

May 2018

Feedback Statement

Third Country Auditors (Fees) Instrument 2018

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This document provides a summary of the feedback received by the FRC in response to the April 2018 consultation: Third Country Auditors (Fees) Instrument 2018.

The Third Country Auditors (Fees) Instrument 2018 is effective from 29 May 2018.

Contents

		<i>Page</i>
One	Introduction	1
Two	Responses to the Consultation	3
Appendix A	The Third Country Auditors (Fees) Instrument 2018	4

SECTION 1: INTRODUCTION

Background to the third country auditor regime

The United Kingdom (**UK**), as a member state of the European Union (**EU**), operates a third country auditor (**TCA**) regime. TCAs are non-EU¹ auditors of certain companies² incorporated outside of the EU and listed on an EU-regulated market³.

The regulatory regime governing TCAs⁴ aims to establish a level of oversight similar to that required of the audits of listed companies incorporated within the EU. This is intended to enhance and safeguard public confidence in the annual and consolidated financial statements of companies listed on EU-regulated markets and audited by TCAs.

The arrangements for the registration and regulation in the UK of TCAs are contained in Part 42 and Schedule 12 of the Companies Act 2006 (**the Act**), the Statutory Auditors and Third Country Auditors Regulations 2013, and the Statutory Auditors and Third Country Auditors Regulations 2016.

The Secretary of State's powers under the Act, in relation to TCAs, have been delegated to the FRC by the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc.) Order 2012 (**Delegation Order**). The FRC Board is responsible for the exercise of these powers and those for registration of TCAs under the regulations.

Third Country Auditors (Fees) Instrument

The FRC charges fees for the registration of TCAs and for the annual renewal of registration of TCAs. The fees are based on the costs to administer the regime and are determined by the anticipated cost of processing applications for registration and renewal of registration.

The fees are charged in exercise of powers conferred to the Secretary of State by section 1251 of the Act and delegated to the FRC. Section 1251 provides for the prescription of periodical fees to be paid by every registered TCA, as long as those fees are prescribed by regulations. The regulations were set out in the Third Country Auditors (Fees) Instrument 2011 (**2011 Instrument**).

It was necessary for the 2011 Instrument to be revoked and a revised instrument put into force. This is because:

- Certain legislative and other references in the 2011 Instrument were out of date.
- A new fees schedule (**the Fees Schedule**) would be put into effect following a public consultation⁵ on our plan to increase the fees for TCA registration and renewal of registration.

A revised Instrument, the Third Country Auditors (Fees) Instrument 2018 (**2018 Instrument**), was therefore prepared and put out to public consultation.

¹ For TCA purposes, the EU includes member states of the European Economic Area (EEA).

² As defined by Article 45(1) of EU Directive 2006/43/EC, as amended by Directive 2014/56/EU.

³ In the UK, this is principally the main market of the London Stock Exchange.

⁴ Under EU Directive 2006/43/EC, as amended by Directive 2014/56/EU.

⁵ The FRC's *Draft Plan & Budget and Levy Proposals 2017/18*, which closed on 17 February 2017. Responses to the consultation can be accessed at <http://www.frc.org.uk/about-the-frc/reports,-plans-and-budgets>.

Consultation

The FRC issued a public consultation on 10 April 2018 seeking feedback on the 2018 Instrument. Specifically:

- 1) If the 2018 Instrument is clear and understandable.
- 2) If there is anything missing from the 2018 Instrument that would improve its effectiveness.
- 3) Any other comments on the 2018 Instrument.

The consultation included a preliminary impact assessment.

SECTION 2: RESPONSES TO THE CONSULTATION

The consultation closed on 11 May 2018. No responses were received.

The FRC has therefore put the 2018 Instrument, as set out in the April 2018 consultation, into effect as at 29 May 2018.

The 2018 Instrument is provided at Appendix A.

APPENDIX A

THE THIRD COUNTRY AUDITORS (FEES) INSTRUMENT 2018

Powers exercised

- A. The Financial Reporting Council (FRC) makes this instrument in exercise of the power conferred on the Secretary of State by section 1251(2) of the Companies Act 2006 (**Act**) to make regulations prescribing periodical fees to be paid by amongst others every registered third country auditor.
- B. The power to make such regulations was transferred to the FRC by Article 7(1) of the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (SI 2012/1741) (**Delegation Order**), and paragraphs 7 and 11 of Schedule 13 to, the Act.
- C. This instrument is made by the FRC subject to the provisions of the Order and section 1252 and Schedule 13 to the Act, and with the approval of the Secretary of State.

1. Citation, commencement and interpretation

- (1) This instrument may be cited as the Third Country Auditors (Fees) Instrument 2018.
- (2) This instrument comes into force on 29 May 2018.
- (3) In this instrument,
 - **equivalent third country** has the meaning set out in Registration of Third Country Auditors in the United Kingdom Directions 2017 (**Directions**).
 - **equivalent registration** means registration of a third country auditor established in an equivalent third country as a registered third country auditor, in accordance with FRC requirements.
 - **full registration** means registration as a registered third country auditor, other than equivalent registration or transitional registration, in accordance with FRC requirements.
 - **number of audit clients** means the number of UK-traded non-EEA companies to which a third country auditor is appointed as auditor on the relevant date.
 - **FRC requirements** are requirements for registration as a registered third country auditor set by the FRC, in accordance with the Statutory Auditors and Third Country Auditors Regulations 2013 (SI 2013 No. 1672) and directions made by the FRC under sections 1239(7) and 1242(4) of the Act¹.
 - **registered third country auditor** has the same meaning as in section 1241(1) of the Act.

¹ As amended by the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016 No. 649).

- **relevant date** means the date of registration and each anniversary of the date of registration.
- **specified third country** has the same meaning as set out in the Directions.
- **third country auditor** has the same meaning as in section 1261(1) of the Act.
- **transitional registration** means registration of a third country auditor established in a specified third country as a registered third country auditor, in accordance with FRC requirements.
- **UK-traded non-EEA company** has the same meaning as in section 1241(2) of the Act.

2. Fees payable by registered third country auditors

A registered third country auditor must pay an annual fee to the FRC on the relevant date in accordance with the Schedule to this instrument.

3. Revocation

The Third Country Auditors (Fees) Instrument 2011 is revoked, as of the date this instrument comes into force.

By Order of the FRC Board

29 May 2018

SCHEDULE

Annual fee payable by a registered third country auditor			
Number of audit clients	Type of registration		
	Equivalent registration	Transitional registration	Full registration
0 - 9	£1,136		£2,272
10+	£2,840		£5,680



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