)**General provisions**

- 1 A legal service is any service that may only be provided by a person licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided. However, where a jurisdiction outside of Canada requires a service to be provided by a person licensed, admitted, or otherwise qualified to practice law in that jurisdiction and the same service could be provided in the relevant jurisdiction in Canada by a person not licensed, admitted, or otherwise qualified to practice law, such a service is not considered to be a legal service for the purposes of this Rule. Legal services encompass a wide and varied range of corporate and commercial services, including contract support, conduct of litigation, mergers and acquisition advice and support and the provision of assistance to client's internal legal departments.
- 2 Threats to independence created by the provision of legal services to an audit or review client or related entity should be considered based on:
 - the nature of the service to be provided (for example, advocacy as opposed to other legal services);
 - whether the service provider is separate from the engagement team; and
 - the materiality of any pertinent matter in relation to the financial statements that are subject to audit or review by the member or firm.
- 3 The provision of a legal service which involves matters that would not be expected to have a material effect on the financial statements subject to audit or review by the member or firm is not considered to create an unacceptable threat to independence with respect to the engagement to perform the audit or review of those financial statements.
- 4 The provision of a legal service to support an audit or review client or related entity in the execution of a transaction (e.g., contract support, legal advice, legal due diligence and restructuring) may create a self-review threat. The significance of any such threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:
 - using members of the firm who are not on the engagement team to provide the service;

- ensuring the client or related entity makes the ultimate decision in relation to the advice provided; or
- ensuring the service involves the execution of what has been decided by the client or related entity in relation to the transaction.

Audit or review clients that are not reporting issuers or listed entities

5 The provision of a legal service to assist an audit or review client that is not a reporting issuer or listed entity or a related entity in the resolution of a dispute or litigation may create an advocacy or self-review threat. When a member, firm or network firm is asked to act in an advocacy role for the client or related entity in the resolution of a dispute or litigation in circumstances where the amounts involved are not material to the client's financial statements, the significance of any resulting threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to eliminate it or reduce it to an acceptable level. Such safeguards might include:

- policies and procedures to prohibit members of the firm or network firm from assisting the client or related entity in making management decisions on behalf of the client or related entity; or
- using members of the firm who are not on the engagement team to perform the particular legal service.

RULE:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*****Human resource services for a reporting issuer or listed entity audit client***

- (32) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services to the entity or a related entity:*
- (a) *searching for or seeking out prospective candidates for management, executive or director positions;*
 - (b) *engaging in psychological testing, or other formal testing or evaluation programs;*
 - (c) *undertaking reference checks of prospective candidates for an executive or director position;*
 - (d) *acting as a negotiator or mediator with respect to employees or future employees with respect to any condition of employment, including position, status or title, compensation or fringe benefits; or*
 - (e) *recommending or advising with respect to hiring a specific candidate for a specific job.*

GUIDANCE - Rule 204.4(32)**General provisions**

- 1 The recruitment of managers, executives or directors for an assurance client, where the person recruited will be in a position to affect the subject matter of the assurance engagement, may create a current or future self-interest, familiarity or intimidation threat. The significance of such a threat will depend upon factors such as:
 - the role of the person to be recruited; and
 - the nature of the assistance sought.

The significance of any such threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. In all cases, the firm should not make management decisions and the client should make the hiring decision.
- 2 Notwithstanding Rule 204.4(32) a member, firm or network firm, or a member of the firm or a network firm may, upon request of the audit client or a related entity, interview candidates and advise the client or related entity on the candidate's competence for financial accounting, administrative or control positions.

RULE:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Provision of corporate finance and similar services to an audit or review client**

(33) A member or firm shall not perform an audit or review engagement for an entity if, during the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services:

- (a) promoting, dealing in or underwriting the entity's or a related entity's securities;
- (b) advising the entity or a related entity on other corporate finance matters where:
 - (i) the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;
 - (ii) the outcome or consequences of the advice has or will have a material effect on the financial statements; and
 - (iii) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework;
- (c) making investment decisions on behalf of the entity or a related entity or otherwise having discretionary authority over the entity's or a related entity's investments;
- (d) executing a transaction to buy or sell the entity's or a related entity's investments; or
- (e) having custody of assets of the entity or a related entity, including taking temporary possession of securities purchased by the entity or a related entity.

GUIDANCE - Rule 204.4(33)

1 Rule 204.4(33) sets out in paragraphs (a) to (e) the corporate finance and similar services which a member or firm may not provide to an audit or review client or a related entity.

Where a member or firm has provided advice on corporate finance matters to such a client or entity, Rule 204.4(33)(b) prohibits the member or firm from performing the audit or review engagement if:

- the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;
- the outcome or consequences of the advice has or will have a material effect on the financial statements; and
- the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Where the efficacy of implementing such corporate finance advice depends upon a particular accounting treatment or presentation, there may be pressure to adopt an accounting treatment or presentation that is inconsistent with the relevant financial reporting framework. If such an inconsistency were to exist, the member or firm would be prohibited from performing the audit or review engagement. Accordingly, where the circumstances set out in Rule 204.4(33) (b) exist the member or firm must review the materiality of the effect of the advice and the

appropriateness of the related accounting treatment and presentation with the audit or review engagement team as soon as possible prior to completion of the corporate finance advisory service.

- 2** Corporate finance services other than those that are prohibited by Rule 204.4(33) may create an advocacy or self-review threat that may be reduced to an acceptable level by the application of safeguards. Examples of such services include:
- assisting a client in developing corporate strategies;
 - assisting a client in obtaining bank financing by explaining the financial statements to the bank;
 - assisting in identifying or introducing a client to possible sources of capital that meet the client specifications or criteria; and
 - providing structuring advice and assisting a client in analyzing the accounting effects of proposed transactions.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce the threat to an acceptable level. Such a safeguard might be using members of the firm who are not part of the engagement team to provide the services.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Provision of tax planning or other tax advisory services to an audit or review client**

- (34) (a) *A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides tax planning or other tax advice to the client or a related entity, where:*
- (i) *the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;*
 - (ii) *the outcome or consequences of the advice has or will have a material effect on the financial statements; and*
 - (iii) *the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.*

Provision of tax calculations for the purpose of preparing accounting entries for a reporting issuer or listed entity

- (34) (b) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, prepares tax calculations of current and future tax liabilities or assets for the reporting issuer or listed entity or a related entity for the purpose of preparing accounting entries that are subject to audit by the member or firm.*

In the event of an emergency situation, the member or firm may perform the audit and perform such a tax service provided:

- (i) *those who provide the service are not members of the audit engagement team;*
- (ii) *the provision of the service in such circumstances is not expected to recur;*
- (iii) *the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and*
- (iv) *the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).*

GUIDANCE – Rule 204.4(34)**General provisions**

- 1 Tax services usually include:
- preparation of tax returns;
 - preparation of valuations for tax purposes;

- provision of tax planning and similar tax advisory services on such matters as how to structure business affairs in a tax efficient manner or on the application of tax laws or regulations;
 - provision of tax advocacy services with respect to tax disputes; or
 - preparation of tax calculations for the purpose of preparing accounting entries.
- 2 The provision of tax services may create a self-review threat where the advice or other service affects or will affect the financial statements subject to audit or review by the member or firm, or an advocacy threat where the services involve resolution of a tax dispute with tax authorities. The existence and significance of any threat will depend on factors such as:
- the nature of the tax service that is provided;
 - the degree of subjectivity involved in determining the appropriate treatment of tax advice in the financial statements;
 - the extent to which the outcome of the tax service has or will have a material effect on the financial statements subject to audit or review by the member or firm ;
 - the level of tax expertise of the client's employees;
 - the extent to which the advice is supported by tax law or regulation, other precedent or established practice; and
 - whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements.

Providing tax planning advice where the advice is clearly supported by tax authorities or other precedent, by established practice or has a basis in tax law that is likely to prevail does not ordinarily create a threat to independence, unless the circumstances described in Rule 204.4(34)(a) exist.

- 3 The significance of any threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Examples of such safeguards include:
- using professionals who are not members of the assurance engagement team to perform the tax service;
 - having a tax professional, who was not involved in providing the tax service, advise the assurance engagement team on the service and review the financial statement treatment;
 - obtaining advice on the service from an external tax professional; and
 - obtaining pre-clearance or advice from the tax authorities.

Preparation of tax returns

- 4 Tax return preparation services may involve assisting an audit or review client with its tax reporting obligations by drafting and completing information, including the amount of tax due, as reported on prescribed forms, and as required to be submitted to the applicable tax authorities. Such tax returns are subject to audit or other review by tax authorities. Accordingly, the provision of such services does not ordinarily create a threat to independence provided that management takes responsibility for the returns including any significant judgments made.

Preparation of valuations for tax purposes

- 5 A firm may be requested to perform a valuation to assist an audit or review client or a related entity with its tax reporting obligations or for tax planning purposes.

Rule 204.4(25) permits the provision of certain valuation services for tax purposes only. Where the valuation is performed for tax purposes only and the valuation relates to amounts that will affect the financial statements subject to audit or review by the member or firm only through accounting entries related to taxation, a threat to independence would not ordinarily be created if the amounts related to the valuation are not material to such financial statements or if the valuation is subject to external review at the discretion of a tax authority or similar regulatory authority.

However, a valuation service that is not subject to such an external review and which results in amounts that are material to the financial statements subject to audit or review by the member or firm, may create a threat to independence. The existence and significance of any threat created will depend upon factors such as:

- the extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice and the degree of subjectivity inherent in the valuation; and
- the reliability and extent of the underlying data.

The significance of any threat created should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level.

Provision of tax planning or other tax advisory services

- 6** Members and firms often provide tax planning or advisory services in order to create tax-efficient outcomes for their clients. Where a member or firm has provided tax planning or other tax advice to an audit or review client or a related entity, Rule 204.4(34)(a) prohibits the member or firm from performing the audit or review engagement if:

- the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;
- the outcome or consequences of the advice has or will have a material effect on the financial statements; and
- the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Where the efficacy of implementing such tax planning or other tax advice depends upon a particular accounting treatment or presentation there may be pressure to adopt an accounting treatment or presentation that is inconsistent with the relevant financial reporting framework. If such an inconsistency were to exist, the member or firm would be prohibited from performing the audit or review engagement. Accordingly, where the circumstances set out in 204.4 (34) (a) exist, the member or firm must review the materiality of the effect of the tax planning or other tax advice and the appropriateness of the related accounting treatment or presentation with the audit or engagement team as soon as possible prior to completion of the tax planning or other tax advisory service.

Provision of tax advocacy services

- 7** Tax advocacy services generally involve assisting a client in the resolution of a disputed tax matter with tax authorities. Such services may involve the provision of litigation support services, legal services or both. Accordingly, members and firms should evaluate whether the provision of such a tax advocacy service involves the provision of a service that would be prohibited pursuant to Rules 204.4(29)(a) or (b), (30) or (31).

Audit or review clients that are not reporting issuers or listed entities

- 8 Rules 204.4(29)(a) and (30) do not preclude members and firms from providing a tax advocacy service that involves assistance in the resolution of a dispute with a tax authority to an audit or review client that is not a reporting issuer or listed entity and where the assistance does not involve acting as an advocate before a public tribunal or court.

Members and firms are also not precluded by Rules 204.4(29)(a) and (30) from providing a tax advocacy service that involves assistance in the resolution of a dispute with a tax authority to an audit or review client that is not a reporting issuer or listed entity where the assistance involves acting as an advocate before a public tribunal or court provided that the disputed matter involves amounts that are not material to the financial statements subject to audit or review by the member or firm.

Rules 204.4(29)(a) and (30) do not preclude members and firms from responding to specific requests for information, providing factual accounts or testimony about the work performed or assisting the client in analyzing the tax issues.

Audit clients that are reporting issuers or listed entities

- 9 Rules 204.4(29)(b) and (31) do not preclude members and firms from providing a tax advocacy service that involves assistance in the resolution of a dispute with a tax authority to a reporting issuer or listed entity audit client and where the assistance does not involve acting as an advocate before a public tribunal or court.

Pursuant to Rules 204.4(29) and (31), members and firms may not provide a tax advocacy service that involves assistance in the resolution of a dispute with a tax authority to a reporting issuer or listed entity audit client and where the assistance involves acting as an advocate before a public tribunal or court whether or not the amounts involved are material to the financial statements subject to audit or review by the member or firm.

Rules 204.4(29)(b) and (31) do not preclude members and firms from responding to specific requests for information or providing factual accounts or testimony about the work performed.

Members and firms are cautioned that an engagement to provide a permitted tax advocacy service may, in its performance, escalate to a point where the advocacy or self-review threat so created cannot be reduced to an acceptable level by the application of safeguards. Accordingly, the guidance in paragraph 3 of the Guidance to Rule 204.4(29) applicable to litigation support services may also be helpful when considering the provision of tax advocacy services. One of the factors that impacts the significance of any such threat created is whether the tax advocacy service involves acting as advocate before a public tribunal or court, which for this purpose is an adjudicative body that is independent of the tax authority.

Preparation of tax calculations for the purpose of preparing accounting entries for a reporting issuer or listed entity

- 10 Rule 204.4(34)(b) permits, in the event of an emergency situation and under specified conditions, a member or firm to prepare tax calculations of current and future tax liabilities or assets for a reporting issuer or listed entity audit client or a related entity for the purpose of preparing accounting entries that are subject to audit by the member or firm. Such emergency situations might arise when, due to events beyond the control of the member or firm and the client or related entity,
- there are no viable alternative resources to those of the member or firm with the necessary knowledge of the client's or related entity's business to assist in the timely

- preparation of such tax calculations, and
- a restriction on the member's or firm's ability to provide the services would result in significant difficulties for the client or related entity, for example, as might result from a failure to meet regulatory reporting requirements, in the withdrawal of credit lines, or would threaten the going concern status of the client or related entity. Significant difficulties would not be created simply by virtue of the fact that the client or related entity would be required to incur additional costs to engage the services of an alternative service provider.

Members and firms are also required by Rule 204.5(c) to document both the rationale supporting the determination that the situation constitutes an emergency and compliance with the provisions of subparagraphs (i) through (iv) of Rule 204.4(34)(b).

Members, firms and network firms should fully assess and consider the circumstances that would constitute an emergency situation. Emergency situations are rare, non-recurring and would arise only when clearly beyond the control of the member or firm and the client or related entity. Caution should be exercised when deciding to undertake services under this exception.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Provision of non-assurance services prior to commencement of audit or review services**

- (35) (a) *Where a member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to a client prior to the engagement of the member or firm to perform an audit or review engagement for the client but during or after the period covered by the financial statements subject to audit or review by the member or firm, the member or firm shall not perform the audit or review engagement unless the particular non-assurance service was provided before the engagement period and the member or firm:*
- (i) *discusses independence issues related to the provision of the non-assurance service with the audit committee;*
 - (ii) *requires the client to review and accept responsibility for the results of the non-assurance service; and*
 - (iii) *precludes personnel who provided the non-assurance service from participating in the audit or review engagement,*
- such that any threat created by the provision of the non-assurance service is reduced to an acceptable level.*

Provision of previous non-assurance services to an entity that has become a reporting issuer or listed entity

- (35) (b) *Where a member, firm, a network firm or a member of the firm or a network firm has performed a non-assurance service referred to in Rules 204.4 (22) to (34) for an audit or review client that has become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, the member or firm shall not perform an audit engagement for the client unless the member or firm:*
- (i) *discusses independence issues related to the provision of the non-assurance service with the audit committee;*
 - (ii) *requires the client to review and accept responsibility for the results of the non-assurance service; and*
 - (iii) *precludes personnel who provided the non-assurance service from participating in the audit engagement,*
- such that any threat to independence created by the provision of the non-assurance service is reduced to an acceptable level.*

GUIDANCE – Rule 204.4(35)

- 1 The firm and those on the engagement team should be independent of the assurance client during the period of the assurance engagement.

Audit or review engagements

- 2 In the case of an audit or review engagement, independence is also required during the

period covered by the financial statements reported on by the member or firm. When an entity becomes an audit or review client during or after the period covered by the financial statements on which the member or firm will report, the member or firm should consider whether any threats to independence may be created by financial or business relationships with the client during or after the period covered by the financial statements, but prior to the acceptance of the engagement.

Similarly, in the case of an assurance engagement that is not an audit or review engagement, the member or firm should consider whether any financial or business relationships may create threats to independence.

- 3** In the situation described in Rule 204.4(35)(a), the member or firm is required to take a number of measures to reduce any threat created by the provision of the non-assurance service as described in the Rule to an acceptable level.

The determination as to whether any such threat has been so reduced will require the member or firm to consider the nature and impact of the threat to independence and take any further measures that are necessary to reduce it to an acceptable level. Such further measures might include engaging another firm to review the results of the non-assurance service or having another firm re-perform that service to the extent necessary to enable the other firm to take responsibility for the non-assurance service.

If the provision of the non-assurance service creates such a significant threat to independence that compliance with the requirements of Rule 204.4(35)(a) would still not reduce any such threat to an acceptable level, the member or firm is required to decline the audit or review engagement.

Members and firms are reminded that, even where a non-assurance service that is not specifically addressed by the provisions of Rules 204.4(22) to (35) has been provided to an audit or review client, a threat to independence may still be created by the provision of the non-assurance service. In such circumstances, members and firms are required, in accordance with the provisions of Rule 204.3, to evaluate any threats so created and apply safeguards to reduce them to an acceptable level or decline the audit or review engagement.

Audit clients that are reporting issuers or listed entities

- 4** When an entity becomes a reporting issuer or listed entity by virtue of a public offering, the auditor of the entity is required, from that period forward until the entity ceases to be a reporting issuer or listed entity, to comply with the specific prohibitions contained in Rule 204.4 that relate to an audit of a reporting issuer or listed entity. For example, bookkeeping services may not be provided following the date of an initial public offering, except in emergency situations. The provision of bookkeeping services to the entity prior to that date would not impair the firm's independence provided the services were not prohibited by Rule 204.4(23) and provided the firm had complied with the provisions of Rule 204.4(35)(b).

Documentation

- 5** Members and firms are also required by Rule 204.5(e) to document:
- a description of the previously provided non-assurance service;
 - the results of the discussion with the audit committee;
 - any further measures applied to address the threat created by the provision of the previous non-assurance service; and
 - the rationale to support the decision of the member or firm.

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Fees**

(36) *A member or firm shall not provide an assurance service for a fee that the member or firm knows is significantly lower than that charged by the predecessor member or firm, or contained in other proposals for the engagement, unless the member or firm can demonstrate:*

- (a) *that qualified members of the firm have been assigned to the engagement and will devote the appropriate time to it; and*
- (b) *that all applicable assurance standards, guidelines and quality control procedures have been followed.*

(36.1) (a) *A member or firm shall not provide, directly or indirectly, an assurance service on a contingent fee basis.*

(b) *A member or firm shall not provide an assurance service to a client to whom he or she provides, directly or indirectly, any non-assurance service on a contingent fee basis when the outcome of the non-assurance service and the amount of the fee is dependent on a contemporaneous or future judgment related to a matter that is material to the subject matter of the assurance engagement.*

(c) *A member or firm shall not perform an audit or review engagement for a client to whom he or she provides, directly or indirectly, any non-assurance service on a contingent fee basis when:*

- (i) *the contingent fee that is charged by the firm to the audit or review client is or is expected to be material to the firm;*
- (ii) *a member of the audit or review engagement team for that client will be entitled to a portion of that contingent fee and that portion is material to that member of the audit or review engagement team; or*
- (iii) *the outcome of the non-assurance service and the amount of the contingent fee is dependent on a contemporaneous or future judgment related to a matter that is material to the financial statements that are subject to audit or review by the member or firm.*

(d) *A member or firm shall not perform an audit or review engagement if a network firm that participates in a significant part of the audit or review engagement provides a non-assurance service on a contingent fee basis to the audit or review client and that contingent fee is expected to be material to that network firm.*

Relative size of fees of a reporting issuer or listed entity audit client

(37) (a) *A member or firm shall not perform an audit engagement for a reporting issuer or listed entity when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities for the two consecutive fiscal years of the firm most recently concluded prior to the date of the financial statements subject to audit by the member or firm, represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in each such fiscal year, unless:*

- (i) *the member or firm discloses to the audit committee the fact that the total of such*

revenue represents more than 15% of the total revenue of the firm, calculated on an accrual basis, in each of those fiscal years; and

- (ii) *another professional accountant who is not a member of the firm performs a review, that is substantially equivalent to an engagement quality control review, of the audit engagement, either*
- (A) *prior to the audit opinion in respect of the financial statements being issued, or*
- (B) *subsequent to the audit opinion in respect of the financial statements being issued but prior to the audit opinion on the client's financial statements for the immediately following fiscal period being issued.*

Thereafter, when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities continues to represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in the firm's most recently concluded prior fiscal year, the member or firm shall not perform the audit unless the requirements of paragraphs (37)(a)(i) and (ii)(A) are met.

- (b) *A member shall not perform the review required by Rule 204.4(37)(a)(ii) if the member or the member's firm would be prohibited, pursuant to any provision of Rule 204, from performing an audit of the financial statements referred to in Rule 204.4(37)(a).*

GUIDANCE - Rule 204.4(36), (36.1) and (37)

Fees - Pricing

- 1 Rule 204.4(36) provides that a member or firm may not provide an assurance service at a fee level that the member or firm knows is significantly lower than that charged by the predecessor member or firm, or contained in other proposals for the engagement, unless the member or firm can demonstrate that the engagement will be performed properly by qualified staff and in accordance with all applicable professional standards.

Contingent fees

- 2 Rule 204.4(36.1) sets out the circumstances under which a contingent fee may not be charged for the provision of a non-assurance service to an assurance client.
- 3 However, a threat to independence may also be created by a contingent fee arrangement with an assurance client in situations when such a fee is not prohibited by Rule 204.4(36.1). The significance of any threat created will depend on such factors as:
- the range of possible fee amounts;
 - whether an appropriate authority determines the outcome of the matter upon which the contingent fee will be determined;
 - the nature of the service; and
 - the effect of the event or transaction on the subject matter of the assurance engagement.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- having another professional accountant review the relevant assurance work or otherwise advise as necessary; and

- using professionals who are not members of the engagement team to provide the service.
- 4 Corporate finance services are often provided on a contingent fee basis. When, in accordance with Rule 204.4(33), a member or firm is permitted to provide a corporate finance service to an assurance client and the corporate finance service is provided on a contingent fee basis, a threat to independence may be created. The significance of any threat created will depend on such factors as:
- the level of sophistication of the parties to the transaction and whether those parties are carrying out additional due diligence regarding the transaction;
 - whether amounts or disclosures in the financial statements of the client have a material impact on the fee;
 - whether the outcome of the corporate finance service depends upon a judgment relative to a material matter related to the subject matter of the assurance engagement, such as a material balance in the financial statements of the client; and
 - the materiality of the amount of the contingent fee to the member or firm.

The evaluation of the materiality of the amount of the contingent fee to a member requires that consideration be given to whether there is any member involved in providing the corporate finance service who is expected to receive compensation that is material to that member as a consequence of the firm receiving the contingent fee and who is also a member of the assurance engagement team.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- having another professional accountant review the relevant assurance work or otherwise advise as necessary; and
 - using professionals who are not members of the engagement team to provide the service.
- 5 Value billing, which is specifically set out as an exception to the definition of a contingent fee, should not be used to justify what is in substance an otherwise inappropriate contingent fee arrangement.

Fees — Overdue

- 6 A self-interest threat may exist if fees due from an assurance client for professional services remain unpaid for a long time, especially if a significant portion is not paid before the assurance report for the following year is issued. Generally the payment of such fees should be required before that report is issued. The following safeguards may be applicable:
- discussing the level of outstanding fees with the audit committee; and
 - involving another member of the firm who is not part of the engagement team, or a professional accountant who is not a member of the firm, to provide advice or review the work performed.

Members are cautioned that the overdue fees might create the same threats to independence as a loan to the client. Therefore, members should consider whether, because of the significance of such threats, it is appropriate for the firm to continue to provide assurance services to that client.

Fees — Relative size

7 When the total fees generated from an assurance client represent a significant proportion of a member's or firm's total fees, the financial dependence on that client, or group of clients of which it is a part, including the possible concern about losing the client, may create a self-interest threat. The significance of the threat will depend upon factors such as:

- the structure of the firm; and
- whether the member or firm is well established in practice.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- taking steps to reduce the dependency on the client;
- discussing the extent and nature of fees with the audit committee;
- having firm policies and procedures to monitor and implement quality control of assurance engagements;
- involving another member of the firm who is not on the engagement team to review the work done or advise as necessary;
- arranging for external quality control reviews; or
- consulting a third party, such as a professional regulatory body or a professional accountant who is not a member of the firm.

Relative size of fees of a reporting issuer or listed entity audit client

8 Rule 204.4(37)(a) provides that, unless specified measures are taken, a member or firm may not perform an audit engagement for a client that is a reporting issuer or listed entity, when, for the two consecutive fiscal years of the firm most recently concluded prior to the date of the financial statements subject to audit by the member or firm, the total revenue, calculated on an accrual basis, for services provided to that client and its related entities represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in each such fiscal year. The measures required to be taken by the Rule are:

- disclosing, to the audit committee, that the revenue exceeds the 15% threshold; and
- completion, by another professional accountant who is not a member of the firm, of either a "pre-issuance" or "post-issuance" review of the audit engagement.

The Rule requires that either such review be substantially equivalent to an engagement quality control review. In the case of a "pre-issuance" review, the review is to be completed prior to the audit opinion in respect of the financial statements being issued. A "post-issuance" review may be completed after the audit opinion in respect of the financial statements has been issued but prior to the audit opinion on the client's financial statements for the immediately following fiscal period being issued.

The Rule also requires the performance of a "pre-issuance" review if the total revenue, calculated on an accrual basis, for any services provided to the client continues to represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in the firm's most recently concluded fiscal year.

New August 26, 2016:

- *New 204.4(36.1)*
- *New Guidance paragraphs 1 to 5, with paragraphs 6, 7 and 8 consequentially renumbered.*
- *Changed wording in Guidance paragraphs 6 and 7 to professional "accountant" from "colleague"*

RULE:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Evaluation or compensation of partners**

(38) *A member who is or was a key audit partner shall not be evaluated or compensated based on the member's solicitation or sales of non-assurance services to the particular client or a related entity if such solicitation or sales occurred during the period during which the member is or was a key audit partner.*

GUIDANCE - Rule 204.4(38)

1 Evaluating or compensating a member of the engagement team for an audit or review client for selling non-assurance services to that audit or review client, may create a self-interest threat. The significance of the threat will depend on such factors as:

- the structure of the firm;
- the size of the fee for the assurance service; and
- the size of the fee for the non-assurance service.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- discussing the nature and extent of the fees with the audit committee;
- having firm policies and procedures to monitor and implement quality control of assurance engagements;
- involving another member of the firm who is not a member of the engagement team to review the work done or advise as necessary; or
- being subject to external practice inspection.

2 Rule 204.4(38) does not preclude such a key audit partner from being evaluated or compensated in relation to performing such services and sharing in the profits of the audit practice and the profits of the firm. Such a partner's evaluation may take into account a number of factors, including the complexity of his or her engagements, the overall management of the relationship with the client including the provision of non-audit services, and the attainment of specific goals for the sale of assurance services to a client for which the partner is a key audit partner or for the sale of any services to a client for which the partner is not a key audit partner.

Members and firms should consider documenting their evaluation and compensation processes and systems in order to demonstrate compliance with the requirements of Rule 204.4(38).

RULE:**204.4 *Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements******Gifts and hospitality***

- (39) *A member or student who participates on an engagement team for an assurance client and the member's or student's firm shall not accept a gift or hospitality, including a product or service discount, from the client or a related entity, unless the gift or hospitality is clearly insignificant to the member, student or firm, as the case may be.*

RULES:**204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements****Client mergers and acquisitions**

- (40) (a) *A member or firm shall not perform or continue with an audit or review engagement for an entity where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, unless:*
- (i) *the member or firm terminates, by the effective date of the merger or acquisition, any such activity, interest or relationship;*
 - (ii) *the member or firm terminates, as soon as reasonably possible and, in all cases, within six months following the effective date of the merger or acquisition, any such activity, interest or relationship and the requirements of Rule 204.4(40)(b) are met; or*
 - (iii) *the member or firm has completed a significant amount of work on the audit or review engagement and expects to be able to complete the engagement within a short period of time, the member or firm discontinues in the role of audit or review service provider on completion of the current engagement and the provisions of Rule 204.4(40)(b) are met.*
- (b) *Notwithstanding the existence of the previous or current activity, interest or relationship described in Rule 204.4(40)(a), the provisions of Rule 204.4(40)(a)(ii) and (iii) permit the member or firm to perform or continue with the audit or review engagement provided that:*
- (i) *the member or firm evaluates and discusses with the audit committee the significance of the threat created by any such activity, interest or relationship and the reasons why the activity, interest or relationship is not terminated or cannot reasonably be terminated by the effective date of the merger or acquisition, or within six months thereof, as the case may be;*
 - (ii) *the audit committee requests the member or firm to complete the audit or review engagement;*
 - (iii) *any person involved in any such activity or who has any such interest or relationship will not participate in the audit or review engagement or as an engagement quality control reviewer; and*
 - (iv) *the member or firm applies an appropriate measure or measures, as discussed with the audit committee, to address the threat created by any such activity, interest or relationship.*
- (c) *Where the previous or current activity, interest or relationship described in Rule 204.4(40)(a) creates such a significant threat to independence that compliance with the requirements of paragraphs 204.4(40)(a) and (b) would still not reduce any such threat to an acceptable level, the member or firm shall not perform or continue with the audit or review engagement.*

GUIDANCE – Rule 204.4(40)

- 1 Where an activity, interest or relationship that would impair independence is not terminated by the effective date of the merger or acquisition, Rule 204.4(40)(b) describes the circumstances in which the member or firm may perform or continue with the audit or review engagement, including a requirement that the member or firm apply an appropriate measure or measures, as discussed with the audit committee. Examples of such a measure or measures are:
 - having another public accountant review the audit or review or any relevant non-assurance work as appropriate;
 - engaging another firm to evaluate the results of any relevant non-assurance service or to re-perform any relevant non-assurance service to the extent necessary to enable it to take responsibility for the service; and
 - having another professional accountant, who is not a member of the firm performing the audit or review engagement, perform a review that is equivalent to an engagement quality control review.

- 2 Rule 204.4(40)(c) provides that even if all of the other requirements of the Rule are met, where an activity, interest or relationship creates such a significant ongoing threat to independence that compliance with paragraphs 204.4(40)(a) and (b) will still not reduce the threat to an acceptable level, the member or firm is required to resign from the particular audit or review engagement. In determining whether the activity, interest or relationship continues to create such a significant threat that the member or firm would be required to resign, consideration should be given to:
 - (a) the nature and significance of the activity, interest or relationship;
 - (b) the extent, if any, to which the activity, interest or relationship continues to affect the financial statements subject to audit or review by the member or firm;
 - (c) the nature and significance of the new relationship with the other entity, for example, whether that other entity becomes a parent, a subsidiary or the client itself; and
 - (d) the adequacy of the actions taken, as described in Rule 204.4(40)(b), to address the activity, interest or relationship.

In addition, members and firms are reminded of the requirement pursuant to Rule 202.2 to perform professional services with an objective state of mind.

Documentation

- 3 Members and firms are also required by Rule 204.5(f) to document:
 - a description of the activity, interest or relationship that will not be terminated by the effective date of the merger or acquisition and the reasons why it will not be terminated;
 - the results of the discussion with the audit committee and measures applied to address the threat created by any such activity, interest or relationship; and
 - the rationale to support the decision of the member or firm.

RULES:**204.5 Documentation**

- (a) *A member or firm who, in accordance with Rule 204.3, has identified a threat that is not clearly insignificant, shall document a decision to accept or continue the particular engagement. The documentation shall include the following information:*
- (i) *a description of the nature of the engagement;*
 - (ii) *the threat identified;*
 - (iii) *the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and*
 - (iv) *an explanation of how, in the member's or firm's professional judgment, the safeguards eliminate the threat or reduce it to an acceptable level.*
- (b) *A member or firm who, in an emergency situation, provides an accounting or bookkeeping service to a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(24) shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.*
- (c) *A member or firm who, in an emergency situation, prepares tax calculations of current and future income tax liabilities or assets for a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(34)(b), for the purpose of preparing accounting entries that are subject to audit by the member or firm shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.*
- (d) *A member or firm who, in accordance with the requirements of Rule 204.4(35)(a), performs an audit or review engagement for a client where the member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to the client prior to the engagement period but during or after the period covered by the financial statements subject to audit or review by the member or firm, shall document:*
- (i) *a description of the previously provided non-assurance service;*
 - (ii) *the results of the discussion with the audit committee;*
 - (iii) *any further measures applied to address the threat created by the provision of the previous non-assurance service; and*
 - (iv) *the rationale to support the decision of the member or firm.*
- (e) *A member or firm who, in accordance with the requirements of Rules 204.4(35)(b), performs an audit engagement for a client that has become a reporting issuer or listed entity where the member, the firm, a network firm or a member of the firm or a network firm provided a non-assurance service to the client prior to it having become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, shall document:*

- (i) *a description of the non-assurance service;*
 - (ii) *the results of the discussion with the audit committee;*
 - (iii) *any further measures applied to address the threat created by the provision of the non-assurance service; and*
 - (iv) *the rationale to support the decision of the member or firm.*
- (f) *A member or firm who, in accordance with the requirements of Rules 204.4(40)(a) and (b), performs or continues with an audit or review engagement where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, shall document:*
 - (i) *a description of the activity, interest or relationship that will not be terminated by the effective date of the merger or acquisition and the reasons why it will not be terminated;*
 - (ii) *the results of the discussion with the audit committee and measures applied to address the threat created by any such activity, interest or relationship; and*
 - (iii) *the rationale to support the decision of the member or firm.*

204.6 Breach of a provision of Rule 204.3 or 204.4**RULES:**

- (a) *When a member or student identifies a breach of any of the provisions of Rule 204.3 or 204.4 with respect to an assurance engagement, the member or student shall immediately communicate the nature of the breach in accordance with the firm's policies and procedures that address the reporting of such breaches.*
- (b) *The individual who has received notification of the breach shall ensure that:*
- (i) *the significance of the breach is evaluated;*
 - (ii) *the actions set out in (d) to (h) are taken; and*
 - (iii) *the nature of the breach is communicated to a network firm, when appropriate.*
- (c) *Notwithstanding the provisions of Rule 204.2, when a breach of the provisions of Rule 204.3 or 204.4 is identified, the affected assurance engagement may be continued provided that:*
- (i) *the activity, interest or relationship that caused the breach is terminated, suspended or eliminated and the consequences of the breach are addressed;*
 - (ii) *any legal or regulatory requirements that apply with respect to the breach are met;*
 - (iii) *the significance of the breach and its impact on objectivity and the ability to issue an audit opinion, review engagement report, or other assurance report, as applicable, is evaluated and a conclusion is reached that it is possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach such that a reasonable observer would be likely to conclude that objectivity has not been compromised, and*
 - (iv) *concurrence with that conclusion is obtained in accordance with the provisions of paragraph (d) below:*
 - (A) *in the case of an assurance engagement that is not an audit or review engagement, from the audit committee or those charged with governance, or the party that engaged the firm, as appropriate; or*
 - (B) *in the case of an audit or review engagement, from the audit committee or those charged with governance.*
- (d) (i) *When a conclusion is reached that action has been or can be taken that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm, and concurrence with that conclusion shall be obtained.*
- (ii) *In the case of an assurance engagement that is not an audit or review engagement, the timing for such a discussion shall take into account the circumstances of the engagement and the breach.*
- (iii) *In the case of an audit or review engagement, such a discussion shall take place as soon as possible, unless an alternative timing for reporting less significant breaches has been specified by the audit committee or those charged with governance and the breach is less significant. In addition, the following matters shall be communicated in writing to the*

- audit committee or those charged with governance:*
- (A) *the nature, duration and significance of the breach;*
 - (B) *how the breach occurred and was identified;*
 - (C) *the action taken or proposed to be taken and the rationale as to how the action will satisfactorily address the consequences of the breach and enable the audit or review engagement to continue;*
 - (D) *a description of the firm's policies and procedures relevant to the breach designed to provide reasonable assurance that independence is maintained and any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring; and*
 - (E) *the conclusion that objectivity has not been compromised.*
- (e) (i) *If a conclusion is reached that it is not possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed, as soon as possible, with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm, and the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.*
- (ii) *If the audit committee or those charged with governance, or party that engaged the firm does not concur with the conclusion that action can be taken to satisfactorily address the consequences of the breach, the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.*
- (f) *If the breach occurred prior to the issuance of a previous audit opinion, review engagement report or other assurance report,*
- (i) *consideration shall be given to the impact of the breach, if any, on any previously issued audit opinions, review engagement reports or other assurance reports;*
 - (ii) *the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm; and*
 - (iii) *consideration shall be given to whether it is necessary to withdraw such opinions or reports.*
- (g) *The following matters shall be documented:*
- (i) *the breach;*
 - (ii) *the action taken;*
 - (iii) *key decisions made;*
 - (iv) *the consideration of the impact of the breach, if any, on previously issued audit opinions, review engagement reports or other assurance reports;*
 - (v) *the conclusion, if such a conclusion is reached, that objectivity has not been compromised such that an audit opinion, review engagement report or other assurance report can be issued;*

- (vi) *an analysis supporting that conclusion;*
 - (vii) *all the matters discussed with the audit committee or those charged with governance, or the party that engaged the firm; and*
 - (viii) *discussions, if any, with CPA Ontario, a relevant regulator or other oversight authority.*
- (h) *In the event of a breach of the provisions of Rule 204.3 or 204.4 that results in a conclusion to withdraw any previously issued audit opinion, review engagement report or other assurance report, information concerning any such breach shall be reported to CPA Ontario.*

GUIDANCE- RULE 204.6

- 1 Rule 204.6 addresses a situation when a member or student identifies,
- (a) the existence of an activity, interest or relationship that, had it been identified prior to the commencement of the assurance engagement, would have either prohibited the provision of the engagement or would have created a threat to independence which would have required the evaluation of its significance and the application of safeguards to reduce it to an acceptable level, or
 - (b) that the safeguards implemented to address a threat that was previously identified have not been effective in reducing the threat to independence to an acceptable level.

Such circumstances constitute a breach of Rule 204 and may occur despite the firm having policies and procedures designed to provide reasonable assurance that independence is maintained. A consequence of such a breach may be that termination of the assurance engagement is necessary.

- 2 When a member or student identifies that such a breach has occurred, Rule 204.6 requires that:
- the breach be reported immediately in accordance with the firm's policies and procedures that address the reporting of such breaches;
 - the activity, interest or relationship that caused the breach be terminated, suspended or eliminated; and
 - the consequences of the breach be addressed.

The firm is required by the *CPA Canada Handbook - Assurance (CSQC1)* to establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations. CSQC 1 also requires that such notification be provided to specified individuals within the firm.

- 3 When a breach is identified the individual who has received notification of the breach is required to ensure that an evaluation is made of the significance of that breach, its impact on objectivity and whether an audit opinion, review engagement report, or other assurance report may still be issued or a previously issued report needs to be withdrawn. Such an evaluation requires the exercise of professional judgment, taking into account whether a reasonable observer would be likely to conclude that objectivity would be compromised. The significance of the breach will depend on factors such as:
- the nature and duration of the breach;
 - the number and nature of any previous breaches with respect to the assurance

- engagement;
- whether a member of the engagement team had knowledge of the activity, interest or relationship that caused the breach;
 - whether the individual who caused the breach is a member of the engagement team or another individual for whom there are independence requirements;
 - if the breach relates to a member of the engagement team, the role of that individual;
 - if the breach was caused by the provision of a professional service, the impact of that professional service, if any, on the subject matter of the engagement; and
 - the extent of the threat or threats created by the breach.
- 4 Depending upon the significance of the breach, it may be necessary to terminate the assurance engagement or withdraw a previously issued assurance report, or it may be possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach.
- 5 Examples of actions that may be appropriate include:
- removing the relevant individual from the engagement team;
 - conducting an additional review of the affected assurance engagement work or re-performing that work to the extent necessary, in either case using different personnel;
 - recommending that the client engage another firm to review or re-perform the affected assurance engagement work to the extent necessary; and
 - when the breach relates to a non-assurance service that affects the subject matter of the assurance engagement, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.

New August 26, 2016: Rule 204.6 and related Guidance

RULES:**204.7 *Members Must Disclose Prohibited Interests and Relationships***

- (a) *A member or student who has a relationship or interest, or who has provided a professional service, that is precluded by this Rule shall advise in writing a designated partner of the firm of the interest, relationship or service.*

- (b) *A member or student who has been assigned to an engagement team for an assurance client shall advise, in writing, a designated partner of the firm of any interest, relationship or activity that would preclude the person from being on the engagement team.*

RULE:**204.8 Firms To Ensure Compliance**

A firm that performs an assurance engagement shall ensure that members of the firm do not have a relationship or interest, do not perform a service and remain free of any influence that would preclude the firm from performing the engagement pursuant to Rules 204.1, 204.3, 204.4 or 204.9.

GUIDANCE - Rule 204.8

- 1 Members of the firm include all those persons who are associated with the firm in carrying out its activities. Members of the firm, including employees, who are not under the jurisdiction of CPA Ontario could have an interest or relationship or provide a service that would result in the firm being prohibited from performing a particular engagement. Rule 204.8 requires a member who is a partner or proprietor of a firm to ensure that the firm and all members of the firm, including those who are not members of CPA Ontario, do not have a relationship or interest, do not perform a service and remain free of any influence that would preclude the firm from performing the engagement pursuant to Rules 204.1, 204.3, 204.4 or 204.9.

204.9 Independence: Insolvency Engagements**DEFINITIONS:**

For purposes of Rule 204.9,

“the Acts” means the Companies’ Creditor Arrangement Act, the Bankruptcy and Insolvency Act, the Winding-up and Restructuring Act and relevant provincial or territorial legislation, or any combination of them, as the circumstances may require.

“agent for a secured creditor”, **“liquidator”**, **“inspector”**, **“receiver”**, **“receiver-manager”**, **“trustee”**, and **“trustee in bankruptcy”** all have the meanings ascribed to them under the Acts.

RULE:

A member or firm who engages or participates in an engagement to act in any aspect of insolvency practice, including as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager, shall be and remain independent such that the member, firm and members of the firm shall be and shall remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or member of the firm.

GUIDANCE – Rule 204.9

- 1 Rule 204.9 deals with objectivity and independence in insolvency practice. This Guidance sets out how, in Council’s opinion, a reasonable observer might be expected to view certain situations related to insolvency practice.
- 2 A firm and a member, or member of the firm, and their respective immediate families, should not acquire directly or indirectly in any manner whatsoever any assets under the administration of the member or firm, provided that any of the foregoing may acquire assets from a retail operation under administration of the member or firm where those assets are available to the general public for sale and that no special treatment or preference over and above that granted to the public is offered to or accepted by the firm, the member or the member of the firm and their respective immediate families.
- 3 A member or firm should avoid being placed in a position of conflict of interest and, in keeping with this principle, should not accept any appointment, unless expressly permitted by the court as a receiver, receiver-manager, agent for a secured creditor, or liquidator, or any other appointment under the Acts, except as an inspector, in respect of any debtor, where the member or firm is, or at any time during the two preceding years was:
 - a director or officer of the debtor;
 - an employer or employee of the debtor or of a director or officer of the debtor;
 - related to the debtor or to any director or officer of the debtor; or
 - the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel of the debtor.
- 4 Where a conflict of interest may exist, or may appear to exist, a member or a firm should make full disclosure to, and obtain the consent of, all interested parties and, in keeping with this principle, should not accept any appointment:

- as trustee where the member or firm has already accepted an appointment as receiver, receiver-manager, agent of a secured creditor, liquidator, trustee under a trust indenture issued by the bankrupt corporation or by any corporation related to the bankrupt corporation, or on behalf of any person related to the bankrupt without having first made disclosure of such prior appointment. The member or firm should inform the creditors of the bankrupt of the prior appointment as soon as reasonably possible;
 - as receiver, receiver-manager, agent for a secured creditor or on behalf of any person related to the bankrupt where the member or firm has already accepted an appointment as trustee without first obtaining the permission of the inspectors of the bankrupt estate. Where inspectors have not been appointed at the time that the second appointment is to be taken, the member or firm should obtain the approval of the creditors of the bankrupt of having taken the second appointment as soon as reasonably possible; and if the second appointment is taken before obtaining the approval of the creditors, it should be taken subject to their approval;
 - as receiver, receiver-manager, agent for a secured creditor or trustee in respect of any corporation where the member or firm is, or at any time during the two-year period commencing at the date of the last audit report or the last review engagement report was, the trustee (or related to such trustee) under a trust indenture issued by such corporation or by any corporation related to such corporation without first obtaining the permission of the creditors secured under such trust indenture. Upon the acceptance of any such appointment as trustee, the member or firm should inform the creditors of the bankrupt corporation of the prior appointment as (or relationship to) the trustee under a trust indenture issued by the bankrupt corporation or by any corporation related to the bankrupt corporation as soon as reasonably possible;
 - as receiver, receiver manager, agent for a secured creditor, liquidator of an insolvent company in respect of any corporation where the member or firm is related to an officer or director of such corporation; or
 - as receiver, receiver-manager, agent for a secured creditor, or trustee in respect of any person or corporation where the member or firm is a creditor, or an officer or director of any corporation that is a creditor, of such person or corporation unless the relationship is sufficiently remote that the member or firm can act having independence in fact and appearance.
- 5 For purposes of paragraphs 3 and 4 of this Guidance, persons are related to each other if they are defined as such under the Acts.
- 6 A member or firm engaged in insolvency practice should ensure there are no relationships with retired partners which may be seen to impair the member's or firm's independence. For more information on retired members, refer to the information set out in the Guidance related to the definition of "member of a firm" in the Definitions section of Rule 204.

204.10 Disclosure of Impaired Independence**RULE:**

A member or firm engaged in the practice of public accounting or any related business or practice, who provides a service not subject to the requirements of Rules 204.1 to 204.9, shall disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the member's or firm's independence such that the professional judgment or objectivity of the member, firm or member of the firm would appear to be impaired, and such disclosure shall be made in the member's or firm's written report or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the activity or relationship and the nature and extent of the interest.

GUIDANCE - Rule 204.10

- 1** Members and firms who provide a professional service which does not require the member or firm to be independent are required by Rule 204.10 to disclose any influence, interest or relationship which, in respect of the professional service, would be seen by a reasonable observer to impair the member's or firm's independence. Members and firms should refer to Rules 204.1 to 204.9 and the related Guidance when determining whether they must be independent and would appear to be independent with respect to particular engagements.
- 2** Such disclosure is required whether or not any written report or other communication is provided and should indicate the nature of the influence or relationship and the nature and extent of the interest. Any written communication concerning or accompanying financial statements or financial or other information must include such disclosure.
- 3** Independence is not required for compilation engagements. Where the provider of the compilation service may be seen to be lacking independence, the disclosure requirement of Rule 204.10 applies.
- 4** For the purposes of Rule 204.10 the preparation of accounting records or journal entries in connection with a compilation engagement is not an activity that requires disclosure in the Notice to Reader unless such preparation involves complex transactions as contemplated by paragraph 11 of the Guidance to Rule 204.4(22) to 204.4(24).
- 5** Tax return services may require disclosure in respect of some of the information filed with the return. If the return is simply the assembling and reporting of information provided by the taxpayer, then the member or firm involved has simply processed that information and disclosure should not be necessary.
- 6** Members and firms are cautioned that disclosure under Rule 204.10 does not relieve them from their obligation to comply with the CPA Code and in particular Rules 201, 202, 205 and 206.

204.11 to .19 Reserved for future use

204.20 Audits under elections legislation**DEFINITIONS:**

For purposes of Rule 204.20 and its related Guidance:

“the Act” means the Canada Elections Act or the relevant provincial or territorial legislation.

“electoral candidate” means a candidate as defined by the Act.

“registered agent”, “registered party”, “official agent”, “registered association”, “leadership contestant”, “nomination contestant” and “election period” have the meaning given to them in the Act.

RULE:

A member or firm who performs an audit under federal, provincial, territorial or other legislation in relation to an electoral candidate, registered agent, registered party, official agent, registered association, leadership contestant, or a nomination contestant shall comply with the provisions of Rules 204.1 and 204.3.

GUIDANCE - Rule 204.20**Introduction**

- 1 The Act requires the filing of audited returns by the chief agents of registered parties, the official agents of electoral candidates and, in some cases, the financial agents of registered associations, leadership contestants and nomination contestants. Each return is to be reported on by an auditor who is a member in good standing of a corporation, an association or a body of professional accountants and includes a firm.

Ineligibility Provision - Statutory

- 2 The Act lists a number of persons (hereinafter referred to as “ineligible persons”) who cannot act as auditors for a registered party, electoral candidate, registered association, leadership contestant or nomination contestant. These are:
 - an election officer or a member of the staff of a returning officer;
 - an electoral candidate;
 - an official agent of an electoral candidate;
 - a chief agent of a registered party or an eligible party;
 - a registered agent of a registered party;
 - electoral district agents of registered associations;
 - leadership contestants and their leadership campaign agents;
 - nomination contestants and their financial agents; and
 - financial agents of registered third parties.
- 3 The Act prohibits an ineligible person from participating in the audit examination of the records or in the preparation of the audit report of an electoral candidate, a leadership contestant or a nomination contestant (except to respond to the auditor’s request for information). There is no similar restriction placed on the auditor of a registered party or a registered association. An

eligible person may be appointed as auditor for an electoral candidate notwithstanding that the person is a member of a firm that has been appointed as an auditor for a registered party or for an electoral candidate in another electoral district.

Extension of Ineligibility Provisions

- 4 Without wishing to extend the statutory prohibitions unduly, CPA Ontario considers that there are additional interests or relationships to those spelled out in the Act, which could impair, or appear to impair, an auditor's objectivity. This Guidance, therefore, sets out the profession's views on unacceptable interests or relationships, in respect of audits under the Act, encompassing both those prohibited by the statute and those unacceptable professionally.
- 5 Requirements that are too restrictive, coupled with the widespread involvement of members, as citizens, in the political process, could make it almost impossible for the audit provisions of the Act to be given practical effect. Accordingly, this Guidance seeks to cover only the more obvious interests and relationships which might be considered unacceptable. Too narrow an interpretation could, in view of the many conceivable conflicts of interest, make it almost impossible for members or firms to serve the community's needs.

Audit of a Candidate

- 6 A member or firm may not be complying with Rule 204.1 if the member or firm were to act as auditor of an electoral candidate as well as being:
 - a paid worker during an election period for any electoral candidate or any registered party;
 - a volunteer worker during an election period for that electoral candidate or the registered party of that electoral candidate where:
 - the member or firm exercises any function of leadership or direction in that electoral candidate's or that party's campaign organization, or
 - the member or firm carried on any significant function involving the raising, spending or custody of that electoral candidate's or that party's campaign funds;or if a member's immediate family member, or another person in the firm is:
 - a returning officer, deputy returning officer, assistant returning officer or election clerk in the electoral district of that electoral candidate or is the electoral candidate, official agent of that electoral candidate or a registered agent of that electoral candidate's registered party;
 - a paid worker during an election period for that electoral candidate or that electoral candidate's registered party;
 - a volunteer worker as described above, during an election period, for that electoral candidate or the registered party of that electoral candidate.
- 7 Where a member is an "ineligible person" in respect of a particular electoral candidate, the application of Rule 204.1 means that the firm of which that member is associated may not act as auditor of that electoral candidate.

As noted in paragraph 3, the ineligible persons described in the Act may not participate in the audit examination of any electoral candidate's return. As an extension of this, a member or firm who could not act as auditor for an electoral candidate because of any of the relationships detailed in paragraph 6 above, should also not participate in the audit examination of a candidate's return.

Audit of a Registered Party, Registered Association, Leadership Contestant or Nomination Contestant

- 8 In addition to the statutory prohibitions set out in the Act, a member or firm may not be complying with Rule 204.1 if the member or firm were to act as auditor of a registered party, registered association, leadership contestant or nomination contestant and the member, or an immediate family member, or another person in the firm is a paid worker or volunteer worker who exercises any function of leadership or direction or carried on any significant function involving the raising, spending or custody of funds belonging to the party, association or contestant, as the case may be.

Other considerations

- 9 Generally, members or firms contemplating acting as auditors for registered parties, electoral candidates, associations or contestants should be alert to any circumstances, not described in this Guidance, which may place them in the position of impairment of objectivity or where an appearance of impairment might be presented. This type of question tends to arise, for example, where a donation of cash or of professional services is made. Members, as citizens, have the same responsibility to be involved in the political process as other citizens; such involvement may include financial support of a registered party, candidate association or contestant by a member, the member's immediate family or other persons in the firm. The making of a financial contribution or the donation of professional services does not, of itself, necessarily create an impairment of objectivity, in these particular circumstances.

Members or firms should recognize, however, the need to apply judgment to the question of the amount of any such contribution and must be satisfied that any such contribution does not in fact impair their objectivity or independence.

It is of paramount importance that a member or firm accepting an appointment under the Act makes such acceptance known to all other persons in the firm so as to avoid any conflict arising within the provisions of the Act concerning ineligible persons.

205 False or misleading documents and oral representations

RULE:

A member or firm shall not

- (a) *sign or associate with any letter, report, statement, representation or financial statement which the member or firm knows, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor*
- (b) *make or associate with any oral report, statement or representation which the member or firm knows, or should know, is false or misleading.*

GUIDANCE – Rule 205

- 1 A member or firm who is not in public practice is subject to Rule 205 just as is the member or firm in public practice. It is recognized that this may place such a member or firm in a difficult position with respect to the organization employing the member or firm or entities engaging the member's or firm's services. However, professional duty prohibits a member or firm from being associated with financial statements or other information, whether written or oral, which the member or firm knows, or should know, to be false or misleading.
- 2 When a member or firm finds it necessary to become disassociated from false or misleading information, it would be prudent for the member or firm to consider obtaining legal advice.
- 3 Members are reminded that plagiarism and other forms of academic dishonesty are examples of association with false or misleading representations.

206 Compliance with professional standards

RULES:

- 206.1** *A member or firm shall perform professional services in accordance with generally accepted standards of practice of the profession.*
- 206.2** *A member who, as a member of an entity's audit committee or board of directors or their equivalent, is required to participate in the review or approval, by such committee or board, of the entity's financial statements prepared in accordance with an appropriate financial reporting framework, shall carry out that responsibility with the care and diligence that a competent member would exercise in fulfilling that role.*

GUIDANCE – Rule 206

Appropriate Financial Reporting Frameworks

- 1 Compliance with Rule 206 necessarily involves the exercise of professional judgment in determining the application of an appropriate financial reporting framework to financial statements. In this regard, the member or firm should refer to the *CPA Canada Handbook – Accounting* or *CPA Canada Public Sector Handbook* (both referred to as “the Handbook”), and to the best of the member or firm’s knowledge and ability, having exercised reasonable due diligence, should ensure that the framework is applied in consideration of the spirit and intent of the applicable financial reporting framework. Other sources of accounting practices, such as recent pronouncements of other standard setting bodies that use a conceptual framework similar to the Handbook, other accounting literature and accepted industry practices, may be considered provided that they do not conflict with the Handbook or the key concepts underlying the conceptual framework of the Handbook and are appropriate in the circumstances.
- 2 Where a specific issue is not addressed by the Handbook, the member or firm should conduct such research and consult such authoritative sources and experts as are necessary in the circumstances to ensure that the presentation is consistent with the relevant conceptual framework of the Handbook. When exercising professional judgment in such situations, members and firms are reminded that no practice should be adopted solely on the basis of its use generally or within a particular industry. Further, the existence of unreasonable interpretations of a source does not constitute evidence that a practice is consistent with the conceptual framework or other sources of accounting standards. No practice should be adopted if it is likely that most parties, exercising professional judgment, would reject the practice because it would result in a conclusion that the financial statements are misleading.
- 3 Members and firms should document the results of research undertaken and any other considerations influencing the choice or acceptance of accounting practices or policies and application of an appropriate financial reporting framework.

Practice of Public Accounting

- 4 Members or firms engaged in the practice of public accounting should foster an environment within their firms that encourages the discussion and understanding of the application of financial reporting frameworks and other standards of practice of the profession and provides for a process to deal with professional dissent. Members and firms should encourage others within the firm who disagree with the application of those frameworks and standards in a particular situation to communicate that disagreement to an individual in the firm designated for that purpose.

- 5 A member who participates in an engagement to provide assurance on the financial statements of an entity and who believes the financial statements of the entity contain a misstatement should communicate that belief to the person responsible for the assurance engagement. If, after consultation, the member continues to believe that the financial statements contain a misstatement, the member should communicate that belief to one of the firm's senior partners. Where possible, the communication should be dated and issued prior to the issuance of the financial statements and should be retained by the member and firm for a reasonable period of time.
- 6 Before communicating with one of the firm's senior partners, the member referred to in Paragraph 5, should consider:
- (a) whether the concern results in a material misstatement of the financial statements;
 - (b) whether the member possesses sufficient expertise and knowledge of the circumstances; and
 - (c) whether the member should first discuss the matter with another person in the firm.
- 7 A member who is responsible for issuing an assurance report on an entity's financial statements and who believes that the financial statements prepared by the entity's management contain a misstatement should refer to the guidance contained in the *CPA Canada Handbook - Assurance* and:
- take those steps that are necessary to ensure that the financial statements are not misleading; or
 - issue a report with an appropriate reservation; or
 - resign from the engagement in accordance with appropriate statutory requirements.

Preparation of Financial Statements

- 8 It is management's responsibility to ensure that an entity's financial statements are presented fairly in accordance with an appropriate financial reporting framework. A member who has the final responsibility for determining management's application of a financial reporting framework to the entity's financial statements must take reasonable and effective steps to ensure that the entity follows an appropriate financial reporting framework. In doing so, the member may obtain advice and counsel from others.
- 9 Members often have responsibility for or oversight of the application of an appropriate financial reporting framework to the preparation of an entity's financial statements. In some cases, a member's responsibility or oversight may be limited to a component of the financial statements, in which case Rule 206.1 applies to that member in respect of a financial reporting framework applicable to that component of the financial statements as well as to the member who has final responsibility for determining management's application of a financial reporting framework to the financial statements of an entity, taken as a whole. The member who has the final responsibility for determining management's application of a financial reporting framework to the financial statements of an entity is responsible for the application of the financial reporting framework in respect of each component of the financial statements and cannot claim undue reliance on the opinion of the member having responsibility for or oversight of a particular component of the financial statements.
- 10 A member who has participated in management's application of a financial reporting framework to all or a portion of the financial statements and who believes the financial statements of the entity have been misstated should communicate that belief to the person

who has final responsibility for determining management's application of the financial reporting framework. If, after consultation, the member continues to believe the presentation is not appropriate, the member should communicate that belief to the entity's audit committee or, where there is no audit committee, the board of directors. Where possible, the communication should be dated and issued prior to the approval of the financial statements by the audit committee or the board, as the case may be.

The member should also communicate that belief to the person responsible for providing assurance on the financial statements. Before communicating with the entity's assurance provider, the member should consider obtaining legal advice.

- 11** Before communicating with the audit committee, board of directors or the entity's assurance provider, the member referred to in Paragraph 10 should consider matters including:
- (a) whether the concern results in a material misstatement of the financial statements;
 - (b) whether the member possesses sufficient expertise or knowledge of the circumstances; and
 - (c) whether the member should first discuss the matter with a more senior employee of the entity.
- 12** A member may prepare or approve financial statements that are not, and are not intended to be, presented in accordance with an appropriate financial reporting framework. Rule 206.1 does not apply when a member prepares or approves financial statements, which are
- (i) prepared solely for internal use within the entity; or
 - (ii) prepared for specified users under the terms and according to the accounting principles agreed to by the preparer and the specified users.

Such financial statements are not general-purpose financial statements.

Provision of other professional services

- 13** Members or firms providing professional services that do not involve public accounting services or the preparation of financial statements should take reasonable steps to determine whether the professional services that they provide are governed by other professional standards. When such standards exist, the member or firm should become familiar with them, determine their appropriateness to particular engagements and apply them accordingly. For example, other professional services that may be governed by other professional standards include, but are not limited to, business valuation, insolvency, financial planning and investigative and forensic accounting services.

Service on audit committees and boards of directors

- 14** A member who sits on an entity's audit committee or board of directors is expected to use the professional skills and knowledge that a competent member would possess in fulfilling the member's responsibilities on such committee or board. Competency in the Chartered Professional Accountancy profession is not static and cannot be defined without regard to time and context. Whether a member is competent is necessarily a question of fact at a point in time. Competency does not require a member who sits on an audit committee or board of directors to be an expert in financial accounting, auditing or reporting matters; nor does it require the member to act as a professional advisor to the audit committee or board. However, as noted below, it does require the member to identify and raise the issues that should be discussed by the audit committee or board of directors.

A member who sits on an audit committee or board of directors should encourage the audit committee or board of directors to have substantive discussions with management and with the entity's assurance provider. The *CPA Canada Handbook - Assurance* provides useful guidance on the role that members of the audit committee or board members can play in the oversight of an entity's financial reporting process.

Matters that members who sit on an audit committee or board or directors should discuss with management and the assurance provider are the issues that a competent member would raise, which include, but are not limited to:

- the issues involved, and related judgments made by management, in selecting accounting policies and formulating significant accounting estimates and disclosures;
- any disagreement within management or between management and the assurance provider with respect to the application of an appropriate financial reporting framework and the resolution thereof;
- the assurance provider's conclusions regarding the reasonableness of the estimates made by management and the bases therefor; and
- the independence of the assurance provider.

In addition to the above, a member who sits on an entity's audit committee or board of directors should take reasonable steps to ensure the audit committee or board of directors discusses with management the overall performance of the assurance provider.

Members who are directors of entities should be familiar with the applicable requirements of regulatory bodies and other authoritative pronouncements on corporate governance matters.

All members and firms

15 Members and firms are reminded of their obligations under the CPA Code:

- to bring to the attention of CPA Ontario any information concerning an apparent breach of the CPA Code or any information raising doubt as to the competence, capacity to practise or integrity of another member (Rule 211.1);
- not to sign or associate with any financial statement that the member or firm knows, or should know, is false or misleading (Rule 205); and
- to report to CPA Ontario those matters that are required to be reported by Rules 101.2 and 102.

207 Unauthorized benefits

RULE:

A member or firm shall not, without consent, in connection with any transaction, involving a client or an employer, hold, receive, bargain for, become entitled to or acquire, directly or indirectly, any fee, remuneration or benefit for personal advantage or for the advantage of a third party without the consent of the client or employer, as the case may be.

GUIDANCE - Rule 207

- 1 Members are reminded that the term “employer” is defined to include, among other things, an individual or organization that obtains professional services from a member on a voluntary basis. Accordingly, members providing professional services, with or without remuneration, are also governed by Rule 207, for example when serving an organization such as a not-for-profit or charitable organization.

208 Confidentiality of information

RULES:

208.1 *A member or firm shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except when:*

- (a) *properly acting in the course of carrying out professional duties;*
- (b) *such information should properly be disclosed for purposes of Rules 101, 211 or 302;*
- (c) *such information is required to be disclosed by order of lawful authority or, in the proper exercise of its duties, by CPA Ontario;*
- (d) *justified in order to defend the member, firm or any associates or employees of the member or firm, against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose; or*
- (e) *the client, former client, employer or former employer, as the case may be, has provided consent to such disclosure.*

208.2 *A member or firm shall not use confidential information of any client, former client, employer or former employer, as the case may be, obtained in the course of professional work for such client or employer:*

- (a) *for the advantage of the member or firm,*
- (b) *for the advantage of a third party; or*
- (c) *to the disadvantage of such client or employer*

without the consent of the client, former client, employer or former employer.

208.3 *A member or firm shall:*

- (a) *take appropriate measures to maintain and protect confidential information of any client, former client, employer or former employer, as the case may be and to ensure that access to such information by another person is limited to those with legitimate purpose to access the information; and*
- (b) *obtain the written agreement of any such person to carefully and faithfully preserve the confidentiality of any such information and not to make use of such information other than as shall be required in the performance of appropriate professional services.*

GUIDANCE – Rule 208

- 1 The duty to keep a client's or employer's affairs confidential should not be confused with the legal concept of privilege. The duty of confidentiality precludes the disclosure of a client's or employer's affairs without the knowledge and consent of the client or employer. The duty of confidentiality to clients or employers and former clients or employers does not expire with time. As confidential information becomes dated, the duty may be of less practical concern to a client or employer, but the duty continues.

The duty of confidentiality also includes establishing, maintaining and upholding appropriate policies and processes to protect confidential information. Such policies and processes include limiting access to the information and implementing appropriate measures to address a situation when the duty of confidentiality has been breached.

- 2 The duty of confidentiality does not excuse a member or firm from complying with a legal requirement to disclose the information. However, the courts have held that a member or firm faced with a subpoena or other request to disclose information should be aware of the member's obligation to bring to the attention of the court or other authority the member's or firm's duty of confidentiality to the client or employer. If there is doubt as to the legitimacy or scope of a claim for disclosure, legal advice should be sought. Ultimately, in a dispute, a court will determine, based on the facts, whether the confidentiality of the information should be maintained.
- 3 A member or firm will not be in contravention of any provision governing confidentiality by reason of obtaining legal advice with respect to the duty of confidentiality, nor will discussing a possible claim in confidence with an insurer constitute a breach of the duty of confidentiality .
- 4 One of the underlying issues when dealing with conflicts of interest is controlling the degree to which persons in an organization share client confidential information. (See also Rule 210.) Rule 208 prohibits the improper use of confidential information, but does not restrain its disclosure within an organization. Members or firms may find they are in a position of conflict of interest due to the general legal presumption that the knowledge of one person in an organization is shared with or attributed to others in the organization.

This legal presumption that knowledge is shared within an organization may be rebutted if the firm can demonstrate that effective institutional mechanisms are in place to limit the sharing of confidential information within the organization.

This basis of sharing information within an organization recognizes that different persons in an organization have different needs for information in order to properly fulfil their responsibilities. For example:

- an assurance provider must have information on all aspects of a client's affairs that might affect the assurance provider's opinion on the financial statements;
 - a tax practitioner, in the course of preparing or reviewing an income tax return, must have information on all aspects of a client's affairs that might affect the income tax return;
 - a person who is employed in the internal audit area of an organization may need to obtain confidential information from a member who is employed in the financial reporting area;
 - a forensic accountant undertaking an investigation of a client's affairs might only require information relating to the subject of the inquiry;
 - it may be appropriate for a member who is providing a professional opinion or other advice on a matter to seek the advice of another person in the organization; or
 - a compliance officer or person in a similar position may need access to confidential information held by a member, for example, within a financial institution or an organization providing financial planning services.
- 5 Where appropriate, members and firms should also inform clients and potential clients that the use of mechanisms to safeguard their confidential information means that a member or firm serving a particular client may not be aware of information that is confidential to another client, which would assist the member's or firm's client and advance that client's interest.

- 6** Members and firms are reminded that the use of electronic communications and storage media may require the use of additional precautions to protect confidential information, such as password, firewall and back up protection. In addition the use of “cloud” or other off-shore computing and storage may increase security requirements as well as concerns related to access to information that is provided by anti-terrorism legislation in some jurisdictions. Members and firms should be particularly aware of these concerns as well as applicable privacy legislation. It may be prudent to provide appropriate disclosure of information related to storage and security policies to clients and other affected parties.

209 Borrowing from Clients

DEFINITIONS:

For the purposes of Rules 209.1(b) and the related Guidance:

“family” means any of the following persons

- (a) a spouse (or equivalent); or
- (b) a parent (or equivalent), child, sibling, grandparent, grandchild, aunt, uncle, niece, nephew or first cousin who is related to the member or the member’s spouse (or equivalent).

RULES:

209.1 A member or firm shall not, directly or indirectly, borrow from or obtain a loan guarantee from a client unless either;

- (a) the loan or guarantee has been made under normal commercial terms and conditions, and;
 - (i) the client is a bank or similar financial institution whose business includes lending money to the public; or
 - (ii) the client is a person or entity, a significant portion of whose business is the private lending of money;
- or
- (b)
 - (i) in the case of a member, the client is a family member or an entity over which a family member exercises significant influence; or
 - (ii) in the case of a firm, the client is a family member of a partner or shareholder of the firm or an entity over which a family member of a partner or shareholder of the firm exercises significant influence.

209.2 Rule 209.1 does not apply to:

- (a) the financing of a bona fide business venture between a member or firm and a client that is not an assurance client;
- (b) amounts received from a client as a retainer or as a deposit on account of future services to be provided by the member or firm; or
- (c) a loan received from a member’s employer.

209.3 For purposes of Rule 209.1, a client includes a person or entity who has, within the previous two years, engaged the member or firm to provide a professional service and who relies on membership in or registration with CPA Ontario as giving the member or firm particular competence to provide that professional service.

GUIDANCE - Rule 209

- 1 It is a fundamental principle of the profession that members and firms provide professional services to their clients that are free of prejudice, conflict of interest or undue influence that

may impair sound professional judgment. When a member or firm borrows money from a client, there is an inherent conflict between the interests of the member or firm and those of the client. Accordingly, members and firms who enter into the types of financing or borrowing arrangements that are allowed under Rule 209.1 or 209.2 are cautioned that they must comply with all of the other provisions of the CPA Code including, but not limited to:

- 201 - Maintenance of the good reputation of the profession;
 - 202 - Integrity and due care and Objectivity;
 - 204 - Independence;
 - 208 - Confidentiality of information; and
 - 210 - Conflicts of interest
- 2 When a member borrows money from or has a loan guaranteed by a client who is a family member or an entity over which a family member exercises significant influence, the member should consider setting out the terms and conditions of the loan or guarantee in writing. Before the loan or guarantee is made, the member should also consider advising the client to obtain independent advice with respect to the matter. Similar considerations should apply when a firm borrows money from or has a loan guaranteed by a family member of a partner or shareholder of the firm or an entity over which a family member of a partner or shareholder of the firm exercises significant influence.
- 3 Rule 209.1 applies only to new borrowings or guarantees or amendments to the terms of existing borrowings or guarantees that occur after the lender becomes a client. When an existing lender or guarantor becomes a client, the member or firm should be mindful of the need to provide services with due care and an objective state of mind and, accordingly, should consider whether the loan should be repaid or the guarantee released.

210 Conflicts of Interest

DEFINITIONS:

For purposes of Rule 210 and the related Guidance:

“affected party” is a party who is or may be affected by a conflict of interest as contemplated by Rule 210.2.

“client” includes any person or entity for whom the member or firm, or any other person engaged in the practice of public accounting or a related business or practice in association with the member or firm, provides or is engaged to provide a professional service.

RULES:

210.1 A member or firm shall determine, in relation to a particular matter, and before agreeing to undertake or continuing to provide any professional service, whether a conflict of interest may exist as contemplated by Rule 210.2.

210.2 (a) Subject to the provisions of Rule 210.3, a member or firm shall not undertake or continue to provide any professional service to any client or employer in circumstances where there is a conflict of interest between:

- (i) the interest of the member or firm and that of the client or employer;
- (ii) the interests of two or more clients or employers; or
- (iii) the interests of the client or employer and those of a third party, where the interest of the third party and the member or firm are aligned.

(b) Subject to the provisions of Rule 210.3, a member or firm shall not undertake or continue to provide any professional service to any client or employer in circumstances where an interest described in paragraph (a) relating to a former client or former employer creates a conflict of interest in respect of any such proposed or current professional service.

210.3 Where the agreement to provide any professional service would result in a conflict of interest under Rule 210.2 or where a previously unidentified conflict of interest under Rule 210.2 arises or is discovered in the course of providing any professional service, the member or firm must decline to provide the professional service or withdraw from providing all of the affected professional services unless:

- (a) (i) the member or firm is able to rely upon conflict management techniques that are generally accepted and the use of such techniques will not breach the terms of any agreement to provide professional services or any duty to another client, employer or third party;
- (ii) the member or firm informs each affected party of the existence of the conflict of interest and the techniques that will be used to manage it; and
- (iii) the member or firm obtains the consent of each affected party to accept or continue the professional services engagement or engagements; or
- (b) the affected parties have knowledge of the conflict of interest and their agreement for the member or firm to accept or continue the professional services engagement is implied by their conduct, in keeping with commonly accepted practice.

- 210.4** *Where a member or firm has determined, in accordance with Rule 210.3, that a professional service in respect of which a conflict of interest exists may be undertaken, the member or firm shall document:*
- (a) *in the case of a conflict of interest in relation to which consent is not implied by the affected parties' conduct in keeping with commonly accepted practice:*
 - (i) *the nature of the conflict of interest that has been identified;*
 - (ii) *the conflict management technique that has been used to manage the conflict of interest;*
 - (iii) *the rationale for the choice of the technique and its effectiveness; and*
 - (iv) *the disclosure that has been made, as necessary, to each of the affected parties; or*
 - (b) *in the case of a conflict of interest in relation to which consent is implied by the affected parties' conduct in keeping with commonly accepted practice, the basis on which the member or firm has concluded that:*
 - (i) *the affected parties have knowledge of the conflict of interest; and*
 - (ii) *their agreement for the member or firm to accept or continue the professional services engagement has been implied.*

GUIDANCE - Rule 210

A Glossary of terms

- 1 The following terms to which this Guidance refers are described here in relation to their use as available means of managing conflicts of interest:

“above the wall”

“Above the wall” is a term used to describe one or more partners or other senior members of a firm or other organization who have access to information about engagements undertaken by the firm or organization and can therefore see both sides of a conflict of interest. These individuals need to be particularly careful to avoid any improper use or dissemination of confidential information to parties on either side of the wall. Partners or other persons in the firm or organization who are “above the wall” will be precluded from participating in the provision of professional services about which they have information received in their positions above the wall.

“fire wall”

A “fire wall” (sometimes referred to as a “Chinese wall” or “ethics wall”) is a conflict management technique maintained in a firm or other organization to restrict the flow of confidential information within the firm or organization only to those who require it in order to fulfill the terms of an engagement. A fire wall is intended to ensure that confidential information is not improperly communicated, inadvertently or otherwise, to others within the firm or organization.

“cone of silence”

A “cone of silence” is an arrangement achieved by means of an undertaking by an affected person not to disclose confidential information relating to a specific party or the provision of a specific professional service to any party. In some circumstances, a cone of silence is achieved implicitly by special conduct of the person. In such circumstances, there should be observable evidence that the cone of silence is effective. Cones of silence may be used to demonstrate foresight of the need to maintain the confidentiality of information about any party and thereby assist in the management of conflicts of interest arising in various professional service areas of a firm or other organization.

“conflict management techniques”

“Conflict management techniques” is used in a general sense to describe effective measures that are formally undertaken by a firm or other organization to manage conflicts of interest and to restrict the flow of confidential information from one person in a firm or organization to another. Such measures may include internal training, internal barriers such as fire walls, cones of silence, restricted access to files, physical separation of personnel or departments and formal firm or organization policies and procedures.

“need to know basis”

The “need to know basis” refers to a policy of restricting the flow of confidential information inside a firm or other organization to those persons who properly require the information to pursue the interest of a party.

B Identifying conflicts of interest

- 2** Members and firms are required to determine whether there exist conflicts of interest as between themselves and the parties to whom they provide or propose to provide professional services, or between the duties and obligations owed to one party and the duties and obligations owed to another party. Where such a conflict of interest is found to exist, the member or firm must decline to provide, or withdraw from providing the professional service, unless the conflict of interest can be managed and consent has been obtained or the agreement of the affected party to proceed or continue to provide the professional services is implied by the conduct of the affected party.

Members and firms are reminded that a conflict of interest may be created by a relationship with, or a professional service that was provided to, a former client or former employer. Rule 210.2(b) precludes the provision of professional services where such a conflict of interest exists. The rule is not intended to preclude members or firms from accepting employment with a competitor employer or providing services to a competitor client. However, members and firms are reminded that:

- each situation requires the exercise of professional judgment to determine whether a conflict of interest exists and to comply with Rule 210 as necessary; and
- Rule 208 prohibits the sharing of confidential information.

- 3** When faced with a possible conflict of interest, members and firms should also refer to Rule 206 which requires compliance with generally accepted standards of practice of the profession and Rule 207 which prohibits members or firms from obtaining unauthorized benefits.

Conflicts of interest in employment situations

- 4** Conflicts of interest in an employment situation may arise when;

- a member provides a professional service in relation to a particular matter for two or more parties whose interests with respect to that matter are in conflict;
- the interests of the member with respect to a particular matter and the interests of a party to whom the member provides professional services related to the same matter are in conflict; or
- the member has a financial interest, including one arising from a compensation or incentive arrangement, or knows of a financial interest held by a close or immediate family member, and the member has the opportunity to manipulate information for financial gain.

Examples of such situations include:

- serving in a management or governance position for two employers and acquiring confidential information from one employer that could be used by the member to the advantage or disadvantage of the other employer;
- providing a professional service to each of two parties in a partnership employing the member to assist them to dissolve their partnership;
- preparing financial information for certain members of management of the entity employing the member who are seeking to undertake a management buy-out;
- being responsible for selecting a vendor for the member's employer when an immediate family member of the member could benefit financially from the transaction;
- serving in a governance capacity for an employer that is approving certain investments for the company where one of those specific investments will increase the value of the personal investment portfolio of the member or an immediate family member; or
- eligibility of a member for a profit-related bonus when the value of the bonus could be affected by decisions made by the member.

Conflicts of interest in a public accounting or related business or practice

- 5 Conflicts of interest in a public accounting or related business or practice generally arise in three broad types of circumstance described as follows.

Independence Issues

As provided in Rule 204, the provision of assurance and insolvency services must be objective, both in fact and appearance. In considering conflicts of interest with respect to an assurance or insolvency engagement, members and firms should refer to Rule 204.

Protecting confidential information

As provided in Rule 208, members and firms must protect confidential information. The only exceptions to this obligation are set out in the Rule itself.

Pursuit of clients' interests

Members and firms have an obligation to all of their clients to provide professional services with integrity and due care. Since members or firms may have a number of clients, they may encounter conflicting client interests when fulfilling their obligations to each client. While a member or firm may be able to provide services to clients whose interests conflict, the extent of obligations to each client must be considered and professional judgment exercised to determine whether any particular conflict of interest must be avoided, or whether consent must be obtained or the situation reflects commonly accepted practice where the agreement of the client to act is implied by the client's conduct. The member or firm must also consider whether the conflict of interest can be managed appropriately.

C Commonly accepted practice

- 6 The following situations involve implied agreement and reflect commonly accepted practice:

“The firm is acting as auditor for several clients who happen to compete in the same industry. They have hired us for our experience with their industry, and respect our reputation for protecting confidential information.”

It is reasonable for members or firms to conclude that affected parties with knowledge of the circumstances who do not object to a conflict of interest at the outset of an engagement have accepted the conflict of interest.

“I am doing an audit for Company XYZ and they have asked me to do some consulting as well. As an assurance provider, my duty is to report to the shareholders. As a consultant engaged by management, my duty is to the corporation.”

Members and firms must be aware of the implications to their objectivity and independence when providing consulting services to an assurance client and should refer to Rule 204 in relation to such situations.

D Management of conflicts of interest

- 7 There will be instances where a conflict of interest will arise that can be appropriately managed provided the circumstances are clear to all parties and there is consent on the part of all parties to proceed.

- The following conflict of interest situations may or may not be acceptable to the public:

“I would like to call upon an expert within my organization or firm to assist on a particular matter for one of my clients. This expert is already committed to another client.”

Whether this situation creates a conflict of interest depends on many factors, including the number of experts in the firm.

“My organization or firm has two separate clients who have asked it to take on a merger and acquisition assignment—however, each client is focused on acquiring the same target company.”

Whether this situation creates a conflict of interest depends on the ability to use distinct teams on each engagement and the effectiveness of procedures put in place to safeguard confidential information.

“I have been asked to pursue a strategic marketing study for one of my clients—however, the firm is already undertaking a similar marketing study for another client in the same market.”

Whether this final example is a conflict of interest that can be managed will depend on the ability of the firm to use appropriate conflict management techniques on the two engagements.

- There is a rebuttable presumption that the following conflict of interest situations are unacceptable and, if the presumption is not rebutted, must be avoided:

“I have been asked by the husband and 50% shareholder of a client, Company X, for assistance in purchasing the shares of the other 50% shareholder (his wife) in settling the distribution of assets in a divorce settlement.”

“I have been asked to complete a merger and acquisition assignment for my client but the takeover target is already a client (or former client) of my organization or firm.”

“The firm is conducting a job search engagement for a client. I have found an excellent candidate to fill the position—only this candidate is currently employed by one of our firm’s clients.”

E Conflicts of interest encountered by type of professional service area

8 Conflicts of interest may arise or change during the course of providing a professional service. This is particularly true when a member or firm is asked to provide any professional service in a situation that is potentially adversarial, even though the parties who engage the member or firm may be in accord initially. Therefore, members or firms must consider the possible existence and management of conflicts of interest throughout the course of providing any professional service.

9 Consulting services

- A member or firm may provide professional services in a variety of engagements such that there are conflicts of interest which may be acceptable in one type of engagement but which are unacceptable in another. Since consulting engagements usually have clearly stated objectives and a defined life span, the issue of possible conflicts of interest is often dealt with in the terms of the engagement (i.e., the extent of the member’s or firm’s obligations are agreed to by contract).
- Consulting engagements may be generally regarded in three categories for the purpose of considering the issue of conflict of interest, as follows:
 - Process and design consulting engagements, which generally involve the provision of specialized knowledge to assist a party to achieve an objective that the party has chosen. It is usual for a consultant to provide such assistance to a wide range of parties, some of whom may have competing interests. Often, the consultant is selected for specialized expertise. The parties recognize that, in the future, the consultant is likely to make that expertise available to others, having built on experience gained along the way. If a specific conflict of interest arises later, it would be prudent to communicate with the affected parties and obtain consent as necessary.
 - Strategic consulting often involves a consultant assisting a party in the selection of optimum business strategies. Strategic consulting is likely to involve the most highly sensitive and confidential business information. Consultants providing these types of services typically recognize this sensitivity and do not work for parties who are in direct competition. It is, however, recognized that the business strategies selected often become publicly known within a short time frame. It is also recognized that the experience that is gained and the research and information that is gathered in relation to one such consulting assignment develops skill and proficiency on the part of a consultant that is relevant to another such assignment. Therefore it is possible that, after a suitable time, a consultant may undertake work for a direct competitor of a party to whom consulting services have been provided previously. However, whether such a situation is acceptable is a matter which should be expressly addressed in the consulting engagement contract.
 - Search consulting involves assisting a party to locate information or resources that are necessary for the party to attain an objective. Since the information or resource is likely to exist within another commercial enterprise, the opportunity for a conflict of interest to arise is particularly great. For this reason, it is customary for the

consultant to disclose at the outset the nature and extent of any limitations on the scope of the search.

Members and firms are reminded that the provision of search consulting services for audit or review clients is limited by Rule 204.4(32).

10 Taxation services

- A member or firm providing professional tax services in the form of tax assistance and advice is likely to provide such services to a wide variety of parties who are entitled to expect their affairs to be kept confidential. Such a member or firm is expected to provide each party with the benefit of all of his or her professional knowledge, except as outlined in the next paragraph.
- Such a member or firm is not expected to provide every client with the benefit of all of his or her professional knowledge when the member or firm and one client agree, preferably in writing, that particular knowledge that the member or firm possesses may not be disclosed to third parties because it is proprietary to the first client. The member or firm should make other clients aware that this restriction might exist from time to time.
- A member or firm may be asked to provide tax-planning advice to two parties who will use that advice to pursue an objective that only one of them can achieve. Since both of the parties are in pursuit of the same objective, there is an initial presumption that in such a situation, only the first request to act in the matter can be accepted. It may, however, be possible for different persons within the firm or organization to act for each party through the use of effective conflict management techniques, thus rebutting the initial presumption that both parties cannot be served.
- A member providing professional tax services as part of a firm or other organization may obtain only the information that relates to his or her specific professional services engagement. In such a case, provided that it is possible to satisfy the onus of demonstrating that the firm's or organization's knowledge of a particular party is not automatically shared, it is reasonable to believe that the member will not possess all of the firm's or organization's knowledge of that party .

11 Merger/Acquisition services

- Due to the nature of the work provided in relation to mergers and acquisitions, it is recognized that providing such professional services to one party may run contrary to the interest of another affected party to whom services are provided by the firm or organization. It would be prudent to disclose and address this possibility within an engagement letter or the terms of the contract.
- A member or firm involved in mergers and acquisitions is expected to use a variety of conflict management tools to provide the greatest possible assurance that confidentiality of the work will be maintained unless otherwise agreed with the affected party. Such a firm or organization will be expected to regularly employ fire walls and to impose cones of silence on those who are consulted in the work. Where consultations beyond the firm or organization are required, the use of confidentiality agreements will be necessary.
- When a firm or organization discloses the possibility of conflicts of interest in an engagement letter and uses conflict management techniques such as fire walls, it should be recognized that if their use is challenged in a court of law, the firm or organization will be required to demonstrate that its conflict management techniques are effective.
- When one or more of the firm's or organization's merger and acquisition practitioners are working for parties pursuing approximately the same objective within approximately the same time frame, the firm or organization, with the permission of each affected

party, is expected to obtain the consent of all such parties. If such consent cannot be obtained from all affected parties, the firm or organization should resign from all affected engagements .

12 Valuation services

- A member providing valuation services may or may not be a chartered business valuator (CBV). Members or firms providing valuation services recognize the need to avoid conflicts of interest by not acting for two or more parties whose interests may conflict, except after adequate disclosure to and with the consent of all parties.
- Members or firms providing valuation services must take care not to create a conflict of interest by agreeing to provide any professional service that will put them in a position of advocacy against another party to whom they are providing or have provided professional services when the member or firm has confidential information of that party. For example, such a member or firm should not agree to provide any professional service in relation to one shareholder group of a company that is being broken up (butterfly transaction) where the member or firm has previously provided professional services to all shareholders of the company. Similar considerations also exist where the parties are a married couple who are divorcing.

13 Assurance services

- A member or firm may be asked to provide assurance services for two or more clients who have competing commercial interests. The assurance provider is required to deal with the conflict of interest by obtaining the consent of each client unless there is implied agreement on the part of all clients for the member or firm to act. In either case, the member or firm is required to use procedures to protect confidential information.
- A member or firm may possess confidential information obtained from one assurance client that is important to the fulfilment of the assurance engagement of a second client. For example, a member or firm may learn during the course of an assurance engagement that the assurance client is in serious financial difficulty. If the member or firm also undertakes an assurance engagement for a major supplier of the assurance client, the member or firm will possess confidential information that could result in a material change to the financial statements of the supplier-client. The member or firm may not rely on this confidential information to complete the engagement for the supplier-client. If the supplier-client is unaware of the information relating to the first client, the member or firm has a conflict of interest that must be resolved.
- A member or firm may possess confidential information gained in the course of an assurance engagement that would be useful in the provision of other professional services by the member or firm. Despite this, such confidential information obtained in the course of the assurance engagement must be protected from disclosure or use for other purposes unless prior permission is obtained from the client.
- An assurance provider has the right to obtain the information that is required in order to carry out the assurance engagement. For this reason, the assurance provider is expected to have all knowledge concerning the client that the firm possesses that is relevant to the assurance engagement. Clients are expected to give assurance partners the information directly but may authorize assurance partners to seek out the information from others within the firm. Information protected by legal privilege would be dealt with by following the protocol for enquiries established by the lawyers involved. The refusal of a client to permit the assurance provider to obtain information that is necessary to carry out the engagement may create a scope limitation that must be addressed in the assurance provider's report.

- A member or firm engaged to provide an assurance report to the shareholders on a set of financial statements might be asked by one shareholder for confidential information from the audit working papers to be used by that shareholder in a dispute with another shareholder. Since the assurance provider's duty is to the shareholders as a group and not to individual shareholders, such a request would present a conflict of interest as well as a breach of confidentiality.
- Members and firms should refer to Rule 204 for assistance regarding conflicts of interest that may affect independence and objectivity with respect to an assurance engagement.

14 Services to employers

- A member who is employed by an organization may face situations that give rise to conflicts of interest, as outlined in paragraph 4 of this Guidance. For example, a member may be asked to prepare financial information for certain members of management of an organization employing the member who are seeking to undertake a management buyout. In such a situation, the member may be able to manage the conflict of interest by obtaining consent of all of the parties, taking steps to ensure that information is shared appropriately and fairly with all parties, providing information and not advice and advising all parties to obtain independent advice. If the member is one of the parties participating in such a buyout, the member should be particularly aware that confidential information cannot be used for personal advantage.

15 Serving with a not for profit organization

- A member who serves with a not for profit organization may also face situations that give rise to conflicts of interest. For example, the member may be asked to assist in selection of a supplier to the organization, such as a software supplier, because of expertise in that area. When the member has a personal connection or relationship with a potential supplier, the member may be able to manage the conflict of interest by disclosing that information, showing no preferential treatment for that supplier and refraining from involvement in the final selection decision.

16 Forensic accounting & litigation support services

- A member or firm providing forensic accounting and litigation support services may engage in a number of different types of activity that will involve different expectations from a party to whom such a service is provided. The most common different circumstances are finder of fact (including fraud investigations, breach of law investigations), quantification of losses and expert accounting and auditing testimony (including where a member or firm employs other experts such as actuaries, engineers, and economists).
- In almost all circumstances, there is the real possibility that an engagement will become part of a dispute. There is, therefore, the expectation that the member or firm will respect the obligation to such parties to not act against them. This expectation may be modified in circumstances where the party contracted with the member or firm for a narrow and unrelated purpose (such as a productivity improvement consulting assignment or an employee search assignment), but the member or firm will only be able to rebut the presumption if it is clear the information received from the affected party is not relevant to the matter in dispute.
- In the case where a professional service is currently being provided to more than one party, such services may be provided with the consent of both parties. The use of tools such as consent, cones of silence and fire walls will assist the member or firm to demonstrate that confidential information will be protected.

- It would ordinarily be appropriate for a member or firm to act as a finder of fact for parties on the opposing sides of a conflict where both parties agree to use the fact finding report as an agreed statement of fact within the legal process.

17 Actuarial services

A member providing actuarial services may be a member of the Canadian Institute of Actuaries. Conflicts of interest should be less likely in actuarial assignments. However, when actuaries become involved in areas such as merger and acquisitions where conflicts of interest frequently do arise, they are expected to conduct themselves as other members working in those areas.

18 Insolvency services

A member providing insolvency and corporate recovery services may be a licensed trustee and a member of the Canadian Association of Insolvency and Restructuring Professionals. Since much of this work is carried out under the auspices of the court or other authorities, there are other requirements that deal with potential conflicts in the various roles in which a member may serve. Although these requirements prevent members from serving roles for different classes of creditor, they do permit the grouping of creditors of a single class into one pool, even though some of these creditors may have conflicting interests.

F The process for dealing with conflicts of interest

19 Step 1: Identify conflicts of interest or potential conflicts of interest

In order to identify conflicts of interest or potential conflicts of interest when accepting a new engagement, a member should seek information from others within the firm or organization as to the interests of other parties to whom professional services are provided and their affiliations. While many conflicts of interest are obvious from the beginning, others may arise during the course of providing professional services. Often, identifying conflicts of interest is more difficult than dealing with them.

20 There are three types of conflict of interest, which may overlap, described as follows.

Professional conflicts of interest

Members and others within their firms are required by the profession to observe the CPA Code. Members are also expected to encourage an ethics-based culture within their organizations. In order to preserve the highest possible standards for the CPA profession, each of them is expected to engage only in activities that will maintain the good reputation of the profession and serve the public interest. When this obligation runs contrary to the interest of a party to whom the member or firm provides professional services, a professional conflict of interest exists.

Legal conflicts of interest

Legal conflicts of interest arise primarily out of obligations in relation to specific contractual agreements. A member or firm has a duty within the standards of the profession to pursue the interests of a party to whom the member or firm provides professional services and to protect confidential information. Thus, when two parties have conflicting interests, the member or firm cannot fulfill a duty to both unless appropriate conflict management techniques are in place.

In addition, when a member or firm is acting within the framework of litigation or potential litigation, the courts will want to ensure that the legal process is not compromised by participants, who act as experts, being influenced by interests or relationships which impair or might impair their objectivity.

Business conflicts of interest

Business conflicts of interest occur when the business interest of a party to whom the member or firm provides professional services is contrary to the business interest of the member or firm or the business interest of another affected party. A business conflict of interest raises management, not professional, issues for the member or firm and can be resolved without reference to the CPA Code, unless it also involves a professional or legal conflict of interest. Business conflicts of interest include the following examples:

- a particular agreement to provide a professional service may require too large a commitment of scarce resources of the member or firm;
- the provision of certain services to a party may preclude the provision of other, more lucrative, services to the same party; or
- the member or firm is dissatisfied with the risk/reward analysis.

21 Members or firms should develop a process to identify conflicts of interest (a “conflict identification process”) that is appropriate to their circumstances. In some cases, this process may include a database with information about each party to whom professional services are provided and a system that allows for timely access to the database by those within a firm or organization so that real or potential conflicts of interest can be recognized promptly. Inquiries about conflicts of interest should be documented. The database should be kept up-to-date, and should not include confidential information.

22 For areas of professional service where conflicts of interest must usually be avoided rather than managed, a member’s or firm’s conflict identification process will likely need to be more extensive and formal and should include the identification of a person or persons in the firm or organization to act above the wall as a conflict management officer or officers.

23 An effective conflict identification process will allow a member or firm to identify conflicts of interest (or possible conflicts of interest) early on when agreeing to provide or providing professional services. The earlier a potential conflict of interest is identified, the greater the chance the member or firm will be able to choose to manage it, rather than have to decline or terminate the provision of the professional services.

24 A member or firm who is associated with an international firm or organization, will have to exercise professional judgment when deciding who should be consulted when seeking information about conflicts of interest and possible conflicts of interest. Consultation will normally be limited to the country or countries in which the particular professional service will be provided unless the member or firm is aware of the potential for conflicts of interest arising in a broader geographical area. The nature of the association and the interests of the party to whom the professional services will be provided are two factors the member or firm should consider.

25 Step 2: Assess the conflicts of interest

After conflicts of interest and possible conflicts of interest have been identified, a member or firm should exercise professional judgment as to whether such conflicts must be avoided altogether by declining to provide the professional service, or whether they can be appropriately managed.

26 When assessing a conflict of interest, members or firms should consider the following questions.

- Is the conflict solely a business conflict of interest such that it does not require any action under the CPA Code?

- Is it necessary to obtain consent or is the conflict one where agreement to proceed can be implied from the affected party's conduct, in keeping with commonly accepted practice?
- Does the conflict impair the member's or firm's independence and objectivity with respect to an assurance engagement?
- Does the conflict hinder the member's or firm's ability to perform the required duties?
- What will be the impact on the party's ability to obtain professional services should the member or firm choose to decline the engagement? In smaller communities, where there may be less access to professional services, there may be more occasions when it is necessary to manage conflicts of interest.
- Would a reasonable person be satisfied that the proposed conflict management approach is satisfactory to manage the conflict?
- Is it likely the requested service will go before a court where another affected party will be an opposing party? Unless the member or firm has been asked to act as a fact finder or is providing information that is not contested, a court is likely to find it unacceptable for a member or firm to represent two parties who are litigating against each other.
- Will the conflict management techniques available to the member or firm be effective in managing the conflict? This will be determined by the facts of the situation and the onus will be on the member or firm, where necessary, to demonstrate to the courts that the conflict management techniques are effective in protecting confidential information.
- Will the member's or firm's decision to avoid the conflict by terminating the provision of the professional service be a commercially satisfactory solution for the party or parties in conflict? In many cases, the solution to avoid the conflict by terminating the provision of the professional services to each of the parties will not be commercially satisfactory.

27 Once a member or firm has identified a conflict of interest and assessed its impact, the member or firm may decide to:

- decline/terminate the provision of the professional service - for those conflicts of interest that are not possible or appropriate to manage, the member or firm should inform the affected parties that the provision of professional services will be declined or terminated; or
- develop an effective conflict management approach - for manageable conflicts of interest, the next step is to develop an effective conflict management approach. Members or firms must be aware that the decision to manage such a conflict may be subjected to challenge later; or
- agree to provide the professional service - for those conflicts of interest that, by reason of their commonly accepted practice, a determination may be made that it is not necessary to implement a conflict management approach or obtain consent.

28 Step 3: Develop a conflict management approach

Once the member or firm has identified a conflict of interest that is potentially manageable, the next step is to examine the various conflict management techniques that are available to manage the conflict. A conflict management approach is then developed, incorporating the various conflict management techniques selected. While no specific approach is prescribed, each conflict management approach must be effective and the member or firm must be able to demonstrate that it is effective. The member or firm should then proceed only after providing disclosure to and obtaining consent from, each affected party.

29 Choose the conflict management techniques

The following conflict management techniques may be incorporated in an effective conflict management approach.

Organization Structure

An organization, including a firm, may organize itself in a variety of ways to deal with conflict of interest issues, such that the organization itself becomes an effective conflict management technique. Depending on factors such as the size of the organization, some or all of the following conflict management techniques may be adopted as part of its organizational structure:

- adopt conflict of interest management policies that provide those in the organization with guidance on dealing with such conflicts. These policies should recognize the role of professional judgment in the process and require persons in the organization to be able to demonstrate that the interests of the clients of the organization will be served at a high professional standard. The policies should also require that clients be informed as to what they should expect when agreeing to allow an organization with a conflict of interest to act on their behalf.
- implement a reporting structure related to potential conflicts of interest that is overseen by one or more persons within the organization. The role of the responsible person(s) is to (a) identify, at the outset, potential conflicts of interest, and decide whether to avoid such conflicts or manage them and (b) be informed of possible conflicts of interest and provide assistance to others within the organization on exercising professional judgment with respect to conflict management. The person(s) determining or managing a particular conflict of interest should be above the wall with respect to that conflict.
- create separate areas of practice for specialty functions within the organization, which may act as a barrier to the passing of confidential information from one practice area to another within an organization. The flow of information from one area to another should be restricted by policies and procedures. Such policies and procedures would not preclude the cross-departmental sharing of information by members of a particular client service team. Within each separate area, members of the organization must understand the expected limitations in sharing confidential client information across areas. It is recognized that the larger and more complex the organization, the more likely the need for creating separate areas of practice.
- establish policies and procedures to limit access to files. Much of the information obtained throughout the course of an engagement is retained in the files of the organization, either electronically or paper-based. To maintain the confidentiality of these files, an organization may put in place a formal system that limits access to these files to persons who are working directly on the engagement, logs access to files, and documents any access exceptions. The physical segregation of particular confidential information may further enhance its protection. Broad access to non-public information that has been retained by an organization may be viewed by its clients as contrary to its responsibility to protect confidential information.
- use blanket or engagement-specific confidentiality agreements signed by employees, which will emphasize the need to protect confidential information.
- in those professional service areas where it is likely conflicts of interest will arise on a regular basis, use code names or numbers to assist in the use of fire walls and other conflict management tools.

Fire walls

The effectiveness of fire walls will be improved by the use of internal procedures such as

designating an above the wall person to monitor the activities within the fire wall(s) and to ensure that the organization as a whole is not acting in an inappropriate manner. This person would:

- ensure that the organization did not engage in activities that it was not appropriate or possible to manage;
- ensure that persons joining or leaving a team within the organization do not create new unacceptable conflicts of interest;
- document the teams' respect for the wall; and
- avoid involvement in or detailed knowledge of information contained within the wall.

Fire walls should involve some combination of the following organizational arrangements:

- physical segregation of people and files;
- an educational program, normally recurring, to emphasize the importance of not improperly or inadvertently divulging confidential information;
- strict and carefully defined procedures for dealing with a situation where it is felt that the wall should be crossed, and maintaining proper records where this occurs;
- monitoring by compliance officers of the effectiveness of the wall; or
- disciplinary sanctions where there has been a breach of the wall.

Cones of silence

Cones of silence may be used to:

- demonstrate foresight of the need to maintain confidentiality of information and thereby assist an organization to manage conflicts of interest arising in various areas of its practice;
- allow a specialist within an organization to work on a minor aspect of an engagement without being brought formally within a fire wall; or
- demonstrate the commitment of those involved.

In some rare circumstances, a cone of silence is demonstrated implicitly by the special conduct of a member or another person in the organization. In such circumstances, there should be observable evidence that the cone of silence will be effective.

Other techniques

Management oversight

In some cases, the active involvement of ownership of the organization in the management and oversight of the organization acts as a conflict management technique. For example, a member may face a conflict of interest created when the member is eligible for a profit-related bonus as well as having responsibility for decisions that could affect the value of the bonus. However, the owners' active involvement in and familiarity with the business, along with the owners' oversight and authorization of any such bonus, acts to control the possibility of manipulation of results,

Internal or external review

The review of financial information by either internal or external audit or review can also act as a conflict management technique by establishing accountability and oversight of transactions, evaluating the reasonableness of accounting and other policies and monitoring adherence to them.

Existence of “whistleblower”/Code of Conduct policies

“Whistleblower” policies and protection, and training and education regarding ethical conduct and conflicts of interest are also conflict management techniques. Not only does the existence of such policies and processes deter activity that might constitute a conflict of interest, it also develops a culture where conflicts of interest are more likely to be identified and reported so that they can be properly addressed.

30 The limitations on the use of organization structure, fire walls and cones of silence must always be recognized and considered in terms of whether the organization’s obligations to its clients can be fulfilled. A professional judgment must always be made in light of the particular facts and circumstances. Conflict management techniques that are set up on an ad hoc basis, after a conflict of interest is identified, will not be seen to protect confidential information that may already have been shared within an organization. Ongoing conflict management techniques used on a regular basis are more likely to be effective and be seen to be effective than those set up on an ad hoc basis.

31 The uses of conflict management techniques to restrict information flows between units or individuals within an organization may not be effective when:

- a client expects to have complete access to all of the organization’s resources. The use of a fire wall to protect the interest of another client may not be acceptable to the client;
- a member, firm or organization is not able to demonstrate clearly that they have been and will continue to be highly effective in preventing the sharing of confidential information;
- there is a single department, operating unit or a large number of people coupled with a high turnover rate within the wall; or
- a member or firm attempts to hide behind the wall. The existence of a fire wall does not relieve a member or firm from making the appropriate enquiries or exercising professional judgment.

32 Provide disclosure and obtain consent

A fundamental underpinning to the management of conflicts of interest involves consent by the parties to whom professional services are provided. Unless the conflict of interest is one that reflects commonly accepted practice such that each affected party’s agreement can be inferred from that party’s conduct, consent should be obtained by:

- notifying each affected party of the existence of such a conflict; and
- either obtaining the agreement from each affected party to proceed in spite of the conflict or declining to provide or terminating the professional service giving rise to the conflict.

33 The onus is on the member or firm to be able to demonstrate that consent has been obtained.

- In cases where the conflict of interest is one referred to in Rule 210.3(b), the agreement must be implied by the affected party’s conduct and acceptance of the circumstances. In all other cases, it is desirable to obtain consent in writing. When such written consent is not obtained, an acknowledgement of the affected party’s verbal consent and the details thereof must be noted in the member’s or the firm’s files. The more direct the conflict is between existing or potential parties to whom professional services are provided, the more important it is to ensure that each of the affected parties know that their interests may conflict with the interests of other parties to whom the member or firm provides professional services and that the member or firm has effective measures in place to

- ensure that confidentiality is maintained. In each case, members or firms should use professional judgment in determining the nature and extent of disclosures required to be made to each affected party and the need to obtain consent.
- In some cases a member may be eligible for a profit-related bonus where the value of the bonus could be affected by decisions made by the member. In such cases, consent may be understood to have been obtained where there is a system of internal control and review over the bonus, such as appropriate authorization and oversight and written employment contracts setting out the terms of the bonus arrangement.
- 34** If notifying the affected parties of the existence of a conflict of interest would, in itself, constitute a breach of confidentiality, the member or firm will have no choice but to decline the engagement.
- 35** The appropriateness of managing a particular conflict of interest is likely to depend on the particular facts and circumstances. As circumstances evolve, affected parties who initially agreed to allow a member or firm with a conflict of interest to act may change their position. The risk and consequences of this possibility should be considered at the outset.
- 36** When a member or firm enters into discussions with an affected party about the impact of possible conflicts of interest on the party's interest, the member or firm should specifically address how the obligations to the party will be met and what restrictions, if any, there will be on access to the expertise of the organization.
- 37** The courts may recognize the contractual clarification of a member's or firm's obligations by considering written or implied terms, disclosure, and the consent or agreement of the affected party. Such clarification might, for example, be provided by:
- an engagement letter or contract to clarify the member's or firm's and the affected party's obligations in an engagement. The following wording might be used to inform a party of potential conflicts of interest in an engagement, restrictions that could apply and the use of conflict management techniques to protect confidential information:

"We provide a wide range of services for a large number of clients and may be in a position where we are providing services to clients whose interests may conflict with your own. We cannot be certain that we will identify all such situations that exist or may develop and it is difficult for us to anticipate all situations that you might perceive to be in conflict. We therefore request that you notify us promptly of any potential conflict affecting the Contract of which you are, or become, aware. Where the above circumstances are identified by us or you and we believe that your interests can be properly safeguarded by the implementation of appropriate procedures, we will discuss and agree with you the arrangements that we will put in place to preserve confidentiality and to ensure that the advice and opinions which you receive from us are wholly independent of the advice and opinions that we provide to other clients. Just as we will not use information confidential to you for the advantage of a third party, we will not use confidential information obtained from any other party for your advantage.";
 - written expression in publicly available policy statements of obligations undertaken, which also appears to be a tool that a member or firm may use to further demonstrate the management of possible conflicts of interest; or
 - to the extent that the matter is not dealt with in the foregoing, clarification of a member's or firm's obligations that is included in final reports, proposals, etc.
- 38** In the engagement letter, public policy statement or contract, the relationship may be clarified by:

- clearly defining the obligations owed to the other party. This may be accomplished through an exclusion clause;
- clearly delineating the rights and duties of all parties; and
- a conflict of interest is managed in part by a party's consent, including provisions that set out the consequences should the party withdraw such consent. It might be agreed, for example, that in such circumstances the member or firm would (or would not) be able to continue to act for one of the other parties, and if so, which one.

39 Step 4: Assess the effectiveness of a conflict management plan

After choosing the conflict management techniques that will be relied upon, the member or firm should assess the overall effectiveness of the plan. The onus will be on the member or firm to be able to demonstrate that the conflict management techniques are effective in protecting confidential information. In a particular case, the court may not accept the use of conflict management techniques to manage a conflict of interest. Members and firms must assess the risk of such a finding by a court on a case-by-case basis and, where appropriate, obtain legal advice.

40 When assessing the effectiveness of the selected conflict management techniques, members and firms should ask the following questions:

- Will the conflict management techniques work effectively in practice? For example, it may not be possible to obtain the consent of two parties as the mere disclosure of the issue to one party might involve the disclosure of confidential information of the other party.
- Are the persons required to perform the work able to remain within a cone of silence or behind a fire wall for the required period of time?

41 Step 5: Re-evaluate the plan during engagement

A professional services relationship will often exist for an extended period of time during which the party's interests may change. When in the course of an engagement for a party, conflict or possible conflict with an engagement for another party is discovered, a member or firm should consider the following actions:

- resign from both assignments without disclosure of the detailed reasons if such disclosure would also disclose confidential information; or with appropriate disclosure of the detailed reasons if confidential information can be protected;
- obtain consent from both parties to continue their engagements in spite of the conflicts of interest;
- seek the consent of both parties to continue for one party; and
- after obtaining the required consent, use existing conflict management techniques such as cones of silence or fire walls, to protect confidential information in appropriate circumstances.

42 When the discovery of a conflict of interest occurs while an engagement is in progress, it may be more difficult to then implement conflict management techniques to protect confidential information. It will also be difficult to clarify the member's or firm's obligations by indicating that the member or firm intends to accept engagements for parties whose interests may from time to time conflict with those parties to whom the member or firm is already providing professional services.

43 If, however, conflict management techniques such as cones of silence or fire walls have been

in place from the outset of both professional services assignments, and the parties have been informed at the outset of possible conflicts of interest, the task of dealing with new conflicts of interest that arise is made easier.

G Documentation

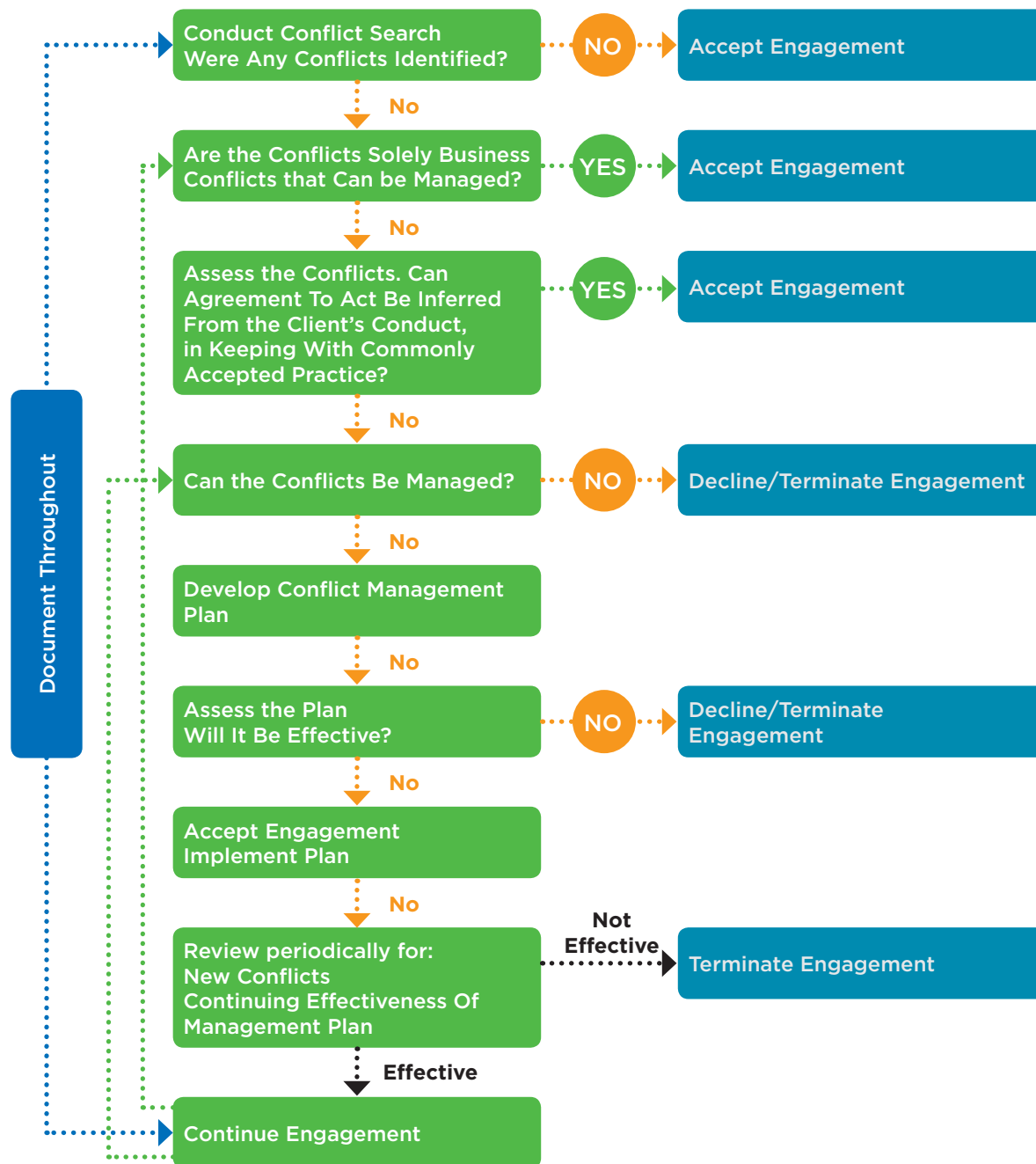
- 44** Since problems with the management of conflicts of interest may arise in the future, it is important to document the process by which such conflicts are assessed and managed. Rule 210.4 sets out specific requirements with respect to documentation which, in general terms, will normally include considerations with respect to the identification of conflicts of interest; the assessment of such conflicts and the facts considered in making the assessment; the conflict management plan adopted with the reasons why the member or firm believes the plan will be effective; and the ongoing assessment of the plan's effectiveness. When the professional judgment of the member or firm is comprehensively documented, both at the outset and while providing the service, the member or firm is more likely to be able to establish that a particular conflict of interest was identified and managed appropriately.

H Other conflict of interest considerations

- 45** When developing a conflict management approach, the member or firm must ensure that the conflict management techniques selected are robust enough to demonstrate that the affected parties' interests will be served within the terms of the engagement or contract.
- 46** The use of such techniques requires the use of professional judgment since ultimately their effectiveness and acceptability will be judged using the standard of "the expectation of an informed, reasonable observer".
- 47** Where relationships or engagements exist for extended periods of time, the question of potential conflicts of interest should be addressed at least annually, perhaps as part of the ongoing review of client continuance decisions or professional services contracts.

Conflicts of interest management decision chart

The following flowchart outlines a process for dealing with conflicts of interest which can be applied to decisions made in relation to the provision of both public accounting and other professional services.



211 Duty to report breach of the CPA Code

RULES:

211.1 *A member or firm shall promptly report to CPA Ontario any information concerning an apparent breach of this CPA Code or any information raising doubt as to the competence, integrity or capacity to practise of another member or firm, unless such disclosure would result in:*

- (a) *the breach of a statutory duty not to disclose;*
- (b) *the reporting of information by a member or firm exempted from this rule for the purpose and to the extent specified by Council;*
- (c) *the loss of solicitor-client privilege;*
- (d) *the reporting of a matter that has already been reported; or*
- (e) *the reporting of a trivial matter.*

211.2 *A member or firm required to report under Rule 211.1 and who is engaged, or is in consultation with a view to being engaged, with respect to a civil or criminal investigation need not report to CPA Ontario any information obtained in the course of such engagement or consultation concerning an apparent breach of this CPA Code or any information raising doubt as to the competence, integrity or capacity to practise of another member or firm until such time as:*

- (a) *the client or employer has provided consent to the release of the information;*
- (b) *the member or firm becomes aware that the information is known to third parties other than legal advisors; or*
- (c) *it becomes apparent to the member or firm that the information will not become known to third parties other than legal advisors.*

GUIDANCE – Rule 211

- 1 It is in the public interest that a member or firm be required to report to CPA Ontario apparent breaches by another member or firm of the CPA Code. The good reputation of the profession could adversely be affected if such matters were not reported. Rules 211.1 and 211.2 are not intended to require the reporting of a trivial matters or minor perceived faults of another member or firm. Each mistake or omission by a member or firm is not necessarily a breach of the CPA Code. In deciding when to report, a member or firm should believe that the matter raises doubts as to the competence, reputation or integrity of another member or firm.
- 2 Rule 211.1 sets out specific situations where it does not apply. For example, the Rule does not apply to disclosure of information obtained
 - in the course of the member's employment by an organization, such as a government taxation authority, where there is a legal requirement imposed by statute to maintain the confidentiality of information obtained through this employment;
 - in the member's role as a practice inspector or member advisor, who has been exempted for the purpose and to the extent specified by Council; or
 - in the course of an engagement, such as a litigation support engagement, where disclosure will result in the loss of solicitor-client privilege.

- 3 Under certain circumstances, such as the forensic investigation of a fraud, Rule 211.2 permits the reporting of the matter to be delayed until
 - the client has provided consent to the release of such information;
 - the information has become known to third parties other than legal advisors; or
 - it becomes apparent to the member or firm that the information will not become known to third parties other than legal advisors.
- 4 Rule 211.2 attempts to strike a balance between the duty to the client and the duty to protect the public interest and maintain the reputation of the profession. Clients may assume that a member or firm will not disclose information without consent, resist the obligation of the member or firm to report and even be reluctant to engage a member or firm because of the reporting obligation. In addition, reporting without the client's knowledge or consent could result in a claim against the member or firm. Thus the client must be informed that while the member or firm will seek consent to report the information, ultimately, if the consent is not forthcoming, the obligation to the public and the profession will prevail and the member or firm will be obliged to report.
- 5 A member or firm reporting a matter does not have to carry out an investigation or reach a decision as to whether the CPA Code has been breached. However, it is not enough simply to have a suspicion that there has been professional misconduct. What must be reported are the facts as known to the member or firm along with any supporting documentation.
- 6 If a member or firm knows that a matter involving apparent misconduct on the part of another member or firm has come to CPA Ontario's attention, the member or firm does not have a duty to report the matter. The member or firm must report if the member or firm knows that certain facts have been concealed, distorted or otherwise not reported.
- 7 Having reviewed Rules 211.1 and 211.2 and this Guidance, a member or firm in doubt as to whether a matter should be reported should consult CPA Ontario staff for advice. In certain circumstances, such as those described in paragraph 4 above, the member or firm should also consider obtaining legal advice.

212 Handling property of others

RULES:

212.1 Handling of trust funds and other property

- (a) *A member or a firm that, receiving, handling or holding money or other property in any capacity as a trustee, or as a receiver or receiver/manager, guardian, administrator/manager or liquidator, shall do so in accordance with the terms of the engagement, including the terms of any applicable trust, and the law relating thereto and shall maintain such records as are necessary to account properly for the money or other property; unless otherwise provided for by the terms of the trust, money held in trust shall be kept in a separate trust bank account or accounts.*
- (b) *When a member or a firm receives a retainer for the provision of future services and no written agreement has been executed regarding the terms which must be met for disbursement of the retainer, the member or firm shall consider and handle the retainer as funds held in trust in accordance with paragraph (a) above.*

212.2 Handling property of others

A member or firm, in the course of providing professional services, shall handle with due care any entrusted property.

GUIDANCE – Rule 212

- 1 In this Guidance the term “trust funds” includes all amounts received by a member or firm to be held or disbursed on the instructions of the person from whom or on whose behalf the amounts are received, such person being referred to as “client”.
- 2 While it may be prudent to obtain legal advice with respect to complying with the law relating to trusts, the following should assist in understanding the Rule:
 - each trust relationship should be documented in writing;
 - trust funds, unless subject to written instructions to the contrary, should be deposited without delay to a separate bank account, a “trust account”, which may be an account in the name of a specific client, but should in all cases include in its title the word “trust”;
 - trust funds and property of others are to be separated from the member’s or firm’s assets and used only for the purpose for which they are intended;
 - withdrawals or disbursements from a trust account should be limited to:
 - funds properly required for payment to or on behalf of the client; or
 - funds properly required for or toward payment of the member’s or firm’s fees for services rendered or disbursements for which a billing has been rendered and approved, preferably in writing, by the client;
 - in the absence of express agreement to the contrary, any interest earned on trust funds should be accounted for to the client;
 - records should be maintained to show clearly trust funds received, paid or held on behalf of clients, clearly distinguishing the funds of each client from those of other clients and from the member’s or firm’s own funds;
 - members and firms should establish appropriate safeguards and controls over receipts and disbursements of trust accounts;

- members and firms should be prepared at all times to account for the trust finds or other property together with any income, dividends or gains generated, to any person who is entitled to any such accounting; and
 - members and firms should consider using a lawyer or financial institution where amounts are large or the situation is unusual or contentious.
- 3** Matters that should be addressed by a written retainer agreement include:
- the manner and timing for billings to be rendered and approved;
 - how the retainer is to be applied, for example whether it is to be applied as billings are approved or is to be held and applied to a final invoice;
 - a requirement for the member or firm to provide periodic reporting to the client regarding outstanding billings and the balance of the retainer;
 - the manner and timing of refunds of any retainer if the engagement cannot be completed or is completed in an amount which is less than the balance of the retainer; and
 - how any dispute with respect to billings is to be resolved.
- 4** There may be occasions when other property is received in trust in lieu of funds. Appropriate safeguards and controls should be established over these properties including, if applicable, the safekeeping of securities or other negotiable instruments.
- 5** If the engagement is one governed by bankruptcy and insolvency legislation, members or firms should refer to the provisions of such legislation and any regulations and directives enacted thereunder.
- 6** Members or firms acting as executors, administrators or trustees should refer to the provisions related to independence as set out in Rule 204.

213 Unlawful activity

RULE:

A member or firm shall not associate with any activity that the member or firm knows, or should know, to be unlawful.

214 Fee quotations and billings

RULE:

A member or firm shall

- (a) *obtain adequate information before providing a fee quotation to perform any professional service; and*
- (b) *render billings for professional services on a fair and reasonable basis and provide such appropriate explanations as are necessary to understand the billing.*

GUIDANCE – Rule 214

- 1 A prospective client may wish to obtain some indication of the fee for a member's or firm's services. A member or firm discussing a possible assignment may not be in a position to quote a fee or fee range without becoming more familiar with the requirements of the client. For example, in an audit assignment it would generally be necessary to become familiar with the prospective client's accounting policies and procedures and internal controls. In an accounting assignment it would generally be necessary to assess the prospective client's books and records and the application of the related accounting policies. Without becoming so familiarized or making an appropriate assessment, it would not be possible to estimate the fee.
- 2 As provided in Rule 205, a member or firm should not sign or associate with any letter, report, statement, representation or financial statement which the member or firm knows or should know is false or misleading. Accordingly, a member or firm should not make a representation that specific professional services in current or future periods will be performed for either a stated fee, estimated fee, or fee range, if it is likely at the time of the representation that such fees will be substantially increased and the prospective client is not advised of that likelihood.
- 3 A member or firm obtaining work for a fee significantly lower than that charged by the predecessor, or quoted by others, should be aware that there may be a perception that independence, where required, and/or quality of work could be impaired. Accordingly, a member or firm should be satisfied that a fee quoted to a client for the performance of professional services is sufficient to ensure that:
 - independence, where required, will not be impaired;
 - the quality of work will not be impaired; and
 - due care will be applied to comply with all professional standards in the performance of those services.
- 4 Factors to consider when assessing the fairness and reasonableness of fees for professional services include:
 - the level of training and experience of the persons engaged in the work;
 - the time expended by the persons engaged in the work;
 - the degree of risk and responsibility which the work entails;
 - the priority and importance of the work to the client;
 - the value of the work to the client; and
 - any other circumstances which may exist (e.g. fees fixed by a court or other public authority, fees in insolvency work and the administration of estates and trusts which, by

statute or tradition, are often based on a percentage of realizations and/or assets under administration).

- 5 If a client makes a reasonable request for additional detail and explanation in order to understand a billing, a member or firm is expected to provide such information.

215 Contingent fees

DEFINITIONS:

For the purpose of Rule 215 and the related Guidance:

“partner” means a member’s partner, whether or not a member of CPA Ontario, in either the member’s public accounting practice or a related business or practice.

RULES:

215.1 A member or firm engaged in the practice of public accounting or in a related business or practice shall not offer or engage to perform a professional service for a contingent fee, where the service is:

- (a) one in respect of which independence is required in accordance with the provisions of Rule 204;
- (b) a compilation engagement; or
- (c) preparation of an income tax return.

215.2 Other than in respect of an engagement described in Rule 215.1, a member or firm engaged in the practice of public accounting or in a related business or practice may offer or engage to perform a professional service for a contingent fee provided the client has agreed in writing to the basis for determining the fee before the substantial completion of the engagement and:

- (a) the fee arrangement does not constitute an influence, interest or relationship which impairs or, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member or a partner of the member in respect of an engagement for which independence is required in accordance with the provisions of Rule 204; or
- (b) the fee arrangement is not one which influences, or in the view of a reasonable observer would influence, the result of a compilation engagement performed or an income tax return prepared by the member or a partner for the same client.

GUIDANCE – Rule 215

- 1 A member or firm is entitled to charge for professional services such fees as the member or firm considers to be fair and reasonable for the work undertaken. Generally it is prudent to refer to fees and the basis on which they are to be computed in an engagement letter to the client or potential client.
- 2 When providing a professional service for a contingent fee, a member or firm must bear in mind the requirements of Rules 202, 203, 205 and 206. These rules require a member or firm to perform services with integrity and due care; to sustain professional competence in all functions in which the member practices; not to associate with any letter, report, statement or representation which the member or firm knows or should know is false or misleading; and to comply with the generally accepted standards of practice of the profession.
- 3 When permitted by the CPA Code to provide a professional service on a contingent fee basis, a member or firm also must ensure that such a contingent fee arrangement does not, in the view

of a reasonable observer, create an influence which would impair professional judgment or objectivity with respect to another engagement for the same client which requires objectivity on the part of the member or firm. .

- 4 The following examples of engagements undertaken on a contingent fee basis are provided as guidance to assist members and firms in determining whether their professional judgment or objectivity may be compromised with respect to the types of engagements for which objectivity is required by the CPA Code or would be seen to influence the result of a compilation engagement or the preparation of an income tax return.

Examples of professional services which might be undertaken on a contingent fee basis, provided that other relevant provisions, including Rule 204, would also permit the provision of such professional services to an assurance client are:

- commodity tax refund claims; and
- preparing notices of objection to tax assessments and reassessments.

Examples of professional services engagements which, if undertaken on a contingent fee basis, may be seen to impair professional judgment or objectivity with respect to another engagement for the same client which requires objectivity on the part of the service provider are:

- executive search services;
- assisting with income tax appeals;
- valuation engagements which involve the expression of a professional opinion;
- assisting with the purchase or sale of all or part of a business;
- financing proposals, the success of which is dependent, in whole or in part, upon the client's financial statements or the client's future oriented financial information;
- litigation support and forensic investigations which use financial statements or other financial information of the client or result in reports which impact on or bear a relationship to the client's financial statements;
- business interruption insurance claims; and
- re-engineering or efficiency studies, the results of which could materially impact on the client's financial statements or other financial information.

- 5 The examples in paragraphs 3 and 4 are not intended to be exhaustive or conclusive in determining whether a particular engagement may be undertaken on a contingent fee basis. A member or firm must always exercise professional judgment in concluding whether a particular engagement may be undertaken on a contingent fee basis in accordance with Rule 215.2.

- 6 Rule 214 permits members or firms to render billings, commonly referred to as value billings, based on criteria which include;
- the level of training and experience of the persons engaged in the work;
 - the time expended by the persons engaged in the work;
 - the degree of risk and responsibility which the work entails;
 - the priority and importance of the work to the client;
 - the value of the work to the client; and
 - any other circumstances which may exist (e.g. fees fixed by a court or other public authority, fees in insolvency work and the administration of estates and trusts which, by statute or tradition, are often based on a percentage of realizations and/or assets under administration).

However, value billing should not be used to justify what is in substance an otherwise inappropriate contingent fee arrangement.

- 7 Members and firms are cautioned that professional engagements may be subject to standards of other professional bodies or organizations which must be considered in determining whether contingent fees are appropriate for a particular engagement. In all such cases, the higher or more stringent standard must be applied.

216 Commission or similar compensation arrangements

DEFINITIONS:

For the purpose of Rule 216 and the related Guidance:

“assurance client” means an entity in respect of which a member or firm has been engaged to perform an assurance engagement as contemplated in the CPA Canada Handbook-Assurance. In the application of Rule 216, “assurance client” includes its related entities, and the reference to an assurance client, a client or an entity that is an assurance client shall be read as including all related entities of the assurance client, client or entity as the case may be.

“clearly insignificant” means trivial and inconsequential.

“client” means any person for whom professional services are performed or to whom products or services are sold or provided by the member or firm directly or through referral to others. In the application of Rule 216, references to “client” shall be read as including all related entities of the client.

“compensation” includes, but is not limited to, a commission, rebate, preference, discount, benefit or other consideration, whether monetary or non-monetary, but does not include a fee for services.

“consent” means fully informed and voluntary, documented consent, given after disclosure of sufficient information and with sufficient time to make a knowledgeable decision, provided that if more than one person is involved, each needs to provide consent.

RULES:

216.1 A member or firm engaged in the provision of professional services to a client may pay or receive any compensation in relation to obtaining a client or the referral of products or services of others, provided that:

- (a) the prohibitions outlined in Rule 216.2 do not apply;
- (b) the member or firm, in respect of the particular products or services to which the compensation relates, shall:
 - (i) identify threats to the objectivity of the member or firm arising from the proposed payment or receipt of compensation;
 - (ii) evaluate the significance of those threats; and
 - (iii) if the threats are other than clearly insignificant:
 - (A) disclose the compensation to the client in writing;
 - (B) obtain the consent of the client prior to payment or receipt of the compensation; and
 - (C) identify and apply any additional safeguards as appropriate to reduce the threats to an acceptable level.

Where safeguards are not available to reduce the threat or threats to an acceptable level, the member or firm shall not pay or accept the compensation.

216.2 Other than as allowed by Rule 216.3 and Rule 216.4, a member or firm shall not directly or

indirectly pay or receive any compensation in relation to or in respect of:

- (a) *obtaining an assurance client;*
- (b) *the referral of an assurance client to others;*
- (c) *the referral of products or services of others to an assurance client; or*
- (d) *the provision of other professional services to an assurance client.*

216.3 *A member or firm engaged or employed in the practice of public accounting may pay, in relation to obtaining a client or assurance client, a commission or other compensation to any person who is a partner, shareholder or employee of the member or firm or who is another member or firm engaged or employed in the practice of public accounting.*

216.4 *A member or firm may pay or accept compensation in connection with the sale and purchase of a public accounting practice.*

GUIDANCE – Rule 216

Commission-based compensation arrangements

- 1 A member or firm may be asked by an investment dealer, portfolio manager, insurance broker or software provider to act as agent or sub-agent for the sale of securities or software, provision of investment advice or portfolio management services, or the placement of insurance. A member or firm may also be asked to refer clients or assurance clients directly to a third-party provider of such products or services. A member or firm may, at the same time, be receiving fees from clients or assurance clients for professional services which include advice on the utilization of surplus funds or on insurance coverage. There is a high probability of a conflict of interest between this position and that of providing a referral or acting as agent or sub-agent for the sale of products or provision of services. Acceptance of compensation, whether in the form of money or otherwise, from third parties for such referrals or agency services represents a threat to the principle of objectivity which is fundamental to our profession.

Commission-based compensation permitted with safeguards

- 2 When providing a professional service in respect of which Rule 216.1 may permit a member or firm to pay or accept compensation, the member or firm is required to first identify threats to objectivity that may arise in the context of the services to be provided and the proposed compensation methodology, and to identify and apply safeguards to reduce such threats to an acceptable level. Professional services, in this context, could include referral of the client to the products or services of a third party, including software, investment or insurance products and wealth management services, or sale to the client of such products or services by the member or firm acting as agent or sub-agent for the third party. An example of such circumstances is where a firm recommends purchase by the client of particular accounting software to assist the firm in providing accounting or bookkeeping services to the client.
- 3 Appropriate safeguards must take into account the nature of the client and the client relationship (for example: Is the client sophisticated? Does the relationship give rise to a fiduciary duty?) At a minimum, member or firm must disclose the proposed compensation to the client in writing and obtain the client's consent to receipt of the proposed compensation. Other appropriate safeguards may include, without limitation:
 - prior disclosure of the relationship between the member or firm and the provider of the product or service;
 - ongoing disclosure of the compensation, including any periodic fees that may result to the member or firm after the initial purchase/referral; and

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- in appropriate circumstances, prior identification and discussion of alternative products or service providers, or alternative compensation structures with the client, allowing the client to make the final choice as to the products or services to be provided and the basis for compensation of the member or firm.

Consent

- 4 Consent may be written, or else provided in an electronic or digital format that provides a similar level of evidence, such as an electronic signature.

Incidental advice

- 5 Rule 409 exempts taxation advice provided on an incidental basis from regulated services, provided certain conditions are met. These conditions are primarily applicable to members working for larger financial institutions such as banks or investment dealers. Members who provide taxation services incidental to wealth management services, who meet the conditions set out in Rule 409, may not be considered to be providing accounting services to the public. However, they could be considered to be providing professional services and, if so, are required to adopt the threats and safeguards approach discussed above in connection with the provision of services that could result in the receipt of compensation by the member.

Alternative compensation where commission-based compensation prohibited

- 6 The effect of Rule 216.2 is that a member or firm engaged in the provision of assurance or other professional services to an assurance client is not permitted to receive compensation for a referral of products or services of others to that assurance client. In this case, the self-interest threat to the principles of objectivity and independence is likely too great to be obviated by the application of safeguards.

In order to provide other professional services to assurance clients, the member or firm must bill in respect of those services in a manner that does not involve receipt of compensation by the member or firm. Such billing methods may include an hourly fee for service, fees based on a percentage of assets under administration, or another arrangement provided it is documented, and approved and paid directly by the client. Where a member or firm establishes arrangements and corporate or other structures in order to facilitate transactions involving the receipt or payment of commission-based compensation, such arrangements or structures are unlikely to change the substance of these transactions. CPA Ontario will consider the substance and effect of any such transactions when making a determination as to whether a breach of the CPA Code has occurred.

Note that for the purposes of Rule 216.2 “member or firm” includes any related business or practice of the member or firm. Compensation received by any such related party of the member or firm is considered to be indirectly received by the member or firm. “Compensation” includes non-monetary compensation, and it also includes compensation in respect of related parties of the assurance client.

Other regulatory regimes

- 7 Members and firms are reminded that transactions giving rise to the payment or receipt of compensation for the referral of the products or services of others are frequently governed by statute or other regulations setting out specific additional licensing, registration, disclosure and other requirements.

New August 26, 2016: Rule 216 Commission or similar compensation arrangements. This replaces Rule 216 Payment or receipt of commissions, which has been repealed.

217 Advertising, Solicitation and Endorsements

DEFINITIONS:

For the purpose of Rule 217 and the related Guidance:

“endorsement” means:

- (a) public promotion, support, sponsorship, recommendation, guarantee, sanction or validation of any product or service of another person or entity;
- (b) public indication or implication that the member or firm either:
 - (i) uses a product or service of another person or entity; or
 - (ii) has an association with a product or service of another person or entity that is of a nature that has enabled the member or firm to formulate an opinion or belief as to the quality of the product or service or the benefits to be derived by the purchasers or users of the product or service; or
- (c) agreement, including by acquiescence, to the use of the member’s or firm’s name in connection with any of the activities described in (a) or (b).

RULES:

Advertising

217.1 Advertising and promotion A member or firm may advertise or seek publicity for the member’s or firm’s services, achievements or products and may seek to obtain new engagements and clients by various means, but shall not do so, directly or indirectly, in any manner

- (a) which the member or firm knows, or should know, is false or misleading or which includes a statement the contents of which the member or firm cannot substantiate;
- (b) which makes unfavourable reflections on the competence or integrity of the profession or any member or firm; or
- (c) which otherwise brings disrepute on the profession.

Solicitation

217.2 Notwithstanding Rule 217.1, a member or firm shall not, either directly or indirectly solicit, in a manner that is persistent, coercive or harassing, any professional engagement.

Endorsements

217.3 A member or firm may advertise or endorse any product or service of another person or entity that the member or firm uses or otherwise has an association with, provided the member or firm has sufficient knowledge or expertise to make an informed and considered assessment of the product or service. However, in doing so,

- (a) the member or firm must act with integrity and due care;
- (b) the member or firm must be satisfied that the endorsement

- (i) *is not false or misleading or does not include a statement the contents of which the member or firm cannot substantiate,*
 - (ii) *does not make unfavourable reflections on the competence or integrity of the profession or any member or firm, and*
 - (iii) *does not otherwise bring disrepute on the profession; and*
- (c) *when associating the CPA designation with an endorsement, the member or firm must conduct appropriate procedures to support the assertions made about the product or service.*

GUIDANCE - Rule 217

217.1 Advertising

- 1 It is in the public interest and in the interest of all members and firms of CPA Ontario that members and firms be allowed to advertise or otherwise promote services available and the basis of fees charged. Members or firms should be able to receive publicity, identifying them as members or firms of CPA Ontario, in areas which reflect their competence and knowledge, in matters which are within the scope of activities of members of CPA Ontario, and in matters of community or public interest. Advertising and publicity should contribute to public respect for the profession and thus to the professional standing of all members. It is the responsibility of the member or firm to ensure that any promotional material produced by or under the control of the member or firm is factual, and that any commentary is not misleading.
- 2 As guidance to members or firms, the following outlines what is acceptable conduct in a number of areas. Unless specifically noted, this Guidance also applies to members or firms otherwise engaged or employed, and to firms or corporations engaged, in a related business or practice. The objective is to ensure that advertising or other promotional communication is accurate and factual.
- 3 Members and firms that engage public relations, recruiting or other agents are responsible for ensuring that no activity for which the agent is engaged contravenes the CPA Code. While there are matters in which the use of skilled assistance can be advantageous, it should be recognized that there is an inherent danger of contravention of the CPA Code and that close control must be exercised to avoid breaches.
- 4 A member or firm may be the subject of, or may be referred to, in any bona fide news story (including interviews and commentaries) or may publish any work (including any professional paper, report, article, etc.) related to the member's or firm's professional services, provided that the member or firm uses all best efforts to ensure that none of the contents of such news story or work violates the requirements of Rule 217.

False or misleading advertising

- 5 It is not appropriate for members and firms to use advertising or promotional communications or media, including electronic media, that bring disrepute on the profession.
- 6 Members and firms should ensure, at all times, that any public reference (in promotional material, websites, stationery, reports, etc.) to themselves or their services is accurate. The following are examples of false or misleading references:
 - any implication that the practising unit is larger than it is, such as by use of plural descriptions or other misleading use of words;

- any implication that a person is a partner of a firm, when the person is not;
 - any implication that separate firms sharing office space, staff or other resources or in other cost-sharing arrangements are in partnership or otherwise share ownership of a firm;
 - any implication that a person is entitled to practise (“as a public accountant,” as appropriate) by including his or her name in public announcements of a practising firm if the person is not licensed (“as a public accountant,” as appropriate);
 - any reference to representation or association which is not in conformity with the facts;
 - the use of obsolete or out of date information;
 - any reference to particular services of any person or firm where the person or firm is not currently able to provide those services;
 - any statement that the practice is restricted to one or more functions, if assignments are accepted in other practice functions; and
 - any statement that may create false or unjustified expectations as to the results of an engagement.
- 7 Any reference to fees which is intended for the information of the public (including prospective clients) should not be misleading. The following are examples of false or misleading fee references:
- fee information if the service at the fee specified will not be available on an ongoing basis for a reasonable length of time;
 - a quotation of specific fee information if the service at the fee specified is conditional upon the acceptance by the client of other services, unless such condition is disclosed;
 - a “rate per hour” or fee or fee range for specified services which does not give a reasonable description of the services included;
 - fee information which quotes an unqualified “average rate”, fee or fee range for services when a particular assignment might likely be billed at a significantly higher amount; and
 - fee information, using terms such as “from \$X”, where fees, rates or ranges are not sufficiently representative of those normally charged.
- 8 Members and firms should ensure that any controllable public references to them, their services or accomplishments, whether written or oral, are not false or misleading.

Unfavourable reflections

- 9 Since any member or firm may be able to offer services similar to those offered by others, it is not appropriate for any member or firm to claim superiority with respect to the competence or integrity of any other member or firm.

Use of the term “specialist”

- 10 Individuals who have earned the designation “Chartered Professional Accountant” have demonstrated a high level of education and professional experience. To hold oneself out as a specialist is to imply possession of particular skills, talents and experience.
- 11 Specialization must be distinguished from expertise. Expertise implies extraordinary knowledge about a specific subject – no matter how broad or how narrow. Specialization implies a concentration of professional skills developed and applied over a meaningful period of time. A person may be an expert without being a specialist.

- 12 Members or firms designating themselves or related businesses or practices as specialists must be prepared to substantiate the claim. Failure to provide advice to a specialist standard after accepting an engagement to do so may have serious legal consequences.
- 13 A member seeking identification as a specialist should meet the following minimum criteria:
- the member recognized as such by peers, clients and business associates or holds a credential, designation or both, in a particular professional service area;
 - a significant percentage of the member's, time over a sustained period has been spent in the specialty;
 - the member has completed courses and/or successfully completed appropriate examinations, if applicable, for the specialty;
 - the member continues to complete professional development relevant to the specialty, such as attendance at courses, teaching or writing; and
 - the member continues to devote a significant percentage of time to the specialty.
- 14 Improperly claiming specialist status may violate one or more of the following rules:
- Rule 201.1, which requires members and firms to act in a manner that will maintain the good reputation of the profession;
 - Rule 202, which requires members and firms to perform their services with integrity and due care;
 - Rule 203.1, which requires members to sustain their professional competence in all functions in which they practise;
 - Rule 205, which prohibits members and firms from being associated with false or misleading documents and oral representations;
 - Rule 210, which requires members and firms to avoid conflicts of interest; and
 - Rule 217.1(a), which requires members and firms to refrain from making statements that cannot be substantiated.
- 15 Firms intending to identify themselves as specialists should meet the following minimum criteria:
- the firm is recognized as such by peers, clients and business associates;
 - a significant percentage of the firm's time over a sustained period has been spent in the specialty;
 - firm members have completed courses and/or successfully completed appropriate examinations, if applicable, for the specialty;
 - firm members continue to complete professional development relevant to the specialty, such as attendance at courses, teaching or writing; and
 - the firm continues to devote a significant percentage of time to the specialty.

217.2 Solicitation

- 1 Solicitation is an approach to a client or prospective client for the purpose of offering services. The approach may be made in person, through direct mail (including fax or e-mail) or via a third party such as a telemarketer. Regardless of the method used, the approach must comply with relevant legislation as well as the Rules which govern integrity, conflict of interest, payment of commissions and advertising or which otherwise regulate members and firms.
- 2 Communication with a prospective client should cease when the prospect so requests either

directly to the member or firm or through CPA Ontario. Any continued contact will be regarded as harassment, which is contrary to the Rule.

- 3 Participation in a trade or a financial services show or in a seminar arranged for or promoted by a non-member is not prohibited by the Rules, provided that the conduct of the member or firm and any references to the member or firm are in accordance with the Rules and the follow up of contacts are in accordance with Paragraphs 1 and 2 of this Guidance.
- 4 The distribution of technical information such as a tax letter to prospective clients and others is not prohibited.
- 5 Members and firms may serve the interests of the public and the profession by presenting educational and informational seminars and may distribute invitations to attend seminars and provide related informational material. Seminars may be advertised as permitted by Rule 217.1. Such advertising may invite the public to request brochures, letters or other descriptive or informational material from the members or firms responsible for the seminar. Members and firms may arrange, promote, present or otherwise be responsible for such seminars, with or without a fee, subject to the Rules.

Clientele of a deceased member

- 6 When a member who is a sole proprietor dies, the member's executors should be provided a reasonable opportunity to arrange for transfer of the deceased member's clients to another member or firm. CPA Ontario may be able to assist the estates of deceased members in such circumstances. It is recognized that, in some cases, clients may require immediate service and may not be able to await the orderly disposal of the practice. Any member or firm who is approached to take over the account of a prospective client who had been served by a deceased member should notify the executor upon assuming the account.

217.3 Endorsements

- 1 When endorsing a product or service that the member or firm uses in business or professional practice, the member or firm should first make an appropriate investigation or assessment of the product or service so as to be able to express an opinion or state a belief about it.
- 2 When endorsing a personal product or service, the member or firm should have sufficient familiarity or acquaintance with the product or service to make an informed and considered decision about it.
- 3 When endorsing any product or service, a member or firm must take care to ensure that the endorsement does not or would not create a conflict of interest or impair objectivity.

218 Retention of documentation and working papers

RULE:

A member or firm shall take reasonable steps to maintain information for which the member or firm is responsible, including retaining for a reasonable period of time such working papers, records or other documentation which reasonably evidence the nature and extent of the work done in respect of any professional service.

GUIDANCE – Rule 218

- 1 Cases may arise where a member or firm may be required to substantiate procedures carried out in the course of providing professional services. If the files do not contain sufficient documentation to confirm the nature and extent of the work done, the member or firm concerned may well have great difficulty in showing that proper procedures were in fact carried out. The importance of adequate documentation cannot be over-emphasized; without it, a member's or firm's ability to outline and defend professional work is seriously impaired.
- 2 There is an obligation to keep the documentation for a reasonable period of time. Unfortunately, it is not possible to give an all-encompassing guideline as to what is reasonable. What is reasonable varies with the circumstances. One of the problems is that an action based in negligence arises, not when the negligent work is done, but when the damage caused by the negligent work becomes known, or ought to have become known, to the person who is harmed. At a minimum, documentation should not be destroyed until legal advice has been obtained with respect to any limitation periods that may apply.
- 3 Further, a member or firm should retain documents for a period of time to provide professional services effectively and to properly serve clients and employers. That time period will depend on the risk associated with the professional service provided and the nature of the specific information that is contained in the files. While a general guideline might be as short a period as the minimum time period required by statute, some documentation may need to be retained indefinitely. Such documentation could include:
 - financial statements;
 - agreements, contracts and leases;
 - minutes;
 - investment/share capital information;
 - written opinions;
 - tax files and assessment notices;
 - detailed continuity schedules for such items as fixed assets and future taxes;
 - estate plans, wills and similar documents; or
 - other files, information and records as appropriate.
- 4 Members and firms may find it helpful to take reasonable steps to segregate information that is property of the client ("client information") from information that is proprietary to the member or firm ("proprietary information") or to ensure that they have the ability to easily segregate such client information. The client may choose to engage another professional service provider in the future, or access to the client information may be demanded through litigation discovery or other legal means. Therefore, it is in the interest of the member or firm to be able to provide client information without also disclosing proprietary information. For example, a member or

firm in public practice should either segregate or be able to easily separate client information, including books and records, general ledgers, account groupings, account compositions, continuity schedules and similar client information from audit or review programs and working papers, tax review documentation and other proprietary information.

- 5** When the member or firm maintains the client's books and records on behalf of the client, it will be particularly helpful if such client books and records are maintained separately from documentation related to any other service that the member or firm may provide to the client. Copies of the books and records should be provided to the client on a timely and regular basis.
- 6** Members and firms are reminded that Rule 208 establishes, among other things, requirements for members and firms to maintain and protect confidential information in a manner and format that permits it to remain accessible to those who should properly access it and that limits inappropriate access to it.

300 PROFESSIONAL COLLEAGUES

301 Reserved for future use

302 Communication with predecessor

RULES:

- 302.1** *A member or firm (“successor”) shall not accept an engagement with respect to the practice of public accounting or the provision of a professional service not inconsistent therewith, where the successor is replacing another member, firm or other professional (“predecessor”), without taking reasonable steps to communicate with such predecessor and enquire whether there are any circumstances that should be taken into account which might influence the decision whether or not to accept the engagement.*
- 302.2** *A member or firm shall respond promptly to the communication referred to in Rule 302.1.*
- 302.3** (a) *When responding as required by Rule 302.2, if a member or firm was unable to continue with or resigned from an engagement with respect to the practice of public accounting, the member or firm shall inform the successor of the fact of the withdrawal or resignation, as the case may be.*
- (b) *When a member or firm has been informed of the circumstances described in Rule 302.3(a), the member or firm shall obtain the necessary information to make an informed decision as to whether to accept the client by:*
- (i) requesting such further information from the client; or
 - (ii) requesting permission from the client to obtain such further information from the predecessor.

GUIDANCE – Rule 302

- 1 The purpose of the Rule is to protect a potential successor from accepting an engagement before that member or firm has knowledge of the circumstances under which the predecessor’s services were discontinued. Knowledge of these circumstances might well influence that successor against accepting the engagement. The recommended procedure outlined below should be followed.
- 2 When a successor has been asked by a prospective client to accept an engagement it is recommended that the client be advised that the predecessor should be notified of the proposed change by the client. The successor should then enquire of the predecessor whether there are any circumstances that should be taken into account which might influence the decision whether or not to accept the engagement. No work should be commenced on the account until the successor has communicated with the predecessor, except that in the client’s interest, acceptance of the offered engagement should not be unduly delayed through the failure of the predecessor to reply, if every reasonable effort has been made to communicate with the predecessor.
- 3 Rule 302.2 requires a member or firm to respond promptly to a communication of this nature and to advise whether or not the member or firm withdrew or resigned from the engagement. If there are no circumstances of which the successor should be made aware, a simple response to this effect is all that is necessary. If the withdrawal or resignation resulted from incapacity of the member or firm to continue, that should be communicated. If, on the other hand, the predecessor is aware of circumstances that should be taken into account which might influence

the decision whether or not to accept the engagement or the reason for the withdrawal or resignation does not relate to the member's or firm's capacity, the predecessor should first consider the question of confidentiality. If it appears that the circumstances cannot be disclosed because of confidentiality, the response to the successor should state that there are, in the opinion of the predecessor, circumstances which should be taken into account, but that they cannot be disclosed without the consent of the client. For example, such circumstances may arise where the existence of a suspected fraud has given rise to the withdrawal or resignation. Further, in some cases, such as when the withdrawal or resignation is the result of a conflict of interest, it may not be possible to disclose additional information even with the consent of the client. Where confidentiality is in doubt, the predecessor should consider obtaining legal advice.

- 4 When making an engagement acceptance decision, the successor is required to seek additional information in order to make an informed decision as to whether the circumstances of the withdrawal or resignation are such that the engagement should not be accepted. Such additional information may be obtained directly from the client or permission may be sought from the client to obtain such further information from the predecessor. The nature and reasonableness of any information obtained directly from the client or a refusal of permission from the client to contact the predecessor are factors that should be carefully considered by the successor when making the client acceptance decision.
- 5 The successor should also enquire of the predecessor whether there is any ongoing business of which the successor should be aware, in order to ensure that the client's interests are protected. On the part of the predecessor, there must be readiness to co-operate with the successor, recognizing that the client's interests are paramount whether or not there are fees owing to the predecessor by the former client.
- 6 Members and firms should be cognizant of the provisions of any federal and provincial legislation, including securities legislation regulating changes in professional engagements or requiring notification of such changes to predecessors.
- 7 The attention of members and firms is drawn to the provisions of various federal and provincial statutes, and to any regulations, guidelines or policy pronouncements issued pursuant to such statutes, which place requirements on the acceptance of audit appointments. These include securities legislation and related pronouncements, such as national policies issued by the Canadian Securities Administrators, the provisions of statutes governing financial institutions, and the audit appointment provisions of the Canada Business Corporations Act and the Business Corporations Act (Ontario).

303 Provision of client information

RULES:

- 303.1** (a) *A member or firm shall, upon written request of the client and on a timely basis, supply reasonable and necessary client information to the member's or firm's successor. Such co-operation is required with any successor accountant ("successor"), including a non-member.*
- (b) *A member or firm ("predecessor") shall co-operate with the successor on an engagement.*
- 303.2** *A member or firm shall transfer promptly to the client or, on the client's instructions, to another party, all property of the client which is in the member's or firm's possession or control. Such property shall be transferred in the medium in which it is maintained by the member or firm, or such other medium that is mutually agreeable, that will facilitate a timely and efficient transfer which best serves the client's interests. Ordinarily, when electronic copies of the property of the client are readily available, the client's interests will be best served when such information is provided as electronic data, rather than in printed form, provided that supplying the information in such a form will not violate licensing, copyright or similar legal agreements or proprietary rights.*

GUIDANCE – Rule 303

- 1 When a client decides, for any reason, to change from one professional service provider to another, the change should be facilitated on the basis of the following fundamental assumptions:
 - the client's interests be placed ahead of the interests of the member or firm;
 - the client is free to have work performed by the professional service provider of the client's choice; and
 - professional courtesy and co operation be maintained in complying with the client's wishes.
- 2 A predecessor should supply reasonable information to the successor about the client. Ordinarily, predecessors are not expected to supply copies of more than information related to the previous year's financial statements and applicable tax returns, unless the predecessor is remunerated for time and expenses to do so.
- 3 A reasonable request for information related to the client includes an opportunity for the successor to discuss with the predecessor the following:
 - the client's accounting policies and consistency of application;
 - the work carried out by the predecessor with respect to material balances in the client's financial statements; and
 - the financial statement groupings and account balance composition (for example, future income taxes) where the client does not have the information.

Members and firms are reminded that the *CPA Canada Handbook – Assurance* includes requirements with respect to obtaining audit evidence related to opening balances. Professional courtesy dictates that the predecessor should co-operate with the successor for the purpose of meeting this requirement through discussion and review of working papers. In addition, the client's interests are likely to be best served when the predecessor co-operates as fully

as possible with successors for this purpose. Reasonable opportunity to review and discuss working papers does not preclude the use of appropriate waivers or releases. However, appropriate waivers or releases should not include requirements for confidentiality which would contravene the successor's obligation to report breaches by another member pursuant to Rule 211 or prevent the successor from otherwise properly serving the best interests of the client.

- 4 Members or firms providing professional services other than public accounting services may also receive requests for client information from successor service providers. Provided that appropriate authorization has been provided by the client, the predecessor should supply reasonable information about the client to the successor. For example, it may be reasonable to supply the successor with:
 - financial statements, copies of wills and other relevant client information that was provided by a client in relation to the preparation of a financial plan;
 - flow charts, procedural manuals and other documentation provided by a client in relation to an engagement to develop systems and controls;
 - environmental scans, procedural manuals and other documentation provided by the client in relation to a management consulting service; and
 - tax information and balances required for a reorganization or other tax planning purpose.
- 5 Rule 303 is not intended to require the transfer of certain proprietary information. Accordingly, predecessors are not expected to supply copies of audit or review programs and working papers or tax review documentation.
- 6 Property of the client does not include information that is proprietary to the member or firm, such as audit or review programs and working papers, review documentation, software or other proprietary material or information. Property of the client does include the work product that is prepared for the client by the service provider, unless the use and distribution of the work product is limited or otherwise protected by specific written agreement between the client and service provider.
- 7 The medium that facilitates a timely and efficient transfer may vary depending on the nature of the engagement and the nature of the property of the client. For greater clarity and without limiting the general meaning of "property of the client", such property includes original transaction documents (cheques, receipts, invoices, for example), banking records, ledgers and similar records. It would also ordinarily include tax returns and information related to financial statement groupings, account balance composition and continuity schedules that have been prepared by the predecessor accountant for the client's benefit. In addition, it includes any of the foregoing or other property of the client that is readily available in electronic form where the client does not also have an electronic copy of the records or information.
- 8 "Property of the client that is readily available in electronic form" is not intended to include electronic information that cannot be easily segregated from proprietary information of the member or firm. Basic financial information such as trial balances, leadsheets and continuity schedules should always be provided, but need not be provided electronically if they are incorporated into software that includes audit or review programs and working papers or tax review documentation. Accordingly, while members and firms should always consider which readily available transfer medium will best serve the interests of the client, members and firms are not required to provide client information electronically in every case.
- 9 Paragraph 5 of the Guidance to Rule 218 includes information on facilitating the separation of information that is property of the client from proprietary information of the member or firm. Such separation of information is recommended to facilitate the ease with which a predecessor can co-operate with a successor to properly serve the client's interests.

304 Joint engagements

RULE:

A member or firm accepting an engagement jointly with another member or firm shall accept joint and several responsibility for any portion of the work to be performed by either; no member or firm shall proceed in any matter within the terms of such joint engagement without due notice to the other member or firm.

GUIDANCE - Rule 304

- 1 In order to properly serve the interests of the client and prevent misunderstandings, members or firms should take reasonable steps to clarify the specific responsibilities of each participant in a joint engagement, preferably by an agreement in writing, and explain the responsibilities to the client.

305 Communication of special engagements to incumbent

RULES:

- 305.1** *A member or firm engaged in the practice of public accounting or providing a professional service not inconsistent therewith, shall, before commencing any engagement for a client for which another member or firm is the duly appointed auditor or accountant, first notify such auditor or accountant of the engagement, unless the client makes an unsolicited request, evidenced in writing, that such notification not be given.*
- 305.2** *Rule 305.1 applies only where the services to be provided under the terms of the engagement are included in the practice of public accounting or relate to a professional service not inconsistent therewith.*

GUIDANCE – Rule 305

- 1 It is important for auditors and accountants to be fully informed about all matters related to their clients' affairs. When a second member or firm is asked by a client of another member or firm to undertake a special engagement, the circumstances of that special engagement may be relevant to the work of the first member or firm in relation to an assurance or compilation engagement. In some cases, the auditor or accountant may have information that is relevant to the performance of the special engagement. For example, the client may be seeking a "second opinion" with respect to a matter that is the subject of a dispute between the client and its auditor or accountant. The client's interests are most likely to be best served when there is full co-operation among professional service providers. Additionally, full co-operation ensures that all of the members or firms who are providing services to the client have the appropriate information to exercise appropriate due care in providing such services.
- 2 When a client makes a request that the potential service provider not provide notification to the auditor or accountant, the potential service provider should inform the potential client of the impact of such a request on the assurance or compilation engagement. In addition, the potential service provider should carefully consider whether the circumstances may be such that the special engagement should be declined.

306 Responsibilities owed to an incumbent

RULES:

306.1 *Responsibilities on accepting engagements*

A member or firm accepting an engagement, whether by referral or otherwise, to provide professional services to a client of another member or firm having a continuing professional relationship with that client shall not take any action which may impair the ongoing relationship of the other member or firm with the client.

306.2 *Responsibilities on referred engagements*

A member or firm receiving an engagement for services by referral from another member or firm shall not provide or offer to provide any additional services to the referred client without the agreement of the referring member or firm. The interest of the client being of overriding concern, the referring member or firm shall not unreasonably withhold such agreement.

GUIDANCE - Rule 306

- 1 The client's overall interests are best served when professional service providers are aware of any relevant services that may be provided to the client by another service provider. Such knowledge is of particular importance to providers of assurance services to develop sufficient knowledge of the client. However, such knowledge also assists other service providers to avoid duplicating services and to plan and co-ordinate services where necessary to better serve the client.

400 PUBLIC ACCOUNTING PRACTICES

401 Practice names

RULE:

A member or firm shall engage in the practice of public accounting only under a name or style which:

- (a) is not misleading;*
- (b) is not self-laudatory;*
- (c) does not contravene professional good taste; and*
- (d) has been approved in a manner specified by the Council.*

GUIDANCE - Rule 401

- 1 It is in the interest of all members of CPA Ontario that members and firms be allowed to conduct their practices under names which reflect their individual preferences and which are appropriate for their particular marketplaces. This Guidance provides assistance for members and firms in the selection of practice names and in the identification with other professional service organizations.
- 2 Members, firms and related businesses or practices should ensure, at all times, that any information contained in their practice names about themselves, their firms or their services is accurate. The following are examples of practice names containing inappropriate information:
 - any implication in the practice name that the practising unit is larger than it is, such as by use of plural descriptions or other misleading use of words. The use of “and Company” or similar wording in a practice name is permitted, if it is not misleading with respect to the total number of full-time equivalent persons, whether members or not, performing professional services within the practice;
 - any implication in the practice name that a person is a partner or a former partner of a practice, when the person is not;
 - any reference to representation or association which is not in conformity with the facts;
 - any implication that separate firms sharing office space, staff or other resources or in other cost-sharing arrangements are in partnership or otherwise share ownership of a practice;
 - any reference in the practice name to particular services provided where the practice is not currently able to provide those services; and
 - any statement in the practice name that may create false or unjustified expectations as to the results of a particular engagement.
- 3 When a member or firm engaged in the practice of public accounting or related business or practice participates in an organization whose members practise public accounting internationally, with professional engagements accepted and reports or opinions issued in the international name, the member, firm or related business or practice may refer to such international name on professional stationery and in name plates, directory listings, announcements and brochures by using terms such as “internationally”, “globally” “international firm”, or “global firm”. General references to “offices throughout the world” or

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“offices in principal cities throughout the world” imply broad coverage and should be used only where the international organization’s members practise public accounting in many countries.

- 4 A member or firm engaged in the practice of public accounting or a related business or practice may have an arrangement with another person or organization whereby one acts for the other in a particular location, and the assignment, by agreement, may be in the name of one of them. In such circumstances it is appropriate, if desired, for the member, firm or related business or practice to refer to the fact of such representation by a suitable reference to the location and the name and/or address and professional designation of the representative, with a description of the relationship as being “represented by”. If representation arrangements exist in a number of locations it may not be possible to give full details of each, and in such case it would be appropriate, if desired, to refer to the fact of representation in the particular locations, specifying the locations individually. Generally references such as “represented throughout the world”, which may not be factual and may be misleading, should be avoided. In any public reference to representation, the representative must be a person or organization practising public accounting.
- 5 Members, firms and related businesses or practices may associate themselves with international organizations which do not practise public accounting and which exist primarily to provide their members with access to international public accounting services through referrals or other means. In these cases it is appropriate to make public reference on professional stationery and elsewhere to membership in a bona fide international organization by using a term such as “a member of (name), an international association of accounting firms”. However, terms such as “internationally”, “globally”, “international firm” or “global firm” should not be used in those circumstances. General references such as “members throughout the world” should be used only where there are in fact members of the organization in many countries. References such as “represented throughout the world” should be avoided unless they are factual and not misleading.
- 6 Members, firms and related businesses or practices should ensure that their practice names or styles are not self-laudatory and do not claim superiority over any other member, firm or related business or practice. Care should be taken in using the word “The” in the firm name so that it does not imply exclusivity.

Practice names that might tend to lower public respect for the profession should not be used. Care should also be exercised with respect to the use of acronyms.

- 7 In general, approval will be given to non-personal firm names unless they are misleading, self-laudatory or contravene professional good taste. However, there may be certain other considerations which will affect the approval decision. A practice name that is so similar to that of another firm registered in the same area as to cause confusion in the minds of the public may not be approved. Consideration will also be given to cultural and linguistic sensitivities in deciding whether to approve a non-personal firm name.
- 8 The registrar, in his or her discretion, is permitted to be flexible in transitional situations. For example, a member engaged in the practice of public accounting as a sole proprietor or, where permitted, an incorporated professional, may apply to the registrar for permission to practise for a specified period of time under both the member’s approved name and, with the predecessor’s written authorization, the name used by a predecessor sole proprietor or firm.

Other situations where transitional flexibility may be granted include those where a previously approved firm name becomes inappropriate. An example of such a situation would occur when, due to the departure of a partner, the firm name becomes misleading with respect to the size of the firm. In such cases, the member or firm may apply to the registrar for permission to continue to use the name for a specified period of time.

402 Use of descriptive style

RULES:

- 402.1** *Members and firms shall carry on the practice of public accounting under the descriptive style of “Chartered Professional Accountant(s)” or “public accountant(s)” unless it forms part of the firm name. Regardless of the functions actually performed, the use of “Chartered Professional Accountants(s)” or “public accountant(s)” as part of the firm name or as a descriptive style, in offering services to the public, shall be regarded as carrying on the practice of public accounting for the purposes of the CPA Code.*
- 402.2** *Notwithstanding Rule 402.1, each office in Ontario of any firm engaged in the practice of public accounting and composed of one or more members sharing proprietary interest with other public accountants who are not professional colleagues shall not practise under the style of “Chartered Professional Accountant(s)”.*
- 402.3** *A related business or practice shall not be designated “Chartered Professional Accountant(s)” or “Public Accountant(s)”*
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GUIDANCE – Rule 402

- 1 The requirement to carry out the practice of public accounting under the descriptive style “Chartered Professional Accountant(s)” does not preclude a firm from advertising professional services without reference to “chartered professional accountant(s)”. However, all material that refers to the practice of public accounting, including printed promotional material and website content, must include a reference to “Chartered Professional Accountant(s)” in conjunction with the firm name. In addition, such a reference must be included on audit reports, review engagement reports, compilation engagement reports and other material and correspondence that relates to the provision of public accounting services, such as engagement letters, invoices, management letters and responses to requests for proposals.
- 2 In a jurisdiction that may permit the use of the initials “CPA” as part of a firm name, such use would not be considered to meet the requirement for the use of the descriptive style “Chartered Professional Accountant(s)” when carrying on the practice of public accounting unless the jurisdiction specifically permits the use of the initials for that purpose.

403 Association with firms

RULE:

A member shall not associate in any way with any firm practising as chartered professional accountants in Ontario unless:

- (a) all partners or controlling shareholders resident in Ontario are members, professional corporations or incorporated professionals,*
- (b) at least one partner or controlling shareholder is a member, and*
- (c) all the partners or controlling shareholders are professional colleagues or professional corporations or incorporated professionals provided each such corporation or incorporated professional is recognized and approved for the practice of public accounting by the provincial body in the province concerned.*

Notwithstanding clause (a), a member may associate with any firm practising as chartered professional accountants in Ontario in which one or more partners as of July 2, 2014 are not members provided that the firm was registered with The Certified General Accountants Association of Ontario on July 2, 2014 and with CPA Ontario by not later than December 31, 2014.

GUIDANCE - Rule 403

- 1 The purpose of Rule 403 is to protect the public by establishing accountability to CPA Ontario by members and firms practising public accounting in Ontario. The ownership and control of such firms by members of CPA Ontario is necessary to establish that accountability.

404 Access to members practising public accounting

RULES:

- 404.1** *Each practice in Ontario of any member or firm engaged in the practice of public accounting shall be under the personal charge and management of a member who shall normally be accessible to meet the needs of clients during the published business hours of the practice.*
- 404.2** *A member or firm shall not operate a part time office except in accordance with such terms and conditions established by Council.*

GUIDANCE - Rule 404

- 1 The purpose of the Rule is to ensure that clients' public accounting needs will be met in each instance by properly qualified professional personnel.
- 2 A member is considered to be accessible if the member is available, either in person or by telephone, facsimile, electronically or by some other timely method of communication. When the member is not accessible, the office should be closed for the purpose of providing professional services, or another properly qualified professional should be accessible for that purpose. However, if neither person is accessible, non-professional staff may continue to deal with administrative matters.
- 3 A part-time practice is one where the member having personal charge and management is accessible to meet the needs of clients on a part-time basis only.
- 4 Members are expected to fulfil their obligation to respond to inquiries from the public within a reasonable period of time, whether a practice is operated on a full-time or part-time basis.

405 Office by representation

RULE:

A member or firm engaged in the practice of public accounting shall not hold out or imply that the member or firm has an office in any place where the member or firm is in fact only represented by another accountant or a firm of accountants and, conversely, a member or firm engaged in the practice of public accounting who only represents an accountant or a firm of accountants, shall not hold out or imply that the member or firm maintains an office for such accountant or such firm.

GUIDANCE - Rule 405

- 1 Members and firms are referred to Rule 401, Guidance paragraph 2, which addresses offices by representation and situations where association of firms may be implied by shared resources.

406 Responsibility for a non-member

RULES:

- 406.1** *A member or firm engaged in the practice of public accounting who is associated in such practice with a non-member shall be responsible to CPA Ontario for any failure of such non-member, in respect of all areas of practice of the member or firm, to abide by the CPA Code and in the application of this Rule, the CPA Code is deemed to apply as if such non-member were a member.*
- 406.2** *A member or firm engaged in a practice of public accounting to which another business or practice is related, or engaged in such related business or practice, shall be responsible to CPA Ontario for any failure of a non-member who is associated with such related business or practice and who is under the member's or firm's management or supervision or with whom the member or firm shares proprietary or other interest in such related business or practice to comply with the CPA Code. In the application of this Rule, the CPA Code is deemed to apply as if such related business or practice were the practice of public accounting and such non-member were a member.*

407 Reserved for future use

408 Association with non-member in public practice

RULES:

- 408.1** *A member or firm shall not associate in any way with a non-member in a practice of public accounting, or in a related business or practice, unless:*
- (a) *such association maintains the good reputation of the profession and serves the public interest; and*
 - (b) *such business or practice establishes and maintains policies, procedures and arrangements suitable for ensuring that:*
 - (i) *every such non-member is knowledgeable of and complies with*
 - (A) *CPA Ontario's governing legislation, bylaws, regulations and the CPA Code; and*
 - (B) *the ethical and other regulations applicable to members of a recognized professional organization or regulated body of which the non-member is a member; and*
 - (ii) *no style or presentation or communication is used which implies that the non-member is a member.*
- 408.2** *A member may associate with a related business or practice as a proprietor, as a partner, or as a director, officer or shareholder of a corporation and may associate with a non-member for this purpose.*

GUIDANCE - Rule 408

- 1 The provisions of Rule 408.1(b) requiring knowledge and compliance on the part of non-members to comply with respect to the governing legislation, bylaws, regulations and the CPA Code are not intended to require knowledge of and compliance with provisions of those documents that are clearly not applicable to a non-member, such as payment of membership fees or completion of continuing professional development requirements.

409 Practice of public accounting in corporate form

RULE:

A member or firm shall not associate in any way with any corporation engaged in Canada or Bermuda in the practice of public accounting, except to the extent permitted in clauses (a), (b) (c) and (d) of this Rule:

- (a) a member or firm may engage to provide to the corporation any of the services included in the practice of public accounting;*
- (b) a member, other than a member engaged in the practice of public accounting, may associate with a corporation which provides taxation services involving advice, counsel or interpretation provided such services are only a small part of the corporation's activities;*
- (c) a member or firm may associate with a professional corporation engaged in the practice of public accounting in Ontario provided such corporation:
 - (i) is incorporated or continued under the Business Corporations Act (Ontario); and*
 - (ii) holds a valid registration certificate under the legislation, and bylaws of CPA Ontario; and*
 - (iii) complies with such other requirements as pertain in the circumstances;**
- (d) a member or firm may associate with a professional corporation or incorporated professional engaged in the practice of public accounting in a province or territory other than Ontario if the corporation or incorporated professional is recognized and approved for such practice by the provincial body in the province or territory concerned and the corporation or incorporated professional does not engage in the practice of public accounting in Ontario. Without limiting the generality of the foregoing, a corporation shall be deemed to be engaged in the practice of public accounting even though the corporation provides a service included in the definition of "practice of public accounting" only to another member or firm engaged in the practice of public accounting or to a public accountant.*

GUIDANCE - Rule 409

- 1 The provisions of Rule 409 are intended to ensure that the practice of public accounting in corporate form is carried out only in accordance with the CPA Ontario's legislation and bylaws. Without limiting the specific requirements of the Rule or the legislation of CPA Ontario, in general, a member may practice public accounting in corporate form through a professional corporation and may associate with other professional corporations. A member or firm may also associate with a corporation or incorporated professional that practises in a province or territory other than Ontario, if that corporation or incorporated professional is properly registered in the other province or territory but does not practise in Ontario.

500 FIRMS

501 Policies and procedures for compliance with professional standards

RULE:

A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that its services are performed in accordance with generally accepted standards of practice of the profession and the standards of the particular business or practice, provided that the standards of the particular business or practice are not lower than or inconsistent with those of the profession in which case the generally accepted standards of the profession must be followed.

502 Policies and procedures for the conduct of a practice

RULE:

A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the members who are associated with the firm and any other employees of the firm or other persons with whom the firm contracts to carry out its professional services comply with the CPA Code, and in particular:

- (a) conduct themselves in a manner which will maintain the good reputation of the profession and serve the public interest;*
- (b) perform their professional services with objectivity, integrity and due care;*
- (c) comply with the independence requirements of CPA Ontario;*
- (d) comply with the conflict of interest requirements of CPA Ontario;*
- (e) sustain their professional competence and keep informed of and comply with developments in professional standards in all functions in which they practise or are relied on because of their calling;*
- (f) ensure only authorized individuals have access to or are permitted to appropriately use or release financial and confidential information relating to clients;*
- (g) do not sign or associate themselves with any letter, report, statement, representation or financial statement which they know or should know is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor make or associate themselves with any oral report, statement or representation which they know or should know is false or misleading;*
- (h) ensure that partners or others who are not professional colleagues:*
 - (i) cannot supersede decisions of members relating to the performance of client engagements within the definition of the practice of public accounting; and*
 - (ii) are familiar with and comply with the Act, regulations, bylaws and the CPA Code; and*
 - (i) ensure that persons in the firm who are members of other professional associations comply with those associations' bylaws and code of ethics.*

503 Association with firms

RULE:

A firm engaged in the practice of public accounting shall not associate professionally with any other firm practising as Chartered Professional Accountants in Ontario unless the other firm meets the ownership requirements set out in Rule 403 (a), (b) and (c).

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

ACADEMIC CODE OF CONDUCT
Implemented by the Council February 21, 2014

INTRODUCTION

CPA Ontario Academic Code of Conduct (“Academic Code”) applies to individuals who are Members, Students, Applicants and Enrollees. The Academic Code does not supersede the CPA Ontario’s Code of Professional Conduct.

ACADEMIC OFFENCES

In order to maintain the academic integrity of all CPA Ontario educational programs including continuing professional education programs and to ensure that individuals meet the ethical, professional and behavioural standards of the profession, CPA Ontario has adopted this Academic Code. For the purposes of the Academic Code the evaluation of learning or performance includes but is not limited to any examination, quiz, test or other means of evaluation in the learning process.

Under the Academic Code the following are considered to be offences:

1. **Plagiarism** – Plagiarism is offering for evaluation the work of another that is not your own, and this includes but is not limited to submitting work without proper acknowledgment and attribution, regardless of whether there was an intention to deceive.
2. **Cheating** – Cheating is defined as any form of behaviour in the evaluation of learning process designed to gain an improper advantage whether by deception or dishonesty. Cheating includes but is not limited to:
 - the use or possession of unauthorized materials, information, or the receipt of unauthorized assistance, on or during an evaluation of learning or experience and includes but is not limited to:
 - unauthorized collaboration with another individual including copying from their examination papers;
 - theft or unauthorized retention of examination, program, or other course or program related materials;
 - unless specifically requested to do so, submitting for evaluation work that was previously submitted in another course or other program;

- the use of unauthorized electronic or mechanical devices that are capable of aiding student performance or providing an advantage during the process to evaluate learning or performance;
- impersonation, which includes the assumption of another's identity or having another person assume the identity of an individual for the purpose of attending classes, taking online education courses or any other education-related program, including any process used in the evaluation learning or performance;
- falsification of any document used in the evaluation of learning or performance process, but does not include an honest error or mistake or the creation of documents specifically for learning or evaluation purposes where the document is deliberately intended to create a hypothetical scenario for learning or evaluative purposes and has been required as part of an education program or the evaluative process;
- the unauthorized copying or use of copyrighted materials and intentionally failing to abide by the *Copyright Act* and or any other licence agreement including software licence agreements;

3. Disruptive Behaviour – Disruptive behaviour is defined as any deliberate behaviour that impedes the ability of an instructor to teach or attendees to learn or impedes the orderly conduct of any evaluation of learning or performance. An individual may be removed from any evaluation of learning or performance for behaviour that is disruptive or inappropriate in the context of the setting.

BREACH OF ACADEMIC CODE OF CONDUCT

Upon becoming aware that an individual may be in breach of the Academic Code, the Registrar shall investigate the matter and request and receive such information from CPA Ontario staff, the instructor, lecturer, invigilator, or others who may have knowledge of the alleged breach. The Registrar shall afford an opportunity for the individual to provide an explanation and produce any documents or other information relevant to the alleged incident. Upon completion of the investigation and satisfying himself that a breach of the Academic Code has occurred, the Registrar may order one or more of the following:

- where applicable, have the result of any evaluation of learning or performance be disregarded and the result shall not be released and the attempt shall be counted as one attempt at the examination or evaluation;
- that the Member, Student, Applicant or other individual be deregistered from the course, module, program, or workshop as the case may be;
- that the Member, Student, Applicant or other individual attempt the course, module, program or workshop again and have a mark of zero ("0") or the applicable equivalent, entered into the individual's record with CPA Ontario for the first attempt;

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- file a complaint to CPA Ontario's Standards Enforcement area if the individual is a Member or Student;
- make a notation on the file of the individual that he or she has been the subject of an investigation under the Academic Code and have the matter considered again if necessary to determine whether at the time of application for membership the Student or Applicant is of good character, or in the case of any other individual, at the time that individual applies for registration with CPA Ontario as a Student or Applicant.

A decision of the Registrar as to whether there has been a breach of the Academic Code may, upon written request, be reviewed by the Membership Committee in accordance with the Rules of Practice and Procedure. The parties to the review are the individual and the Registrar and the decision of the Membership Committee is final.

I, _____(print full legal name), hereby acknowledge that I have read, understood and agree to abide by the foregoing Academic Code and that failure to do so may result in academic disciplinary action being taken against me or in the event that I am a Member, Student or Applicant, a complaint may also be made to the CPA Ontario's Standards Enforcement area on the basis of an alleged breach of the Rules of Professional Conduct.

Dated this _____ day of _____ 20_____.

Signature: _____

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**HONORARY MEMBER POLICY
as approved by Council on September 22, 2016.**

In this policy, words have the same meaning as they do in the *Chartered Professional Accountants Act, 2010* (the “**Act**”) and the bylaws of CPA Ontario (the “**Bylaws**”).

Background

Honorary Membership in CPA Ontario is permitted by the Act, and governed by Bylaw section 4.8. An individual who would not otherwise meet the requirements for membership in CPA Ontario may, for conspicuous service to CPA Ontario, CMA Ontario, CGA Ontario or the profession, be elected an Honorary Member of CPA Ontario by two-thirds of the votes cast by the Members present at a meeting of the Members. An Honorary Membership may also be revoked by two-thirds of the votes cast by the Members present at a meeting of the Members.

Nominations Procedure

Recommendations for Honorary Membership may be made to the Council by the President & CEO or any Council member. Upon approval, the Council shall make a nomination to the Members at the next Annual Meeting of the Members.

Eligibility Criteria

An Honorary Member is an individual who has given valuable and distinguished service or has otherwise made an outstanding and conspicuous contribution to the accounting profession in Ontario and has at all times scrupulously and diligently upheld the objects of CPA Ontario, CMA Ontario or CGA Ontario.

Council may recommend any individual to be designated an Honorary Member of CPA Ontario if that individual:

- a) does not otherwise qualify for membership in CPA Ontario;
- b) has scrupulously and diligently upheld the objects of CPA Ontario, CMA Ontario or CGA Ontario; and

Council is able to satisfy itself that exceptional, extraordinary or otherwise unique circumstances exist and that individual satisfies at least one of the following criteria:

- i. has provided valuable and distinguished service (employment or volunteer) over an extended period of time (10+ years);
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- ii. has made an outstanding and conspicuous contribution to the accounting profession in Ontario and the impact of that contribution resonates beyond CPA Ontario;
- iii. has demonstrated exceptional leadership qualities during a lengthy career (10+ years) as a senior executive, well recognized in the accounting industry, having had a meaningful impact at the provincial or national level; or
- iv. exceptional and meaningful circumstances exist (e.g., the certificate is being awarded posthumously in recognition of the person's meaningful contribution to the accounting profession or CPA Ontario).

While there are no limitations upon the total number of Honorary Members, for the honour to be meaningful, it should be sparingly bestowed.

Use of Title

Indicative of their service to the profession, an individual elected as an Honorary Member of CPA Ontario shall be entitled to use the titles “Honorary Member of CPA Ontario” and “CPA (Honorary)” after their name, and to display the Honorary Certificate of Membership issued by CPA Ontario, but shall not be entitled to use any of the protected accounting designations in Ontario, other than as provided for in the Bylaws and Regulations.

Rights and Privileges

An individual elected as an Honorary Member of CPA Ontario shall not be:

- granted the rights and privileges of membership;
- considered a Member for the purposes of the prohibitions set out in the Act;
- subject to membership dues;
- subject to the continuing professional development requirements;
- entitled to vote at meetings of the membership, but shall be permitted to attend such meetings; and
- eligible to be elected as a member of the Council, but may be consulted with as an advisor, at the discretion of the chair of the Council.

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**CPA ONTARIO TRANSCRIPT ASSESSMENT POLICY
as approved by Council on June 21, 2016.**

This policy applies to all applicants submitting a request for a transcript assessment for either the CPA Certification Program or the Advanced Certificate in Accounting and Finance.

Transcript(s) and Degree(s) in English

One of the following documents is required and will only be accepted as part of the transcript assessment application submission:

1. Official transcript(s) showing degree conferral mailed directly to CPA Ontario in a sealed envelope. If the official transcript does not show degree conferral, then the official transcript must accompany a copy of the original degree certificate. The fees associated with this option vary and depend on the fees charged by the respective institution.
2. A *Course-by-Course* credential evaluation carried out by World Education Services (WES) through their *International Credential Advantage Package* (ICAP), sent directly to CPA Ontario by WES. The associated fee for this report is set by WES and is to be paid directly to them.

Transcript(s) and Degree(s) not in English

One of the following documents is required and will only be accepted as part of the transcript assessment application submission:

1. English translation of the official transcript(s) showing degree conferral, mailed directly from the international institution in a sealed envelope. A copy of the original language documentation is also required. If the official transcript does not show degree conferral, then the official transcript must accompany an English translation of the original degree certificate. The fees associated with this option vary and depend on the fees charged by the respective post-secondary institution.
 2. A *Course-by-Course* credential evaluation carried out by World Education Services (WES) through their *International Credential Advantage Package* (ICAP), sent directly to CPA Ontario by WES. The associated fee for this report is set by WES and is to be paid directly to them.
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Exceptions

There are a few exceptions that apply to the requirement of providing official documentation at the time of entrance into the program. These include:

1. **Students enrolled in their final semester at a Post-Secondary Institution (PSI):** These Students may provide unofficial transcript(s) at the time of registration indicating that they are enrolled in the final semester at a PSI. They must however provide their official transcript(s) showing degree conferral within four months from their PREP or PEP Commencement Date, failing which the Student's enrollment shall be cancelled, the results of any PEP module examination(s) written by the Student shall be discarded and disregarded and the Student not permitted to enroll in or attend PREP or PEP module thereof, or to challenge any of the PEP module examinations.
2. **Students who have completed all the academic requirements to confer their degree however have not yet conferred their degree:** These Students may provide unofficial transcript(s) at the time of registration indicating that they are enrolled in the final semester at a PSI. They must however provide their official transcript(s) showing degree conferral within four months from their PREP or PEP Commencement Date, failing which the Student's enrollment shall be cancelled, the results of any PEP module examination(s) written by the Student shall be discarded and disregarded and the Student not permitted to enroll in or attend PREP or PEP module thereof, or to challenge any of the PEP module examinations.
3. **Accredited Students (Direct to CFE):** These Students must provide official transcript(s) two weeks prior to the CFE results release date, failing which the Student's CFE results will not be released to the Student.

Visual verification and notarization of transcripts and degree certificates will only be accepted under extenuating circumstances at the discretion of the Registrar or Vice President, Student Services.

Any official documentation submitted will be considered part of the applicant's official record and will not be returned to the applicant or any other party. Applicants may be provided access to their official record upon request.

Should a WES report be submitted to satisfy the official transcript requirement, CPA Ontario reserves the right to request additional documentation if deemed necessary.