

# ***MUTUAL RECOGNITION AGREEMENT***

*Recommended by*

**The Institute of Chartered Accountants of Scotland**

*and*

**International Qualifications Appraisal Board**

*Representing*

**National Association of  
State Boards of Accountancy**

*and*

**American Institute of  
Certified Public  
Accountants**

**NASBA**

**AICPA**

# MUTUAL RECOGNITION AGREEMENT

## **Introduction**

The State Boards of Accountancy or their equivalent in each of the United States' (US) jurisdictions (State Boards), which act pursuant to their authorizing statutes, are legislatively empowered by law to protect the public interest by granting and regulating the Certified Public Accountant (CPA) credential and license to practice. The Institute of Chartered Accountants of Scotland (ICAS) is empowered to issue the United Kingdom's (UK) Chartered Accountant designation to qualified applicants. The State Boards and ICAS grant respectively the US CPA and UK Chartered Accountant (CA) credentials and either grant licenses to practice or their members have access to a license to practice.

The National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) jointly established the International Qualifications Appraisal Board (IQAB) to:

1. Assist State Boards seeking to establish abbreviated pathways through which experienced professionals, who hold substantially equivalent foreign professional accounting credentials, may obtain a Certified Public Accountant license in their jurisdiction (US CPA credential); and
2. Enable US CPAs to obtain foreign professional accounting credentials and the right to practice through similar abbreviated pathways.

Under the powers vested by the ICAS Rules, the ICAS Council has the power to admit to membership of ICAS any qualified member of an accountancy body outside the UK and Republic of Ireland upon such terms and conditions as it determines.

Believing that there are a significant number of US CPAs who desire to obtain the CA credential, Audit Qualification (AQ), Practicing Certificate (PC), and Responsible Individual Status (RI) in the UK, and a significant number of UK CAs who desire to obtain the US CPA credential and license to practice, the IQAB and ICAS (known collectively as the "Parties") set out to evaluate each other's credential to ascertain if they are substantially equivalent and would thus allow both parties to create for qualified holders of either of the credentials an abbreviated qualification pathway.

## **Eligibility of Applicants under this Agreement:**

To be eligible for this agreement candidates must affirm that they are capable of performing audit and/or attest services based on their competence to complete such services according to the relevant professional standards<sup>1</sup>, including having the requisite additional experience/training necessary for such work.

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<sup>1</sup> US CPAs generally practice under standards set by the AICPA, the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Public Company Accounting Oversight Board and the International Accounting Standards Board. UK CAs generally practice under the Rules and Regulations issued by ICAS in accordance with the provision of its Royal Charter, and standards issued by the UK Financial Reporting Council (FRC).

**Institute of Chartered Accountants of Scotland Undertaking**

The FRC has requirements regarding the experience necessary to be eligible for appointment as a statutory auditor in the UK. These requirements are set out in law in the UK Companies Act 2006.

Under the UK Companies Act 2006, ICAS has the status of a Recognised Qualifying Body (RQB), allowing ICAS to award the UK Audit Qualification to eligible members. In summary, ICAS requires CAs who wish to apply for the UK Audit Qualification to have completed all membership requirements including the completion of three years of relevant practical experience. Within the three years of relevant practical experience, there is a requirement to record a minimum of 210 days of corporate audit experience, all of which should normally be attained in the UK on audits performed under the UK Companies Act and in accordance with the UK Auditing Standards issued by the FRC.

ICAS issues Practising Certificates (PC) under its own authority which requires two years' post-admission experience, all of which could be attained in the US.

Under the UK Companies Act 2006, ICAS has the status of Recognised Supervisory Body (RSB), allowing ICAS to award Responsible Individual (RI) status to holders of the CA designation who also hold the UK Audit Qualification and a current PC.

Within the term of this agreement:

1. ICAS undertakes to seek a determination from the FRC to grant ICAS a dispensation to recognize practical audit experience obtained in the US towards the above noted practical audit experience requirements for the UK Audit Qualification.
2. ICAS will work with the FRC to facilitate the recognition of US CPAs under the UK Companies Act during the negotiations on the UK's departure from the European Union.
3. ICAS will report an annual update to the IQAB on progress in these matters.

**Basis of Review**

The Parties have reviewed each other's credential requirements for entry-level qualification and maintenance of the credential. The review included a comparison of each other's education, experience, examination and other qualification requirements as well as such factors as continuing education, adherence to a code of ethics, enforcement and judicial processes, organizational structure, administrative responsibilities and other credential maintenance requirements to their own corresponding requirements.

The IQAB compared ICAS' requirements to those set out in the Uniform Accountancy Act (UAA). The UAA is a model law and not enforceable. Much of the UAA's language is used by the US jurisdictions and State Boards as they draft the laws and rules that must be followed. Each individual US jurisdiction's requirement can be found in that jurisdiction's laws and rules.

ICAS compared the UAA requirements to the education, examination and experience requirements of the ICAS Framework for Recognition Between Professional Accountancy Bodies and the UK Companies Act 2006.

### **Basis of Recognition**

As a result of these reviews, the Parties are satisfied that the US CPA credential and UK CA credential are substantially equivalent subject to the conditions set forth in this agreement and accompanying appendices.

Therefore, the Parties agree:

1. To create an abbreviated qualification pathway for eligible holders of the other's credential.
  - a. A holder of a UK CA credential will be eligible to obtain the US CPA credential via this agreement if the holder meets the eligibility requirements set out in Appendix 1A (defined as an "eligible holder").
  - b. A holder of a US CPA credential will be eligible to obtain the UK CA credential via this agreement if the holder meets the eligibility requirements set out in Appendix 1B (defined as an "eligible holder").
2. An eligible holder, as set out in 1 above, may obtain the other credential via the following abbreviated pathways.
  - a. The abbreviated pathway to the US CPA credential for eligible holders of a UK CA credential is set out in Appendix 2A.
  - b. The abbreviated pathway to the UK CA credential for eligible holders of a US CPA credential is set out in Appendix 2B.
3. To assist holders of the other's credential, who are both eligible for the abbreviated pathway, as set out in 1 above, and who successfully complete the abbreviated pathway, as set out in 2 above, to obtain licensure in their respective jurisdictions:
  - a. Appendix 3A sets out the process that a UK CA credential holder should follow to obtain licensure in the United States.
  - b. Appendix 3B sets out the process that a US CPA credential holder should follow to obtain an Audit Qualification, Practicing Certificate, and Responsible Individual Status in the UK.
4. This agreement shall be in force for a period of five years from the date of last signature. This agreement may be renewed, or extended, through mutual agreement.
5. To inform the other Party, on an annual basis, if any:
  - a. Material changes are made to the qualification requirements of their credential.
  - b. Mutual recognition agreements, reciprocal membership agreements, or other similar agreements are signed or renewed with other institutes or professional accountancy organizations.
  - c. New or existing pathways to membership or licensure for foreign credential holders are initiated or materially altered.
  - d. Strategic alliances, joint ventures, or material relationships with other institutes or professional accountancy organizations are initiated or materially altered.
6. Either Party may, with 60 (sixty)-days' notice, withdraw their consent to this agreement for just cause.

B. C. M.

On behalf of  
American Institute of  
Certified Public Accountants

2-27-18

Date

Jon L. Bohys

On behalf of National Association of  
State Boards of Accountancy.

2/27/18

Date

Antan Cole

On behalf of NASBA/AICPA  
International Qualifications Appraisal Board

On behalf of The Institute of Chartered  
Accountants of Scotland

27 February 2018

Date

## **Appendix 1A**

### **Eligibility Requirements for Members of The Institute of Chartered Accountants of Scotland**

A holder of the UK Chartered Accountant (CA) credential may be eligible to obtain the US CPA credential via this agreement if they are a member in good standing of ICAS and meet the additional criteria set out in each of the following sections and applicable US jurisdiction's laws and regulations.

#### **1) Education Criteria:**

The Uniform Accountancy Act (UAA) requires at least 150 semester hours of college or university education, including a baccalaureate or higher degree conferred by a college or university deemed acceptable by the State Board. US jurisdictions' legal requirements are identical or similar to the education criteria set forth in this model law. Additionally, many US jurisdictions' laws and State Boards' rules mandate the completion of specific coursework and the satisfaction of additional education criteria for licensure. Each individual US jurisdiction's education requirements can be found in that jurisdiction's laws and rules.

ICAS allows for multiple entry routes to its CA credential. To meet the education criteria of the eligibility requirements of this agreement, a UK CA must have completed the Graduate Entry Route. In addition, the CA must:

1. Hold at least a baccalaureate or higher degree; and
2. Have completed the ICAS CA Qualification Program including the Test of Professional Expertise (TPE) and the Advanced Finance, Financial Reporting, Assurance & Business Systems, and Taxation modules at Test of Professional Skills (TPS). UK CAs who completed the forerunner modules prior to 1995 are grandfathered into this agreement as having completed the CA Qualification Programme.

#### **2) Examination Criteria:**

Under the UAA and under all US jurisdictions' laws and rules, passage of the Uniform CPA Examination is a necessary prerequisite for licensure as a US CPA. Each individual US jurisdiction's examination requirements can be found in that jurisdiction's laws and rules.

To meet the examination criteria of the eligibility requirements of this agreement, UK CAs must have passed ICAS' Test of Professional Skills (TPS) (or their equivalent in a graduate program at a post-secondary institution recognized by ICAS) and Test of Professional Expertise (TPE).

UK CAs who completed the forerunner modules prior to 1995 are grandfathered into this agreement as having completed the examination requirements of the CA Qualification Programme.

#### **3) Experience Criteria:**

Under the UAA, US CPAs must have at least one year of experience verified by a licensee of a State Board. This experience includes providing a service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, and meeting requirements prescribed by Board rule and state law. This experience may be acceptable if it was gained through employment in government, industry, academia or

public practice. Each individual US jurisdiction's experience requirements can be found in that jurisdiction's laws and rules, which are generally similar or identical to the experience criteria set forth in the model UAA.

To meet the experience criteria of the eligibility requirements of this agreement UK CAs must have completed a minimum of three years of relevant work experience prior to obtaining the CA credential and an additional two years of relevant work experience after obtaining the CA credential. Additional specific experience requirements may be required by the State Board from which the credential is sought. Some State Boards may exercise the authority to verify such experience and will determine how such verification will be performed, including working with NASBA's Experience Verification Service.

**4) Continuing Professional Education Criteria:**

Under the UAA, compliance with continuing professional education (CPE) requirements as determined by the State Board is mandatory. Each individual US jurisdiction's requirement for CPE verification can be found in that jurisdiction's laws and rules.

To meet the CPE criteria of the eligibility requirements of this agreement, UK CAs must be in compliance with the CPE requirements of ICAS.

**Exclusions:**

UK CAs who obtained their UK credential by qualifying under a reciprocal agreement that ICAS may have with another professional accountancy organization are not eligible under this agreement. This includes all mutual recognition agreements, reciprocal membership agreements, and other similar agreements which ICAS may have or may have had at any time.

## **Appendix 1B**

### **Eligibility for Holders of a US CPA Credential**

A holder of a US CPA credential may be eligible to obtain the UK Chartered Accountant (CA) credential via this agreement if they are a licensed CPA in good standing with a State Board and meet the additional criteria set out in each of the following sections.

#### **1) Education Criteria:**

The ICAS regulations setting education criteria are contained within the CA Student Handbook and require an individual who obtains a CA credential to hold a university degree acceptable to ICAS.

To meet the education criteria of the eligibility requirements of this agreement, US CPAs must have a baccalaureate or higher degree conferred by a college or university acceptable to a State Board and must have met the applicable semester hour requirement at the time of licensure.

#### **2) Examination Criteria:**

The ICAS Regulations require all UK CAs to complete and pass the Test of Competence (TC), TPS and TPE examinations.

To meet the examination criteria of the eligibility requirements of this agreement, US CPAs must have passed the Uniform CPA Examination.

#### **3) Experience Criteria:**

The ICAS regulations require all UK CAs to complete a three-year training contract in an ICAS Authorised Training Office with a minimum of 450 days of relevant practical experience and all specified competency requirements.

To meet the experience criteria, US CPAs must have completed all US state law experience requirements prior to licensure and an additional two years of relevant practical experience after obtaining the CPA credential, logging the achievement of the non-technical competencies required by the ICAS Achievement Log.

#### **4) Continuing Professional Education Criteria:**

The minimum requirement for continuing professional education that a UK CA must complete is set out in the ICAS Regulations.

To meet the CPE criteria of the eligibility requirements of this agreement, US CPAs must be in compliance with the CPE requirements of their State Board.

#### **Exclusions:**

US CPAs who obtained their CPA credential by qualifying under a reciprocal agreement that the IQAB may have with another professional accountancy organization are not eligible under this agreement. This includes all mutual recognition agreements, reciprocal membership agreements, and other similar agreements which the IQAB may have or may have had at any time.



## Appendix 2A

### Abbreviated Pathway to the US CPA Credential for Eligible Holders of the UK CA Credential

To obtain the US CPA credential, an eligible holder of a CA credential must:

1. Pass the International Qualification Examination (IQEX); and
2. Upon successfully passing the IQEX, apply to a State Board.

To sit for the IQEX, an eligible holder must take the following steps (please note that the following list is not intended to be a comprehensive list):

1. Create an online user account<sup>2</sup> with NASBA.
2. Complete an application form<sup>3</sup>.
3. Obtain a letter of good standing<sup>4</sup> from ICAS. This letter will confirm that the Eligible Holder has met the eligibility requirements set out in Appendix 1A and must be sent directly to NASBA by ICAS.
4. Pay the requisite fees<sup>5</sup>.

The process for applying to a State Board differs depending upon the US jurisdiction to which an eligible holder applies. However, in general, an eligible holder must take the following steps (please note that the following list is not intended to be a comprehensive list, and licensure is fully at the discretion and direction of the State Boards and their authorizing statutes):

1. Select a State Board<sup>6</sup> and complete the State Board's application.
2. Request NASBA to report her/his IQEX score to the State Board.
3. Satisfy the State Board's requirements which may include:
  - a) Specific educational course work.
  - b) Passing an ethics exam and/or CPE course.
  - c) Providing evidence of the eligible holder's good character and/or reconfirmation of some of the eligibility requirements set out in Appendix 1A.
  - d) Providing evidence that the eligible holder is in compliance with the State Board CPE requirements.
  - e) Paying the State Board's fees.

<sup>2</sup> Registering for a user account will allow an eligible holder to apply for the examination, maintain her/his current information, view her/his scores, check her/his application status and reprint her/his Notice to Schedule. Detailed information may be found at [www.nasba.org](http://www.nasba.org).

<sup>3</sup> The application form will require information which will allow NASBA to verify that the applicant has met all of the required eligibility requirements set out in Appendix 1A and information required to schedule the applicant's IQEX. Detailed information may be found within the IQEX Candidate Bulletin at [www.nasba.org](http://www.nasba.org).

<sup>4</sup> A template letter of good standing with completion instructions and a form which eligible holders may send to ICAS to request its completion may be found at [www.nasba.org](http://www.nasba.org).

<sup>5</sup> Fees charged for applying for the IQEX are changed periodically. A current list of fees may be found at [www.nasba.org](http://www.nasba.org).

<sup>6</sup> While the AICPA and NASBA's Boards have approved this agreement, it is up to each State Board, as directed by state law, to decide if they will adopt it. A current list of State Boards which will accept applications from UK CAs may be found within the IQEX Candidate Bulletin at [www.nasba.org](http://www.nasba.org).

## **Appendix 2B**

### **Abbreviated Pathway to the UK CA Credential for Eligible Holders of a US CPA Credential**

To apply for membership of ICAS and to obtain the UK CA qualification, an eligible holder of a US CPA credential must:

1. Complete the required enrolment for the International Qualifications Pathway (IQP);
2. Obtain and submit letters of good standing from the State Board;
3. Complete the IQP which includes passing the International Qualifications Examination and prerequisite course; and
4. Complete the required application process for admission to ICAS membership and pay the necessary admission fees.

## **Appendix 3A**

### **Process to Obtain Licensure in the US for Eligible Holders of the UK CA Credential**

In the United States, the US CPA credential is a license to practice public accounting, issued by a US jurisdiction, valid for use in such jurisdiction.

Upon completing the abbreviated pathway and successfully applying to a State Board (as set out in Appendix 2A), the eligible holder of the UK CA credential may receive a CPA license in a US jurisdiction.

Once licensed, CPA licensees are under the auspices of, and subject to, all relevant federal laws and regulations, state laws, regulations, and policies. Maintenance of the license requires meeting periodic renewal requirements, including timely completion of renewal forms, continuing professional education and payment of fees. In some US jurisdictions, obtainment of a firm license, in addition to an individual license, will be necessary to legally provide certain restricted services.

## **Appendix 3B**

### **Process to Obtain Licensure in the UK for Eligible Holders of a US CPA Credential**

#### **Practicing Certificate (PC)**

To obtain the PC, a US CPA must:

1. Meet the eligibility requirements set out in Appendix 1B and become a member of ICAS per the pathway set out in Appendix 2B. None of the practical experience has to be obtained by working in the UK; practical experience obtained by working in the US is acceptable;
2. Complete the required application process for the Practicing Certificate; and
3. Pay the required fee.

#### **Audit Qualification (AQ)**

To obtain the AQ, a US CPA must:

1. Meet the eligibility requirements set out in Appendix 1B and become a member of ICAS per the pathway set out in Appendix 2B;
2. Be employed by an ICAS Authorised Training Office for a two-year training period under the supervision of a UK registered auditor<sup>7</sup> and a record of this period maintained in an ICAS Achievement Log. The two-year training period will include a minimum of 300 days of relevant practical experience of which a minimum of 210 days must be spent in statutory audit work. This statutory audit work may be demonstrated during the process of becoming an ICAS member.
3. The record of audit experience must be submitted to ICAS for review and approval.

#### **Responsible Individual (RI)**

To obtain RI status, a US CPA must:

1. Be a member of ICAS per the pathway set out in Appendix 2B;
2. Hold an AQ and PC; and
3. Complete the required application process for RI status of one of the UK Recognised Supervisory Bodies.

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<sup>7</sup> Experience obtained under the supervision of either an AQ holder or of another European Economic Area (EEA) registered auditor is also acceptable.