

# A Message from the Chair



Keith Farlinger, FCA

Spring, and the post-budget period federally and provincially, is a good time to take stock of the regulatory and legislative landscape in Canada as it relates to the CA profession. Looming large in the months ahead is an intensifying debate over the need for a single national securities regulator.

Federal Finance Minister Jim Flaherty has again made it known that the Conservative government is committed to the idea. And a succession of provincial governments, led by Ontario, are warming to it. This proposition is long overdue, and it's one that Chartered Accountants should fully support, because having a patchwork quilt of regulators and regulations has hampered and diminished the attractiveness of our capital markets for decades.

## **A single regulator, a single set of public accounting standards**

If this move towards a more rational regulatory system is to work, however, it's my view that it must be accompanied by a single system of nationally uniform public accounting standards. Currently, as many members know, there are no nationally consistent qualification and governance requirements for public accountants, nor are there uniform standards regarding the governance of licensed practitioners across the country. Consequently, in some provinces, people who don't have accounting designations are allowed to sign off on financial statements. This is extremely troubling when you stop to consider how important public accounting is to our capital markets, and by extension, to just about every Canadian.

## **The rise of the West**

In the past, this may have been of less importance because of the large amount of business that was concentrated in the provinces that maintained the highest standards for auditors, primarily Ontario and Quebec. Today, however, with the rise of Western Canada as an economic force to rival the East, it's more important than ever that all provinces move to establish public accounting qualification and governance standards of equivalent rigour to those found in this country's traditional economic heartland.

Therefore, as we move towards having a single regulator, the CA profession in Canada should work to ensure that this progressive step is accompanied by consistently high public accounting standards across the country. In a world where sound corporate governance is becoming increasingly crucial, our trading partners demand that Canada continue to practise financial reporting in a manner that meets the needs of investors around the world. There is no benefit to taking down barriers to the mobility of investment capital within Canada if, by perpetuating this uneven regulatory regime for public accounting, we effectively put up barriers between ourselves and the rest of the world.

## **The patchwork quilt**

There are many compelling public policy arguments in favour of developing nationally consistent public accounting qualification and governance standards. As

*(Please see page 5)*

(From page 3)

noted, currently there are significant inconsistencies in standards from province to province. Public accounting requires a licence only in Ontario, Newfoundland, Prince Edward Island and Nova Scotia, although Quebec uses legislation to restrict its practice and is effectively at the same level as these other four provinces. From there, standards slide to the point that, in several western provinces and the three territories, there is no regulation whatsoever.

Having no standards for public accounting has never sold on Bay Street and it is never going to be acceptable on Wall Street, or the markets of the EU, Asia and elsewhere. Therefore, if the rules governing the securities market in Canada become nationally standardized, so too should rules governing the professionals charged with ensuring that this market functions in the interests of all stakeholders in our capital markets and the broader public interest as well.

For example, the United States has already taken steps to ensure nationally consistent public accounting standards of qualification and ongoing governance. If the U.S. can achieve high, consolidated standards across 50 states, then there is no excuse for Canada not being able to achieve the same. In fact, for many companies doing business in the United States, the *Sarbanes-Oxley Act* requires foreign public companies listing on U.S. exchanges to meet the same standards for reporting and compliance as domestic American companies.

### Ontario as the model

We would hold that all of Canada's jurisdictions should follow the example of Ontario, where the *Public Accounting Act, 2004* has opened up the practice of public accounting to all accounting designations that qualify without lowering standards. Other recognized accounting bodies have instead been charged with the responsibility of developing qualification and regulatory standards that are substantially equivalent to those of the current public accountant licensees, Chartered Accountants, if they seek to enter licensed practice alongside CAs. In drawing up the new *Act*, Ontario has balanced the need for fairness between the designations and the protection of those high standards required by our capital markets. This is an approach that could, and should, be emulated elsewhere in our country.


As CAs, we know that a single regulator will be a benefit for our economy as it strips away the patchwork quilt of regulators and regulations that currently hobble our capital markets. However, we must ensure that this new playing field is "leveled up" to one that matches the current best practices of our major domestic capital markets and those of our international trading partners.

As we move towards a single regulator and accompanying public accounting qualification and governance standards, CAs call on the federal and provincial authorities to adhere to these fundamental principles:

- Protect the public – first, last and always.
- Maximize any minimum standards for professional standards at the levels demanded by our current major markets, principally Ontario and Quebec.
- Streamline the efficiency of our markets, but put a premium on maintaining their effectiveness.

The CA profession has long believed that our capital markets are a precious national resource; one that benefits all Canadians by producing wealth and the products, jobs and security that come with it. Moving to a single national securities regulator for those markets is a positive move, one that will be enhanced by creating corresponding single, high standards for public accounting to ensure that those who invest anywhere in Canada are assured of the soundness of that decision.

*If you would like to comment on these or any other matters, please contact me at the Institute. My e-mail is [kfarlinger@icaon.on.ca](mailto:kfarlinger@icaon.on.ca).*



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