
CHARTERED PROFESSIONAL ACCOUNTANTS
OF ONTARIO

**RULES OF
PROFESSIONAL
CONDUCT**

Repealed and replaced by the *CPA Code of Professional Conduct*
effective February 26, 2016.

**CHARTERED PROFESSIONAL ACCOUNTANTS
OF ONTARIO**

RULES OF PROFESSIONAL CONDUCT

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CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

RULES OF PROFESSIONAL CONDUCT:

Completely revised rules of professional conduct were approved by the members on June 11, 1973 through the passing of the First Bylaw of 1973. The relevant part of that bylaw appears below, including the transitional provision in respect of the former rules.

FIRST BYLAW OF 1973

BE IT ENACTED AND IT IS HEREBY ENACTED as the First Bylaw of 1973 of CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO (hereinafter called "CPA Ontario") as follows:

- 1 (a) The rules of professional conduct in the form attached hereto and marked Appendix "A" are hereby adopted as the rules of professional conduct of CPA Ontario.

- (b) The rules of professional conduct existing immediately before these rules take effect are repealed, provided that the repeal of such rules shall not affect their previous operation nor that of any right, privilege, liability or obligation acquired, accrued, accruing or incurred under the repealed rules; and any investigation proceeding or remedy relating to disciplinary matters arising previous to the coming into force of these rules may be instituted, continued or enforced or any penalty or punishment may be imposed as if the repealed rules had not been repealed.

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

RULES OF PROFESSIONAL CONDUCT*

Adopted or continued 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. Amendments of the rules of professional conduct to make them applicable to firms took effect December 6, 2000.

**Being Appendix "A" to the First Bylaw of 1973, including any revisions from time to time.*

FOREWORD

The Foreword to the rules of professional conduct (or, rules) sets out the philosophy that underlies the rules governing the chartered professional accountant's responsibilities to those to whom professional services are provided, to the public and to colleagues, in respect of

- characteristics of a profession;
- fundamental principles governing conduct;
- ethical conflict resolution;
- fiduciary duty;
- personal character and ethical conduct;
- application of the rules;
- principles governing the responsibilities of firms; and
- interpretation of the rules.

The rules of professional conduct, comprehensive in their scope, practical in application and addressed to high moral standards, serve not only as a guide to the profession itself but as a source of assurance of the profession's concern for the public it serves. It is a mark of a profession that there is a voluntary assumption, by those who comprise it -- the professional community -- of ethical principles which are aimed, first and foremost, at protection of the public and, second, at achieving orderly and courteous conduct within the profession. It is to these purposes that CPA Ontario's rules are directed.

Characteristics of a profession

The rules of professional conduct presume 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 by the practitioners of a particular intellectual skill, acquired by lengthy training and education;
- the traditional foundation of the calling rests in public practice – the application of the

acquired skill to the affairs of others for a fee;

- the calling centres 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 by the practitioners of a responsibility to subordinate personal interests to those of the public good;
- there exists a developed and independent society or institute, comprising the members of the calling, which sets and maintains standards of qualification, attests to the competence of the individual practitioner and safeguards and develops the skills and standards of the calling;
- there is a specialized code of ethical conduct, laid down and enforced by that society or institute, designed principally for the protection of the public;
- 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 calling, adding to its knowledge and sharing advances in knowledge and technique with their fellow members.

By these criteria chartered professional accountancy is a profession.

It is essential to recognize that a profession does not cease to be a profession because a proportion of its members enter salaried private employment. These members continue to belong to the profession and to be subject to the rules of professional conduct. It should be recognized that some members of the profession might acquire the required skills outside of public practice.

Fundamental principles governing conduct

The rules of professional conduct, as a whole, flow from the special obligations embraced by the chartered professional accountant. The reliance of the public, generally, and the business community, in particular, on sound and fair financial 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.

To protect the public and to maintain the reputation of the profession, the rules apply, as appropriate, to members of the profession, students and firms of chartered professional accountants. The application of the rules of professional conduct to firms is discussed later in this Foreword.

The rules of professional conduct are derived from five fundamental principles of ethics - statements of accepted conduct whose soundness is, for the most part, self-evident and are as follows:

Professional Behaviour

Members conduct themselves at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

In doing so, members are expected to avoid any action that would discredit the profession.

While there are business considerations involved in the creation and development of a professional practice, a member's practice should be based primarily upon a reputation for professional excellence. A member is expected to act in relation to other members with the courtesy and consideration he or she would expect to be accorded by them.

Integrity and Due Care

Members perform professional services with integrity and due care.

Members 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 an engagement, 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.

Professional Competence

Members maintain their professional skills and competence by keeping informed of, and complying with, developments in their professional standards.

The public expects 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 practises, or is relied upon because of his or her calling.

Confidentiality

Members have a duty of confidentiality in respect of information acquired as a result of professional, employment and business relationships and they will not disclose to any third party, without proper cause and specific authority, any information, nor will they exploit such information to their personal advantage or the advantage of a third party.

The principle of confidentiality includes the need to maintain the confidentiality of information within a member's firm or employing organization.

The disclosure of confidential information by a member 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.

Objectivity

Members do not allow their professional or business judgment to be compromised by bias, conflict of interest or the undue influence of others.

The public expects that members will bring objectivity and sound professional judgment to their professional services. It thus becomes essential that a member will not subordinate professional judgment to external influences or the will of others.

The public interest in the objectivity of a member engaged to perform an assurance or a specified auditing procedure requires that the member be, and be seen to be, free of influences which would impair the member's objectivity. Accordingly, the rules specifically require a member who engages to perform an assurance or specified auditing procedures engagement to be independent. The ethical standard of independence requires the member to be and remain free of any influence, interest or relationship, in respect of the client's affairs, which impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity.

As well, the rules specifically require that a member, before accepting or continuing an engagement, determine whether there is any restriction, influence, interest or relationship which, in respect of the proposed engagement, would cause a reasonable observer to conclude that there is or will be a conflict of interest. If there were to be such a conflict, the member is required to decline or discontinue the particular engagement unless there are accepted conflict management techniques which, with the informed consent of the affected client or clients, permit the member to accept or continue the engagement.

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 objectivity and professional judgment. Only then can public confidence in the objectivity and integrity of the member 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 knew or ought to have known, and applies judgment objectively with integrity and due care.

Ethical conflict resolution

Circumstances may arise where a member encounters and is required to resolve a conflict in the application of the fundamental principles or compliance with the rules derived therefrom.

When initiating a process for the resolution of an ethical conflict, a member should consider, either individually or together with others, as part of the resolution process, the following:

- Relevant facts;
- Ethical issues involved;
- Fundamental principles and rules applicable to the matter in question;
- Established internal procedures; and
- Alternative courses of action.

Having considered these issues, the member should determine the appropriate course of action that is consistent with the fundamental principles and rules identified as being pertinent. The member 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, an 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 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 may wish to obtain guidance on ethical issues without breaching confidentiality from CPA Ontario or legal advisors. For example, a member may have encountered a fraud, the reporting of which could breach the member's responsibility to respect confidentiality. The member 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 should, where ethically possible, refuse to remain associated with the matter creating the conflict. The member 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 rules of professional conduct.

Fiduciary duty

Members have duties to their clients that arise from the nature of the relationships with the clients. Members have a professional duty to act with integrity and due care and a contractual duty to provide services as defined by the terms of the engagement. In certain cases, the relationship between a member and a client could also be one that the courts describe as a fiduciary relationship that gives rise to fiduciary duties.

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.

In determining whether a fiduciary relationship does exist, a court will look at all of the factors but, in a professional engagement situation, will particularly focus on the purpose and nature of the service being provided; the extent of the reliance which the client places on the member; any lack of sophistication of the client; the vulnerability of the client to the influence of the

member; and, the discretionary authority, if any, granted by the client to the member. The court will also consider the extent of the disclosure to the client of the member's interest in the matter and whether the member has put himself or herself in a position of conflict or has an opportunity to receive a benefit unknown to the client.

Courts have held that, absent other circumstances, an auditor is not a fiduciary in the typical financial statement audit engagement (in keeping with the standard statutory purpose). However, when a member of the firm provides non-audit advisory services to an audit client and when criteria for a fiduciary relationship exist, the audit firm may be found to be a fiduciary. A service provider is more likely to be found to be a fiduciary in professional engagements such as forensic or investigative accounting and investment advisory services.

Members must also note that a member who is an employee may, depending on the particular facts and circumstances, have a fiduciary relationship with his or her employer.

If there is any question as to whether a fiduciary relationship exists, legal advice should be obtained.

The specific duties that a court might find applicable to a fiduciary will vary depending on the particular facts and circumstances. In general, a fiduciary relationship requires the fiduciary to act in the utmost good faith on behalf of the client. As such, a fiduciary must not place himself or herself in a position where his or her interests conflict with that of the client; nor can a fiduciary profit from his or her position at the expense of the client. A fiduciary must use information obtained in confidence from a client only for the benefit of the client and must not use it for personal advantage or the benefit of another person. A fiduciary cannot act at the same time both for and against the same client and must make available to a client all of the information that is relevant to the client's affairs, unless these requirements are modified with the client's agreement. Other duties may be found to pertain but are less likely to apply to public accountants.

It is important for members to recognize that not all fiduciary relationships give rise to all fiduciary duties. The terms of the engagement, including explicit provisions for the disclosure of potential conflicts and/or the use of institutional mechanisms to maintain confidentiality are fundamentally important to the nature of the relationship and the duties that a court will find to apply in a particular case.

The responsibilities owed to an existing client are more comprehensive than the responsibilities owed to a former client. The responsibility owed to a former client is generally limited to the duty of confidentiality.

Some, but not all, fiduciary duties are also professional obligations under the rules of professional conduct. The existence of professional obligations that are similar to fiduciary duties is not in and of itself determinative as to whether a fiduciary relationship exists between a member and his or her client. The rules require that members maintain confidentiality, refrain from taking undisclosed profits and avoid conflicts of interest in all client relationships. While the law recognizes that only certain professional engagements give rise to fiduciary duties, members must be aware that they are subject to the rules of professional conduct in all engagements.

Personal character and ethical conduct

The rules of professional conduct which follow are based on the principles expressed above in this Foreword. 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 public it serves. By their commitment to honourable conduct, members of CPA Ontario, throughout its history, have given particular meaning and worth to the designation "chartered professional accountant". They have done so by recognizing that rules of professional conduct, which are enforceable by sanctions, do not by their nature state the most that is expected of members, but simply the least -- the rules thus define a minimum level of acceptable conduct. 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.

Application of the rules of professional conduct

- The rules of professional conduct apply to all members irrespective of the type of professional services being provided. Some rules have particular relevance to members engaged in the practice of public accounting. The rules and the guidance in this Foreword also apply, as appropriate, to students and, as discussed below, to firms.
- A member not engaged in the practice of public accounting must observe these rules except where the wording of any rule makes it clear that it relates only to the practice of public accounting or there is a specific exception made in a particular rule.
- The term "professional services" also applies to members who are not engaged in the practice of public accounting. In this context, it includes those of the member's activities where the public or his or her associates are entitled to rely on membership in CPA Ontario as giving the member particular competence and requiring due care, integrity and an objective state of mind.
- Members are responsible to CPA Ontario for compliance with these rules 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 must not permit others to carry out on his or her behalf acts which if carried out by the member would place him or her in violation of the rules.
- Members and students who reside outside Ontario continue to be subject to the rules of professional conduct in the province or provinces of membership. They may also be subject to the rules of the organized accounting profession in the jurisdiction in which they reside. Should the rules in two or more jurisdictions conflict, a member will, where possible, observe the higher or stronger of the conflicting rules and, where that is not possible, he or she will consider the ethical conflict guidance set out above.

Principles governing the responsibilities of firms

Firms of chartered professional accountants, being comprised of members of the profession, have a responsibility which they share with their individual members 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.

This broader responsibility requires that firms be accountable to the profession and the public in respect of ethical conduct and professional competence. The accountability of firms is formalized by bringing them within the authority of the rules of professional conduct 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 these rules.

The accountability of firms is based on the recognition that the services they provide are carried out by members of the profession who, through their individual and collective actions and through the exercise of professional judgment, are expected at all times to comply with these rules 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 rules may be shared with a member or members of the firm. It is acknowledged in this regard that a firm cannot be held accountable for the conduct of its members who do not comply with these rules, where the firm has done all that it could be reasonably expected to have done to ensure that such members do comply with the rules.

A firm will be held accountable, as an organization, for its professional conduct and standards in those instances where:

- the firm has policies and/or procedures which are inconsistent with the rules; or
- the breach of any rule by any member of 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; or
- the firm is identified with a conduct or the provision of professional services that is in breach of the rules and it is unclear which member(s) within the firm are responsible for such breach; or
- the conduct that breaches the rules was authorized, initiated, implemented or condoned by the firm prior to or at the time it takes place; or
- the conduct that breaches the rules is condoned or concealed by the firm after it learns of it; or
- the firm did not take appropriate action in response to becoming aware of any conduct that breaches the rules; or
- there are repeated instances of breaches of the rules by member(s) of 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 rules 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 profession's standards 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 rules will rest solely with the individual partners of a firm who had knowledge of the matter that is the

reason for making allegations 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.

Interpretation of the rules of professional conduct

In interpreting the rules, they are to be read in light of the Foreword to the rules and the definitions in and provisions of the bylaws of CPA Ontario.

100 – GENERAL

101 Compliance with bylaws, regulations and rules

Members, students and firms shall comply with the bylaws, regulations and rules of professional conduct of CPA Ontario as they may be from time to time and with any order or resolution of the Council or officers of CPA Ontario under the bylaws.

102 Matters to be reported to CPA Ontario

102.1 Illegal Activities

Members, Students, Applicants, membership candidates or firms shall promptly inform CPA Ontario after having, in any jurisdiction, been:

- 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 and its ability to serve the public interest;
- c) convicted of any criminal offence that is a repeat offence; or
- 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, Student, Applicant, membership candidate or firm, or having entered into a settlement agreement with respect to such matters
- (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, as applicable, shall promptly inform CPA Ontario after having, in relation to a disciplinary or similar process of a 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) resigned from membership in or voluntarily deregistered from that provincial body, where permitted to do so, in order to resolve a disciplinary matter.

102.3 Other professional regulatory bodies

Members, Students, Applicants, membership candidates or firms shall promptly inform 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, Students, Applicants, membership candidates or firms shall promptly inform 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 reliance on membership in or association with CPA Ontario or a 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).

103 False or misleading applications

A member or student or any person who applies to become a member or student shall not sign or associate himself or herself with any letter, report, statement or representation relating to the application for admission or re-admission to membership, or relating to the application for registration or re-registration as a student, which the applicant knows, or should know, is false or misleading.

A member who applies to be licensed as a public accountant or a licensee who applies to have a licence renewed shall not sign or associate with any letter, report, statement or representation relating to the application to be licensed or to have a licence renewed which the applicant knows, or should know, is false or misleading.

104 Requirement to co-operate

104.1 A member, student or firm shall co-operate with the regulatory process of CPA Ontario.

104.2 A member, student or firm shall

- (a) promptly reply in writing to any communication from CPA Ontario in which a written reply is specifically requested;
- (b) promptly produce documents when required to do so by CPA Ontario;
- (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.

105 Hindrance, inappropriate influence and intimidation

105.1 A member, student 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, student 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, student or firm threaten or intimidate officers, staff, volunteers or agents of CPA Ontario acting on behalf of CPA Ontario.

200 – STANDARDS OF CONDUCT AFFECTING THE PUBLIC INTEREST

201 Maintenance of reputation of profession

201.1 A Member, Student, Applicant, membership candidate or firm shall act at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

201.2 There is a rebuttable presumption that a Member, Student, Applicant, membership candidate or firm has failed to maintain the good reputation of the profession and its ability to serve the public interest when the Member, Student, Applicant, membership candidate or firm is the subject of an Allegation under Rule 201.1 on account of any matter referred to in Rule 102.1(a), (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 or appeal committee. For purposes of this Rule, documents which provide proof of guilt include a certificate of conviction, order, decision, or 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 and its ability to serve the public interest when the member or firm is the subject of an Allegation 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
 - (i) the membership of the Member was suspended or revoked, or the Member was expelled, or the Member resigned from membership in order to resolve a disciplinary matter, or had restrictions placed on practice rights; or
 - (ii) as applicable, the firm was deregistered or ceased to be registered in order to resolve a disciplinary matter, or had restrictions placed on practice rights; 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 or other designated body is filed with the discipline or appeal committee.

201.4 Advocacy services

Before accepting an engagement to act as an advocate, a member or firm shall ensure that:

- (a) the service is not an assurance service or specified auditing procedures engagement;
- (b) the advocacy role is apparent in the circumstances;
- (c) the position of the client is supportable; and
- (d) the position of the client can be argued or supported by the member or firm without the member or firm failing to comply with the independence standards required by Rule 204 for other services which the member or firm has engaged to provide.

202.1 Integrity and due care

A member, student or firm shall perform professional services with integrity and due care.

202.2 Objectivity

A member or student shall perform his or her professional services with an objective state of mind.

203.1 Professional competence

A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practises or is relied upon because of the member's calling.

204 Independence

Definitions

For the purposes of Rules 204.1 to 204.9 and the related Council Interpretations:

“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; or
- (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, [provinces add professional corporation where appropriate] 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 [insert appropriate bylaw reference], 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 dependent.

“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; or
- (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 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, the provision of the service in the jurisdiction outside Canada shall not be considered a legal service.

“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 or Ordre, 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; or
- (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.

NOTE:

Please refer to the [former Rules](#) 204.1 to 204.9 which may remain in effect for certain engagements during the transition period(s) set out below.

Effective date and transitional provisions

A. Effective date

Rules 204.1 to 204.9 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:

- (i) there exists on June 30, 2014 a binding contract for the member or firm to provide the service; and
- (ii) 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 audit engagement for the second fiscal year of the client commencing after December 15, 2014.

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.

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 an member or student, or the 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 the immediate family 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;
 - (ii) does not exercise any right derived from membership to vote at meetings of the organization; andcannot 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 practice 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.

(7) *Intentionally left blank.*

(8) *Intentionally left blank.*

(9) *Intentionally left blank.*

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:

(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, 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 who 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.

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.

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 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 if the member's or student's close family is in an accounting role or a financial reporting oversight role at the client, or was in such a position during any period covered by the engagement.

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.

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.

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.

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.

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 and 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 and 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).

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.

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.

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.

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.

- (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.

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.

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.

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.

Provision of corporate finance and similar 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.

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).

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.

Pricing

- (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.

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 continue 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).

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.

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.

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.

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 Members Must Disclose Prohibited Interests and Relationships

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.

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.

204.7 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 204.8.

204.8 Independence: Insolvency Engagements

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.

204.9 Disclosure of Impaired Independence

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 204.7, 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.

205 False or misleading documents and oral representations

A member, student or firm shall not

- (a) sign or associate with any letter, report, statement, representation or financial statement which the member, student 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, student or firm knows, or should know, is false or misleading

206 Compliance With Professional Standards

206.1 A member or firm engaged in the practice of public accounting shall perform professional services in accordance with generally accepted standards of practice of the profession.

206.2 A member who has responsibility for the preparation or approval of the general purpose financial statements of an entity shall ensure those financial statements are presented fairly in accordance with generally accepted accounting principles or such other accounting principles as may be required in the circumstances.

206.3 A member who, as a member of an entity's audit committee or board of directors, is required to participate in the review or approval of the entity's general purpose financial statements by such committee or board, shall carry out that responsibility with the care and diligence of a competent Chartered Professional Accountant, enhanced by the skills and knowledge derived from the member's own career.

207 Unauthorized benefits

A member or student shall not, in connection with any transaction involving a client or an employer, and a firm shall not, in connection with any transaction involving a client, 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 knowledge and consent of the client or employer, as the case may be.

208 Confidentiality of information

208.1 A member, student or firm shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except:

- (a) when properly acting in the course of carrying out professional duties;
- (b) when such information should properly be disclosed for purposes of Rule 211 or Rule 302;
- (c) when such information is required to be disclosed by order of lawful authority or, in the proper exercise of their duties, by the Council, the professional conduct committee or any subcommittee thereof, the discipline committee, the appeal committee, or the practice inspection committee;
- (d) when justified in order to defend the member, student or firm or any associates or employees of the member, student or firm, as the case may be, 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) when the client, former client, employer or former employer, as the case may be, has consented to such disclosure.

208.2 A member, student 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, student or firm,
- (b) for the advantage of a third party, or
- (c) to the disadvantage of such client or employer

without the knowledge and consent of the client, former client, employer or former employer.

208.3 A member or firm engaged to perform a particular service may contract for the services of a person not employed by the member or firm to assist in the performance of that service, provided the member or firm first obtains the written agreement of that person to carefully and faithfully preserve the confidentiality of any information acquired for the purposes of the engagement and not to make use of such information other than as shall be required in the performance of such services.

209 Borrowing from clients

209.1 A member, student or firm shall not, directly or indirectly, borrow from or obtain a loan or 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 or student, 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, student 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, student or firm; or
- (c) a loan received from a member's or student'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 service and who relies on membership in CPA Ontario as giving the member or firm particular competence to provide that service.

210 Conflict of Interest

210.1 A member or firm engaged in the practice of public accounting or in a related business or practice shall, before accepting any professional engagement, determine whether there is any restriction, influence, interest or relationship which, in respect of the proposed engagement, would cause a reasonable observer to conclude that there will be a conflict as contemplated by Rule 210.2.

210.2 Subject to the provisions of Rule 210.3, a member, student or firm shall not accept, commence or continue any engagement to provide professional services to any client in circumstances where a reasonable observer would conclude that the member, student or firm:

- (a) is in a position or has placed any person in a position where any of their interests conflicts with the interest of a client; or
- (b) is in a position where the duty owed to one client creates a professional or legal conflict with the duty owed by the member, student or firm to another client.

210.3 Where the acceptance of a proposed engagement would result in a conflict under Rule 210.2 or where a previously unidentified conflict under Rule 210.2 arises or is discovered in the course of an existing engagement or engagements, the member or firm must decline the proposed engagement, or withdraw from all existing engagements that are affected, 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 an engagement with or duty to another client;
- (ii) the member or firm informs all affected clients of the existence of the conflict and the techniques that will be used to manage it; and
- (iii) the member or firm obtains the consent of all affected clients to accept or continue the engagement or engagements; or

- (b) the affected clients have knowledge of the conflict and their consent for the member or firm to accept or continue the engagement is implied by their conduct, in keeping with common commercial practice.

210.4 For purposes of Rule 210, a client includes any person or entity for whom the member, student or firm, or any other person engaged in the practice of public accounting or a related business or practice in association with the member, student or firm, provides or is engaged to provide a professional service.

211 Duty to report breach of rules of professional conduct

211.1 A member or firm shall promptly report to CPA Ontario any information concerning an apparent breach of these rules of professional conduct, or any information raising doubt as to the competence, reputation or integrity of a member, student, applicant or firm, unless such disclosure would result in

- (a) the breach of a statutory duty not to disclose, or
- (b) the reporting of information by a member or firm exempted from this rule for the purpose and to the extent specified by Council, or
- (c) the loss of solicitor-client privilege, or
- (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 these rules of professional conduct or any information raising doubt as to the competence, reputation or integrity of a member, student, applicant or firm until such time as

- (a) the client has consented to the release of the information, or
- (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.

212.1 Handling of trust funds and other property

A member or student who, or a firm that, receives, handles or holds money or other property as a trustee, 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.

212.2 Handling property of others

A member, student or firm in the course of providing professional services shall handle with due care any entrusted property.

213 Unlawful activity

A member, student or firm shall not knowingly associate with any unlawful activity.

214 Fee quotations

A member or firm shall not quote a fee for any professional engagement unless adequate information has been obtained about the engagement.

215 Contingent fees

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 fee payable only where there is a specified determination or result of the service, or for a fee the amount of which is to be fixed, whether as a percentage or otherwise, by reference to the determination or result of the service, where the service is

- (a) one in respect of which professional standards or rules of conduct require that the member be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity; or
- (b) a compilation engagement.

215.2 Rule 215.1 does not apply to a professional service for a fee fixed by a court or other public authority or to a professional service in respect of any aspect of insolvency practice, including acting as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager.

215.3 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 fee payable only where there is a specified determination or result of the service, or for a fee the amount of which is to be fixed, whether as a percentage or otherwise, by reference to the determination or result of the service, provided:

- (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 described in Rule 215.1(a); 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 by the member or a partner of the member for the same client; and
- (c) the client has agreed in writing to the basis for determining the fee before the completion of the engagement.

216 Payment or receipt of commissions

Other than in relation to the sale and purchase by a member or firm of an accounting practice, a member or firm engaged in the practice of public accounting or a student while employed by a member or firm engaged in the practice of public accounting shall not directly or indirectly pay to any person who is not an employee of the member or firm or who is not a public accountant a commission or other compensation to obtain a client, nor shall the member, student or firm accept directly or indirectly from any person who is not a public accountant a commission or other compensation for a referral to a client of products or services of others.

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.

217.2 Solicitation

Notwithstanding Rule 217.1, a member or firm shall not, either directly or through a party acting on behalf of and with the knowledge of the member, solicit, in a manner that is persistent, coercive or harassing, any professional engagement.

217.3 Endorsements

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 CA designation with an endorsement, the member or firm must conduct sufficient appropriate procedures to support the assertions made about the product or service.

218 Retention of documentation and working papers

A member or firm shall retain 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 engagement.

300 – RELATIONS WITH FELLOW MEMBERS AND WITH NON-MEMBERS ENGAGED IN PUBLIC ACCOUNTING

301.1 *Repealed December 12, 2002*

301.2 *Repealed December 12, 2002*

302 Communication with predecessor

302.1 A member or firm shall not accept an engagement with respect to the practice of public accounting or the public practice of a function not inconsistent therewith, where the member or firm is replacing another member, firm or other public accountant recognized by statutory authority in Ontario, without first communicating with such person or firm and enquiring 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 An incumbent member or firm shall respond promptly to the communication referred to in Rule 302.1.

302.3 A member or firm responding to a communication pursuant to Rule 302.2 shall inform the possible successor if suspected fraud or other illegal activity by the client was a factor in the member's or firm's resignation, or if, in the member's or firm's view, fraud or other illegal activity by the client may have been a factor in the client's decision to appoint a successor.

303 Co-operation with successor accountant

303.1 A member or firm shall upon written request of the client and on a timely basis, supply reasonable and necessary information to the member's or firm's successor. Such co-operation is required with any successor accountant, including a non-member.

303.2 A predecessor member or firm on an engagement shall co-operate with the successor on the engagement. The predecessor shall transfer promptly to the client or, on the client's instructions, to the successor, all property of the client which is in the predecessor's possession. Such property shall be transferred in the medium in which it is maintained by the predecessor, 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 form will not violate licensing, copyright or similar legal agreements or proprietary rights.

304 Joint engagements

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.

305 Communication of special engagements to incumbent

305.1 A member or firm engaged in the practice of public accounting 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.

306.1 Responsibilities on accepting engagements

A member or firm accepting an engagement, whether by referral or otherwise, from a client of a member or firm having a continuing professional relationship with that client shall not take any action which would tend to impair the position of the other member or firm in the ongoing work with the client.

306.2 Responsibilities on referred engagements

A member or firm receiving an engagement for services by referral from a member or firm shall not provide or offer to provide any additional services to the referred client without the consent 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 consent.

400 – ORGANIZATION AND CONDUCT OF A PROFESSIONAL PRACTICE

401 Practice names

A member or firm shall engage in the practice of public accounting, or in the public practice of any function not inconsistent therewith, 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

402 Use of descriptive styles

402.1 The practice of public accounting shall be carried on under the descriptive style of either "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 either "chartered professional accountant(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 these rules of professional conduct.

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 accountants".

**Members are referred to the bylaws definition of "professional colleague" as a member or a member of a provincial body.*

403 Association with firms

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,
- (c) all the partners or controlling shareholders are professional colleagues* or professional corporations or incorporated professionals provided each such corporation or incorporated, and

- (d) 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.

New November 27, 2014

**Members are referred to the bylaws definition of "professional colleague" as a member or a member of a provincial body.*

404 Operation of members' offices

404.1 Each office 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 such times as the office is open to the public.

404.2 A member or firm shall not operate a part-time office except in accordance with such terms and conditions established by Council.

405 Office by representation

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 public accountant or a firm of public accountants and, conversely, a member or firm engaged in the practice of public accounting who only represents a public accountant or a firm of public accountants, shall not hold out or imply that the member or firm maintains an office for such public accountant or such firm.

406 Member responsible for a non-member in practice of public accounting

A firm or member 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 such practice, to abide by the rules of professional conduct of CPA Ontario and in the application of this rule, the rules of professional conduct are deemed to apply as if such non-member were a member.

407 Related business or practice, and member responsible for non-member in such business or practice

407.1 The rules of professional conduct, except Rule 402.1, shall apply to a member or firm carrying on a related business or practice as if it were the practice of public accounting.

407.2 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 rules of professional conduct. In the application of this rule, the rules of professional conduct are deemed to apply as if such related business or practice were the practice of public accounting and such non-member were a member.

407.3 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.

407.4 A related business or practice shall not be designated "chartered professional accountant(s)" or "public accountant(s)".

408 Association of member with non-members in public practice

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:

- (1) such association maintains the good reputation of the profession and its ability to serve the public interest; and
- (2) such business or practice establishes and maintains policies, procedures and arrangements suitable to ensuring:
 - (a) that every such non-member is knowledgeable of and complies with
 - (i) CPA Ontario's governing legislation, bylaws, regulations and rules of professional conduct; and
 - (ii) 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
 - (b) that no style of presentation or communication is used which implies that the non-member is a member.

409 Practice of public accounting in corporate form

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 (1), (2), (3) and (4) of this rule:

- (1) A member or firm may engage to provide to the corporation any of the services included in the practice of public accounting.
- (2) 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.

- (3) A member or firm may associate with a professional corporation engaged in the practice of public accounting in Ontario provided such corporation
 - (a) is incorporated or continued under the Ontario Business Corporations Act; and
 - (b) holds a valid registration certificate under the Chartered Accountants Act, 2010 and the bylaws of CPA Ontario; and
 - (c) holds a valid certificate of authorization under the *Public Accounting Act, 2004* and the bylaws of CPA Ontario.
- (4) A member or firm may associate with a professional corporation or incorporated professional engaged in the practice of public accounting in a province other than Ontario if the corporation or incorporated professional is recognized and approved for such practice by the provincial body in the province 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.

500 – RULES OF PROFESSIONAL CONDUCT APPLICABLE ONLY TO FIRMS

501 Firm's maintenance of policies and procedures for compliance with professional standards

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

- (a) the profession, including the Recommendations and Requirements, as appropriate, set out in the *CPA Canada Handbook*; and
- (b) the particular business or practice, provided that such standards are not lower than or inconsistent with the generally accepted standards of practice of the profession in which case the generally accepted standards of the profession must be followed.

502 Firm's maintenance of policies and procedures: competence and conduct of firm members

A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the members and students of CPA Ontario 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 rules of professional conduct, and in particular:

- (a) conduct themselves in a manner which will maintain the good reputation of the profession and its ability to serve the public interest;
- (b) perform their professional services with 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 and can authorize the release of 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, such as head office personnel,
 - (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 rules of professional conduct of CPA Ontario; and
- (i) ensure that members of the firm who are members of other professional associations comply with those associations' bylaws and code of ethics.

503 Association with firms

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:

- (a) all partners or controlling shareholders of the other firm who reside in Ontario are members,
- (b) at least one partner or controlling shareholder of the other firm is a member, and
- (c) all the partners or controlling shareholders of the other firm 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.

**Members are referred to the bylaws definition of "professional colleague" as a member or a member of a provincial body.*

APPENDIX A

FORMER RULE OF PROFESSIONAL CONDUCT 204 (OBJECTIVITY)

in effect until December 31, 2003

204.1 Objectivity – assurance and specified auditing procedures engagements

A member who engages or participates in an engagement

- (a) to issue a written communication under the terms of any assurance engagement, or
- (b) to issue a report on the results of applying specified auditing procedures

shall be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity.

204.2 Objectivity – insolvency engagements

A member 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 free of any influence, interest or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity.

204.3 Objectivity – Disclosure of Impairment of Objectivity

Where a member engaged in the practice of public accounting, or in a related business or practice, provides a service not subject to the requirements of Rules 204.1 or 204.2, such member shall disclose any influence, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the member's professional judgment or objectivity, and such disclosure shall be made in the member's written report, notice to reader or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the influence or relationship and the nature and extent of the interest.