

Financial Reporting Council

Feedback Statement and Impact Assessment: Third Country Auditors (Fees) Instrument 2020

18 December 2020

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Introduction

1. On 2 November 2020, we published our Consultation on the Third Country Auditors (Fees) Instrument 2020 which we propose to introduce at the end of the transition period to the UK's exit from the European Union (i.e. 11pm on 31 December 2020)¹. It is intended that the new Instrument will:
 - Reflect changes to legislation that will be made as a result of the UK's exit from the European Union after the transition period has ended;
 - Come into force immediately after the UK's exit;
 - Set out the level of fees required to be paid by various classes of third country auditor (TCA). These will remain unchanged from the levels set in the Third Country Auditors (Fees) Instrument 2018; and
 - Revoke the Third Country Auditors (Fees) Instrument 2018.
2. This Statement sets out the responses received to the Consultation and our decision on whether to make the Third Country Auditors (Fees) Instrument 2020.
3. This Statement also contains our final impact assessment as a result of the new Instrument.

Responses

4. We did not receive any responses to the Consultation. We will therefore proceed on the basis of the proposals set out in that document.
5. A final version of the Third Country Auditors (Fees) Instrument 2020 is set out in Annex 1 to this Statement.

Impact Assessment

6. The impact of our proposals is as set out in the Consultation document and has not changed. The fee will be paid by an audit firm periodically, for its registration as a TCA. Currently there are 95 firms registered as TCAs by the FRC in the UK. As a result of the UK's exit from the EU, EEA auditors of non-UK companies whose securities are admitted to trading on a UK regulated market will be required to register as third country auditors with the FRC, we estimate that between 60 to 70 auditors would need to seek registration.

¹ <https://www.frc.org.uk/getattachment/bb7b7b88-7a4d-407e-81cb-42845d86f724/TCA-Fees-Instrument-2020-Public-consultation.pdf>

7. The current fee levels are not changed by this instrument. In any case, the FRC understands that the fee charged is a small proportion of the fees charged by an auditor to a non-UK incorporated client listed on a regulated market in the UK. The increased scope of the registration requirement so as to include EEA auditors of non-UK companies is a result of the UK's exit from the EU and of the amendments made in the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177), the Statutory Auditors Third Country Auditors (Amendment) (EU Exit) Regulations 2020 (S.I. 2020/108), and the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) (No.2) Regulations 2020 (S.I. 2020/1247). We understand that the increased scope of the registration requirement was considered in the work of the Department for Business, Energy and Industrial Strategy to assess the impact of those regulations.

ANNEX 1 THE THIRD COUNTRY AUDITORS (FEES) INSTRUMENT 2020

Powers exercised

A. The Financial Reporting Council (“FRC”) makes this instrument in exercise of the power conferred by section 1251(2) of the Companies Act 2006 (“the Act”)² to make regulations prescribing periodical fees to be paid by amongst others every registered third country auditor.

B. This power was transferred from the Secretary of State to the FRC by Article 7(1) of the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (S.I. 2012/1741) (“the Delegation Order”)³.

C. This instrument is made by the FRC in accordance with the relevant the provisions of the Delegation 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 2020.

(2) This instrument comes into force on IP completion day.

(3) In this instrument:

- “audit client” means a UK-traded third country company to which a registered third country auditor is appointed as auditor on the relevant date.
- “equivalent third country” has the meaning set out in section 1240A(1) of the Act⁴.
- “equivalent registration” means the 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 the registration of a third country auditor established in a country other than an equivalent third country or a transitional third country as a registered third country auditor, in accordance with FRC requirements.
- “FRC requirements” means the requirements for registration as a registered third country auditor, as set out in the Statutory Auditors and Third Country Auditors

² 2006 c. 46

³ S.I. 2012/1741.

⁴ Section 1240A was inserted by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177).

Regulations 2013⁵ and any directions made by the FRC under sections 1239(7) and 1242(4) of the Act⁶.

- “IP completion day” has the same meaning as in section 39(1) of the European Union (Withdrawal Agreement) Act 2020⁷.
- “registered third country auditor” has the same meaning as in section 1241(1) of the Act.
- “relevant date” means the date of the registration of a registered third country auditor and each annual recurrence of that date.
- “third country auditor” has the same meaning as in section 1261(1) of the Act.
- “transitional registration” means the registration of a third country auditor established in a transitional third country as a registered third country auditor, in accordance with FRC requirements.
- “transitional third country” has the meaning set out in section 1240A(1) of the Act.
- “UK-traded third country company” has the same meaning as in section 1241(2) of the Act.

2. Fees payable by registered third country auditors

(1) A registered third country auditor must pay an annual fee to the FRC no later than that auditor’s relevant date.

(2) The fee payable is that fee specified in the Schedule to this instrument as appropriate to the nature of that auditor’s registration and number of audit clients.

3. Revocation

(1) The Third Country Auditors (Fees) Instrument 2018 is revoked.

By Order of the FRC Board

[Date TBC]

⁵ S.I. 2013/1672

⁶ As amended by the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649) and the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177).

⁷ c.1

SCHEDULE

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