

## Canadian Public Accountability Board (CPAB)

### Rules

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## Section 100 – General

- 101 The purpose of the Board is to promote publicly and proactively, high quality external audits of reporting issuers by:
- a. Establishing and maintaining requirements for the participation of public accounting firms that audit reporting issuers in the Board’s oversight program;
  - b. Maintaining and publishing on its website a register of public accounting firms that are participating audit firms;
  - c. Conducting inspections of participating audit firms directly or through or in cooperation with professional regulatory authorities in order to assess the compliance of each participating audit firm with the rules of the Board, professional standards and the firm’s own quality control policies, in connection with the issuance of audit reports on the financial statements of reporting issuers;
  - d. Receiving and evaluating reports and recommendations resulting from inspections of participating audit firms by professional regulatory authorities;
  - e. Requiring remedial action by participating audit firms when necessary or appropriate;
  - f. Conducting investigations and review proceedings and imposing, where appropriate, requirements, restrictions or sanctions on participating audit firms;
  - g. Working in close conjunction with professional regulatory authorities;
  - h. Referring matters as appropriate to securities regulators;
  - i. Providing comments and recommendations on accounting and assurance standards to relevant standard-setting and oversight bodies; and
  - j. Reporting to the public at least annually on the results of its activities.
- 102 The Board shall create rules or amend existing rules as it considers appropriate. A draft of any proposed new or amended rule will be exposed on the Board’s website for not less than 60 days to allow for public comments. The Board shall notify participating audit firms, and other interested parties who have communicated to the Board their wish to be notified, when a draft of a proposed new or amended rule has been placed on the Board’s website. The communication will be in the form of electronic mail and will be made within three business days of the draft being placed on the website. Following the allowed comment period, the Board shall be entitled to create new rules or amend existing rules in accordance with the exposed proposal with whatever revisions thereto the Board considers to be appropriate, including in response to comments received thereon.

Where used in these Rules, unless the context otherwise requires, the following terms have the meaning set forth below:

- a. “audit” means a public accounting firm’s examination, intended to be in accordance with generally accepted auditing standards, of a reporting issuer’s financial statements that are intended to be filed with a Canadian or foreign securities regulator.
- b. “audit report” means a document prepared following an audit of the financial statements of a reporting issuer that (i) sets forth the opinion of the public accounting firm regarding the financial statements or (ii) asserts that no such opinion can be expressed.
- c. “Audit services” has the meaning set out in Canadian Securities Administrators Multilateral Instrument 52-110 *Audit Committees*.
- d. [deleted].
- e. “Board” means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, a corporation without share capital incorporated under the *Canada Corporations Act* by Letters Patent dated April 15, 2003 and continued under the *Canada Not-for-profit Corporations Act* on June 6, 2014, any of its successors. Reference to any action or determination by the Board refers to action or determination by the staff of the Board unless otherwise specifically provided.
- f. “Board demand” means a command to produce documents and/or to appear at a certain place and time to give testimony.
- g. “Board request” means a request to produce documents and/or to appear at a certain place and time to give testimony.
- h. “business day” means any day except Saturday, Sunday or a day that is a statutory holiday in Canada or a Province or Territory of Canada.
- i. “CPAB” has the same meaning as “Board”.
- j. “counsel” means a lawyer admitted to practice and in good standing before the highest court of any Province or Territory in Canada.
- k. “designated professional” means an officer of a participating audit firm, or a partner, employee or independent contractor of a participating audit firm who is involved in a professional capacity in audits of the financial statements of reporting issuers.
- l. “document” means any physical embodiment of information or ideas and includes written documents, electronic or computerized data compilations and any disc, tape, film or other device in which sound, visual images or other data is embodied. A draft or non-identical copy is a separate document within the meaning of this term. In no event shall the term “document” be construed to be limited to audit working papers.
- m. “foreign public accounting firm” means a public accounting firm that is organized and operates under the laws of a jurisdiction other than Canada or a Province or Territory of Canada.

- n. “hearing officer” means an individual who is a member of the roster referred to in Rule 705, provided that such individual shall not be a director or a member of the staff of the Board, a person who is authorized by the Board to participate in or conduct inspections or investigations on behalf of the Board or a person who is regularly retained to act on behalf of the Board other than as a hearing officer or as the Chair of the roster of hearing officers.
- o. “including” and “include” shall be deemed to be followed by the statement “without limitation” and neither of such terms shall limit any word or statement which it follows to the specific or similar items or matters immediately following it.
- p. “Inspection” means any inspection, whether regular or special, performed pursuant to Section 400.
- q. “Investigation” means any investigation performed pursuant to Section 500.
- r. “non-Canadian law” means a law of a jurisdiction other than Canada or a Province or Territory of Canada.
- s. [deleted].
- t. “oversight program” means all of the activities undertaken by the Board to accomplish its Purpose.
- u. “participating audit firm” means a public accounting firm that has entered into a Participation Agreement and has not had its participant status terminated, or, if its participant status was terminated, has been reinstated in accordance with the Rules.
- v. “prescribed” with reference to forms or amounts means such forms or amounts as may from time to time be prescribed by the Board.
- w. “Participation Agreement” means a written agreement between the Board and a public accounting firm in connection with the Board’s program of practice inspections and the establishment of practice requirements.
- x. “professional regulatory authority” means an entity, other than a securities regulator, that has, in a province or Territory of Canada, statutory inspection, investigatory or disciplinary responsibility for a participating audit firm, a practice office of such firm, or a designated professional of such firm.
- y. “Professional Standards” means the standards referred to in Section 300.
- z. “public accounting firm” means a sole proprietorship, partnership, corporation or other legal entity engaged in the business of providing services as public accountants.
- aa. “Purpose” means the purpose of the Board as set forth in Rule 101.
- bb. “reporting issuer” means a reporting issuer as defined under the relevant securities legislation in a Province or Territory of Canada or, where there is no such definition in any such jurisdiction, a comparable entity in such jurisdiction.
- cc. “review panel” means a panel of three hearing officers selected to preside over a review proceeding contemplated by Section 700.

- dd. “review proceeding” means a proceeding carried out in accordance with Section 700.
- ee. “Rules” means the bylaws and these rules of the Board, as amended from time to time.
- ff. “Secretary” means the Secretary of the Board.
- gg. “securities regulator” means a commission, registrar or other entity or agency that has statutory responsibility and authority for the administration of the securities legislation of a Province or Territory of Canada.
- hh. “Violation Event” means (i) an act or practice, or omission to act, in violation of the Rules or Professional Standards that may have an effect on the provision of audit services to reporting issuers, (ii) a failure to supervise appropriately a person with a view to preventing violations of the Rules or Professional Standards, and such person has committed an act or omitted to act in violation of the Rules or Professional Standards that may have an effect on the provision of audit services to reporting issuers, (iii) a failure to cooperate with the terms of an Inspection or Investigation; or (iv) a failure to comply with the terms of any requirement, restriction or sanction imposed by the Board.

104 The Board may waive compliance with a requirement imposed by the Rules where in the opinion of the Board, a waiver is warranted by the circumstances.

105 A public accounting firm applying for participation in the Board’s oversight program, or a participating audit firm, may decline to comply with a Board requirement on the basis that compliance would create a conflict with a law to which such firm is subject. When declining to comply with a Board requirement on this basis, the firm must:

- a. Identify the specific Board requirement that creates the conflict; and
- b. Provide to the Board:
  - i. A copy of the relevant portion of the conflicting law and, if not in English or French, a certified English translation;
  - ii. A legal opinion (and, if not in English or French, a certified English translation) stating that compliance would cause the firm to violate the applicable law and identifying the consents or waivers, if any, that if obtained, would permit such firm to comply with the Board’s requirement; and
  - iii. If applicable, an explanation in English or French of the firm’s efforts to seek consents or waivers, if any, that if obtained, would permit the firm to comply with the Board’s requirement, and a representation that the firm has been diligent in making such efforts but has been unable to obtain such consents or waivers.

If the Board accepts that a conflict of laws would be created and, if applicable, that the firm providing such material has used reasonable efforts but has been unable to obtain required consents or waivers, the Board will notify the firm of an appropriately adjusted requirement with which the firm must comply. If the Board

does not accept that a conflict of laws would be created or that the firm has used reasonable efforts to obtain required consents or waivers, the Board will notify the firm accordingly and any resulting disagreement in such regard between the Board and the firm may be settled in accordance with the dispute resolution procedures provided for in the Rules.

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## Section 200 – Participation and Withdrawal from Participation

201 Any public accounting firm that is authorized to issue audit reports on financial statements is eligible to apply to become a participant in the oversight program, pursuant to the procedures contemplated in this Section 200. Public accounting firms with reporting issuer audit clients must have submitted a participation agreement and become a participant in the Board's oversight program prior to issuing an audit report on the financial statements of such clients ~~on or after March 30, 2004 in the case of Canadian public accounting firms and on or after July 19, 2004 in the case of foreign public accounting firms.~~

202 An applicant firm becomes a participant in the oversight program by:

- a. Completing and filing with the Board an Intent to Participate form and a Quality Control Report, using the forms prescribed, and providing to the Board an Intent to Participate fee in the amount prescribed in Rule 802;
- b. Providing to the Board any further information with respect to the Intent to Participate form and Quality Control Report as the Board may request; and
- c. Upon being invited by the Board to submit its Initial Registration form, completing and filing with the Board within 30 days an Initial Registration form and a signed Participation Agreement using the forms prescribed.

203 [deleted]

204 Unless directed otherwise by the Board, an applicant firm must file the Intent to Participate form, the Quality Control Report and the Initial Registration form electronically with the Board through the Board's web-based registration system. The Participation Agreement must be submitted as a hard-copy document signed by the applicant firm's Senior Partner, Chief Executive Officer or other most senior management person.

205 Unless the Board directs otherwise, the date of receipt of an Intent to Participate form and Quality Control Report will be the later of (a) the date on which the Intent to Participate fee has been received by the Board, or (b) the date on which the Intent to Participate form and Quality Control Report are submitted to the Board through its web-based registration system.

206 An applicant firm may withdraw its Intent to Participate form and Quality Control Report by written notice to the Board at any time prior to filing its Initial Registration form.

207 Unless the applicant firm consents otherwise, the Board will review an Intent to Participate form and a Quality Control Report not later than 30 days after the

receipt of those documents by the Board. After reviewing those documents, the Board may:

- a. Invite the applicant firm to submit the Initial Registration form and signed Participation Agreement;
- b. Request more information from the applicant firm; or
- c. Advise the applicant firm that it proposes not to invite the applicant firm to become a participating audit firm.

208 If the Board requests more information from the applicant firm, it will review any additional information provided by the applicant firm as soon as practicable, and not later than 21 days after its receipt. Until the applicant firm provides all requested information to the satisfaction of the Board, the Board will not invite the applicant firm to submit an Initial Registration form and signed Participation Agreement.

209 If the Board proposes not to invite an applicant firm to become a participating audit firm, the Board will provide the applicant firm with written notice, in reasonable detail, of the proposed grounds for such decision. The applicant firm may then elect to withdraw its Intent to Participate form and Quality Control Report in accordance with Rule 206. If the applicant firm does not elect to withdraw, it may file with the Secretary of the Board a petition for a review proceeding under Section 700, including a statement describing with specificity why it believes that the Board should permit it to become a participating audit firm. As part of its petition, the applicant firm must agree to be bound by the Rules for review proceedings. Pending the outcome of that review proceeding, the applicant firm may submit an Initial Registration form and signed Participation Agreement. Following a review by the Board of the Initial Registration form and signed Participation Agreement, the Board may, at its option, grant to the applicant firm provisional status as a participating audit firm pending the outcome of the review proceeding. However, if the review panel's final decision is that the applicant firm should not become a participating audit firm, the Board may declare the applicant firm's status as a provisional participating audit firm to be terminated.

210 Upon receipt by the Board of the Initial Registration form and signed Participation Agreement in the manner provided for in Rule 204 within 30 days following an invitation to the applicant firm by the Board to submit such documents, the applicant firm becomes a participating audit firm, subject to Rule 209 when applicable. Unless the Board directs otherwise, the date of receipt of an Initial Registration form and signed Participation Agreement will be the later of (a) the date on which the Initial Registration form has been submitted to the Board through its web-based registration system and (b) the date on which a duly signed copy of the Participation Agreement has been received by the Board. The Participation Agreement will be deemed to be dated as of such later date and the Board will insert such date in the signed copy of the Participation Agreement. The Board will review an Initial Registration form and signed Participation Agreement not later than 30 days after such later date. After reviewing those documents, the Board will either advise the participating audit firm that no further information is



required or request more information from the participating audit firm.

- 211 If, pursuant to Rule 210, the Board requests more information from the participating audit firm with respect to the Initial Registration form or Participation Agreement, and the participating audit firm declines to provide the information or fails to do so within 30 days of receipt of the request from the Board, the Board may, 15 days after giving written notice to the participating audit firm, declare the status of such participating audit firm as a participant and its Participation Agreement to be terminated, or may take such other action as the Board deems appropriate.
- 212 The Board shall maintain on its website a register of the public accounting firms that are participants in the Board's oversight program, showing separately firms that have been granted provisional status under Rule 209 pending the outcome of a review proceeding. Information provided in the Intent to Participate form, the Quality Control Report and the Initial Registration form shall be made available to the public by the Board through its website, except that the Board will not disclose fee information for a participating audit firm either in aggregate or for any individual reporting issuer audit client.
- 213 Each participating audit firm shall secure and retain on behalf of the Board a written agreement and consent (in the prescribed form) from each of its designated professionals agreeing that, in connection with the purpose of the Board to promote publicly and proactively, high quality external audits of reporting issuers, including through the establishment and maintenance of participation requirements for public accounting firms that audit reporting issuers:
- a. The Board may collect such designated professional's personal information to the extent relevant to his or her professional activities (for example, his or her educational, employment, compensation and performance records):
    - i. from such designated professional and the participating audit firm in connection with the conduct of Inspections and Investigations of such participating audit firm by the Board; and
    - ii. from professional regulatory authorities to the extent included in reports, evaluations, recommendations and similar materials created or received by such authorities resulting from inspections of such designated professional's professional activities or those of the participating audit firm or any other public accounting firms with which such designated professional has been associated, in the course of supervising, regulating or reviewing his or her or their professional conduct; and use such information in connection with assessing the degree of compliance of the participating audit firm and all of its designated professionals with the Rules, Professional Standards and the participating audit firm's own quality control policies, in connection with the issuance of audit reports on the financial statements of reporting issuers, and otherwise as required or permitted by law;
  - b. The Board may disclose the personal information referred to above (i) to any professional regulatory ~~authorities~~authority having jurisdiction over such

designated professional in connection with the exercise of ~~their~~ its statutory duties, (ii) to the participating audit firm in connection with the Board conducting any Inspections, Investigations or review proceedings concerning, or imposing where appropriate requirements, restrictions or sanctions on the participating audit firm, (iii) to securities regulators and the Superintendent of Financial Institutions Canada provided that disclosure shall not be made of any specific information relating to the business, affairs or financial condition of any client of the participating audit firm and (iv) as required or permitted by law; and

- c. Such designated professional will deliver to the Board, if requested by it, complete copies of any reports, evaluations and similar materials provided to such designated professional by any professional regulatory authority, subject to such deletions as may be required in order to comply with restrictions at law or pursuant to applicable professional conduct rules.

214 Each participating audit firm shall secure and retain on behalf of the Board a written agreement (in the prescribed form and executed under seal) from each of the partners and officers of the participating audit firm agreeing (in each case in their personal capacity and not merely as a partner or officer of the participating audit firm) not to commence, direct the commencement by any person, partnership, trust or other entity of, or continue, as against the officers, directors, members, employees, agents, hearing officers, solicitors and inspectors of the Board (or their respective dependants, heirs, personal representatives, successors and assigns), and releasing those persons in respect of, any action, claim, counterclaim, crossclaim, third party claim or any other kind of court or other proceeding on account of any and all actions, causes of action, suits, proceedings, claims, duties, damages, grievances, liabilities and demands of any kind whatsoever, including those for damages, defamation, legal fees, loss, injury, interest or cost, however arising, which have existed or may in the future exist by reason of any cause, matter or thing whatsoever as a result of anything done, or omitted, in good faith in the performance, or intended performance, of the Board's purpose.

215 Each participating audit firm shall:

- a. Forthwith establish as a condition of the employment, retention or partnership of each of its designated professionals that such persons will cooperate with Inspections and Investigations, including by complying with Board demands and Board requests;
- b. Use its best efforts to cause its designated professionals, and other partners and employees, to cooperate with Inspections, Investigations and review proceedings, including by complying with Board demands and Board requests;
- c. Within three months of submitting to the Board its signed Participation Agreement and thereafter from time to time as required by the Board, certify as to its compliance with Rules 213 and 214;
- d. File annual information returns in a form and at such times as the Board shall prescribe; and

- e. Pay annual and special participation fees in such amounts and at such times as the Board shall prescribe pursuant to Section 800.

216 A participating audit firm shall notify the Board within 15 days if the firm considers that there has been a material change to the information provided in its latest filing with the Board. Without limitation, the following events are deemed to constitute a material change:

- a. A merger between the firm and another participating audit firm;
- b. The acquisition by the firm of all or part of the audit practice of another participating audit firm;
- c. The sale or other disposition by the firm of all or part of its audit practice involving 10% of more of its base of reporting issuer audit clients, as measured by the number of such clients;
- d. The bankruptcy or insolvency of the firm; or
- e. The dissolution of the firm.

217 ~~[deleted]~~ The Board may impose any requirement restriction or sanction available under Rule 601, for material noncompliance with initial or annual registration or participation requirements (as outlined in rules 201 -255), or for providing incomplete or inaccurate information to the Board.

[218-249 reserved]

250 A participating audit firm may terminate its participation in the oversight program by filing a Notice of Withdrawal using the prescribed form through the Board's web-based registration system, and by providing the Board with a written notification, signed by the participating audit firm's Senior Partner, Chief Executive Officer or other most senior management person, stating that the firm is terminating its participant status and Participation Agreement and undertaking that the firm will not from and after the date of the notification issue an audit report on the financial statements of a reporting issuer without having first been reinstated as a participating audit firm.

251 The contents of the Notice of Withdrawal shall be non-public, but the Board shall publicly disclose on its website the identity of any firm that has filed a Notice of Withdrawal.

252 Upon receipt by the Board from a participating audit firm of the Notice of Withdrawal and the duly signed notification in the manner provided for in Rule 250, the firm's status as a participant and its Participation Agreement will be considered to be terminated. Unless the Board directs otherwise, the date of receipt of a Notice of Withdrawal will be the later of (a) the date on which the Notice of Withdrawal has been submitted to the Board through its web-based registration system and (b) the date on which the signed notification has been received by the Board.

253 Following the Board's receipt of the Notice of Withdrawal, the public accounting

firm shall not be obliged to pay any further registration fees to the Board in respect of any period after the date of such receipt, unless it applies for reinstatement pursuant to Rule 254. However, there shall be no refund of previously paid participation fees or any portion thereof.

- 254 The status of a participating audit firm as a participant (a) shall terminate upon the expiry of its Participation Agreement in accordance with its terms without a replacement Participation Agreement having been entered into and (b) may be terminated in accordance with the provisions of the Rules.

Despite the foregoing, the Board will retain jurisdiction over a participating audit firm:

- (i) if the Board is in the process of inspecting or investigating the participating audit firm at the time of the termination; or
- (ii) with respect to an inspection or investigation involving conduct which occurred while the firm was registered as a participating audit firm.

Such jurisdiction will continue until the conclusion of any inspection or investigation, including the process of imposing enforcement actions under Section 600 of the Rules or any resulting review proceeding.

- 255 A public accounting firm that has withdrawn from participation or has otherwise had its status as a participant terminated may subsequently apply for reinstatement as a participating audit firm. The procedure for reinstatement shall be the registration procedure set out in Rule 202. The public accounting firm applying for reinstatement shall, as a condition of reinstatement, pay to the Board any participant fees and other charges by the Board to the firm that were unpaid at the time of the termination of the firm's previous participation, and that remain unpaid at the date of application for reinstatement. The Board may, at its option, undertake an Inspection of the applicant firm before reinstating the applicant firm as a participating audit firm. If the applicant firm had been subject to requirements, restrictions or sanctions when its previous participation ended, the Board may, at its option, require the firm to comply with the same or similar requirements, restrictions or sanctions as a condition of its reinstatement.

## Section 300 – Professional Standards

- 301 If the audit report on the financial statements of a reporting issuer refers to ~~auditing standards generally accepted in Canada~~ Canadian Auditing Standards, the participating audit firm and the designated professionals of such firm shall, in connection with such audit, comply with ~~auditing standards generally accepted in Canada~~ Canadian Auditing Standards, as set out in the Chartered Professional Accountants (CPA) Handbook – Assurance. ~~Assurance Handbook of the Canadian Institute of Chartered Accountants.~~
- 302 If the audit report on the financial statements of a reporting issuer refers to generally accepted auditing standards other than those of Canada, the participating audit firm and the designated professionals of such firm shall, in connection with such audit, be knowledgeable with respect to and comply with those other auditing standards.
- 303 A participating audit firm and the designated professionals and other partners and employees of such firm shall comply with ethics standards as follows with respect to an audit of the financial statements of a reporting issuer:
- a. Canadian participating audit firms, and the designated professionals and other partners and employees of such firms, shall comply with the ethics standards of the professional regulatory bodies that have jurisdiction over them, and such other standards as the Board may require from time to time.
  - b. With respect to auditor independence, the relevant standard for all Canadian participating audit firms of Chartered Professional Accountants and the designated professionals and other partners and employees of such firms shall be the requirements of the Provincial ~~Institute(s)~~ Ordre Organization of Chartered Professional Accountants in the relevant province(s). In provinces other than Quebec, the requirements are set out in rule 204 of the Rules of Professional Conduct, and in Quebec, the requirements are set out in ~~Division 2.1~~ the Code of Ethics of Chartered Professional Accountants.
  - c. ~~With respect to auditor independence, the relevant standard for all Canadian participating audit firms of Certified General Accountants and the designated professionals and other partners and employees of such firms shall be the requirements of the CGA Independence Standard, Version 1.2. [Deleted]~~
  - d. Foreign participating audit firms, and the designated professionals and other partners and employees of such firms, shall comply with such ethics standards as the Board may require from time to time.
- 304 The Auditing and Assurance Standards Board (AASB) ~~of the Canadian Institute of Chartered Accountants has issued General Standards of Quality Control for Firms Performing Assurance Engagements and Quality Control Procedures for Assurance Engagements~~ has issued Canadian Standards on Quality Management with respect to Quality Management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements (CSQM 1) and Engagement Quality Reviews (CSQM 2). Participating audit firms are required to have a system of quality control that conforms with General Standards of Quality Control for Firms

Performing Assurance Engagements no later than January 1, 2005, and to comply with Quality Control Procedures for Assurance Engagements with respect to their audits of reporting issuers' financial statements for periods beginning on or after January 1, 2005, notwithstanding the effective date of December 1, 2005 established by the AASB management that complies with the requirements of CSQM 1 and CSQM 2, and foreign participating audit firms are required to comply with the requirements of Canadian National Instrument 52-107.

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## Section 400 - Inspections

- 401 Every participating audit firm shall be subject to regular and special Inspections as the Board may from time to time conduct, either directly by the staff of the Board, or through or in cooperation with professional regulatory authorities, in order to assess the compliance of each participating audit firm with the Rules and Professional Standards and the firm's own quality control policies, in connection with the issuance of audit reports on the financial statements of reporting issuers. When the Board is planning to conduct a regular or special Inspection of a participating audit firm, it will advise the firm whether the Inspection is a regular or special Inspection.
- 402 In performing a regular Inspection, the staff of the Board and any other person or entity authorized by the Board to participate in or conduct the Inspection shall take such steps, and perform such procedures, as the Board determines are necessary or appropriate.
- 403 A participating audit firm that, during a calendar year, issued audit reports with respect to 100 or more reporting issuers shall be subject to a regular Inspection in the following calendar year. A participating audit firm that, during a calendar year, issued audit reports with respect to 50-99 reporting issuers shall be subject to at least one regular Inspection during the following two calendar years, with the timing and number of such Inspection or Inspections to be determined by the Board's staff.
- 404 A participating audit firm that audits the financial statements of fewer than 50 reporting issuers per calendar year shall be subject to a regular Inspection at least once in every three calendar-year period. The first three-year period will begin with the year during which the firm becomes a participating audit firm.
- 405 The Board may undertake a special Inspection where it considers that circumstances warrant such an Inspection. In performing a special Inspection, the staff of the Board and any other person or entity authorized by the Board to participate in or conduct the special Inspection shall take such steps, and perform such procedures, as the Board determines are necessary or appropriate.
- 406 Every participating audit firm shall cooperate, and every participating audit firm shall use its best efforts to cause each of its designated professionals and other partners and employees to cooperate, with the Board in the performance of an Inspection. Cooperation shall include cooperating and complying with any request made by the Board to:
- a. Provide access to, and the ability to copy, any document in the possession, custody or control of such firm or person; and
  - b. Provide information by oral interview, written response, or otherwise.
- 407 Persons permitted to be present at an oral interview being conducted as part of an Inspection are limited to:

- a. The person or persons being interviewed;
- b. Members of the staff of the Board;
- c. Any other person authorized by the Board to conduct the Inspection; and
- d. Such other persons as the members of the Board's staff determine are appropriate to permit to be present.

408 When a claim of privilege is asserted by a participating audit firm or an individual in objecting to any Board request for information, including an interview, and an answer or document is not provided on the basis of such assertion, the person asserting the privilege, or its, his or her counsel, shall:

- a. Identify the nature of the privilege that is being claimed and indicate the relevant jurisdiction's privilege rule being invoked; and
- b. Provide in the objection, unless divulgence of such information would cause disclosure of the allegedly privileged information:
  - i. For documents, the type of document, the general subject matter of the document, the date of the document and such other information as is sufficient to identify the document; and
  - ii. For oral communications, the name of the person making the communication, the names of persons present while the communication was made and where not apparent the relationship of the persons present to the person making the communication, the date and place of the communication and the general subject matter of the communication.

409 The Board shall make a draft Inspection report available for review by the participating audit firm that is the subject of the Inspection. The report shall include note of any significant identified potential weaknesses or deficiencies in the firm's system of quality ~~control~~ management, any significant ~~deficiencies~~ findings in any specific audit engagements reviewed and recommendations for improvement in the firm's system of quality ~~control~~ management. Recommendations may include the need for additional professional education for some or all of the designated professionals of the firm, or the need to design ~~adopt or~~ and implement responses to significant weaknesses or deficiencies identified by the Board effectively ~~policies and procedures~~ to ensure compliance with the Rules or Professional Standards. The report shall state whether as a consequence of the findings of the Inspection, the Board intends to propose the imposition of any requirements, restrictions or sanctions on the firm, although any such statement of intention will not constitute notice under Rule 602. The firm shall, within 30 days after receipt of the draft Inspection report, or such shorter period as the Board may require, submit to the Board a response to each recommendation in the draft report, indicating whether it accepts the recommendation, or if not, why not. The response shall be in the form of a letter signed by the firm's Senior Partner, Chief Executive Officer or other most senior management person.

410 After receiving and reviewing the response letter from the participating audit firm, the Board may take such action with respect to the draft Inspection report as it considers appropriate, including adopting the draft report as the final report, preparing a revised draft report, or continuing or supplementing the Inspection



before issuing a final report. In the event that the Board prepares a revised draft Inspection report or continues or supplements the Inspection, the Board will afford the firm 15 days to review and respond in writing to, and may require the firm to respond in writing to, any draft Inspection report that includes significant revisions from the previous draft.

411 The Board shall attach to, and make part of the final Inspection report, the responses submitted by the participating audit firm to the initial and any revised draft Inspection report. However, the Board shall remove from the attached response any comments pertaining to recommendations or observations in a draft report that were deleted from the final report.

412 Promptly following the Board's issuance of a final Inspection report, the Board shall make a copy of such report available for review by the participating audit firm that is the subject of the report and may provide a copy of such report to any professional regulatory authority having jurisdiction over the firm or its designated professionals.

413 (a) A draft or final Inspection report is intended as a private communication from the Board to the participating audit firm. Accordingly, a participating audit firm may not provide to any third party a copy of the report or any portion thereof. However, following the issuance by the Board of its final Inspection report to a participating audit firm, such firm may inform the audit committee of an audit client whether it has implemented, or intends to implement within the period established by the Board, all of the Board's recommendations, if any, included in the Board's final Inspection report. Furthermore, the firm may provide to the audit committee of an audit client a copy of any recommendations that it does not intend to implement and its reasons for non-implementation.

In addition, a participating audit firm must comply with the Protocol for the Audit Firm Communication of CPAB Inspection Findings with Audit Committees, dated March 2014, or as amended thereafter.

(b) The Board may publicly disclose information from a final Inspection report in a public Inspection report for each participating audit firm, in a form determined by the Board to be appropriate. This determination will be made in accordance with the following:

1. The Board shall not directly identify reporting issuers and shall make best efforts not to indirectly identify a reporting issuer;
2. The Board will ensure adherence to the applicable law in the participating jurisdictions; and
3. The Board will include a response by the participating audit firm to its public inspection report if one is provided.

A participating audit firm may not publish or extract portions of any of the Board's Inspection reports without the Board's consent.

- 414 With respect to any final Inspection report that identifies significant potential weaknesses or deficiencies in the system of quality ~~control~~-management or significant ~~deficiencies~~ findings in specific engagements or makes recommendations for improvement in the system of quality control management of the participating audit firm under Inspection, the firm must submit evidence or otherwise demonstrate to the Board that it has ~~remedied~~ remediated such weaknesses and deficiencies and implemented such recommendations no later than 180 days after the issuance of such final Inspection report, or by such earlier date as the Board may require. After reviewing any such evidence, the Board shall notify the firm whether, in the opinion of the Board, the firm has satisfactorily addressed the weaknesses, deficiencies and recommendations identified in the final Inspection report and, if not, why not.
- 415 If the Board determines that the participating audit firm has satisfactorily addressed the weaknesses, deficiencies and recommendations identified in the final Inspection report, the Board shall provide notice of that determination to the professional regulatory authorities, if any, that received from the Board a copy of the final Inspection report.
- 416 If the participating audit firm has not addressed the weaknesses, deficiencies or recommendations to the satisfaction of the Board, or has not made a submission to the Board in accordance with Rule 414, the Board may make public on its website the relevant portion or portions of the final Inspection report that deal with such weaknesses, deficiencies or recommendations and the fact that they have not been addressed to the Board's satisfaction. If the Board intends to make such public disclosure, it shall notify the firm. The firm may, within 15 days of receiving notification of the Board's intention, file with the Secretary of the Board a petition for a review proceeding under Section 700. If the decision of the review panel determines that the weaknesses, deficiencies or recommendations have not been satisfactorily addressed, or if the firm does not submit a petition for a review proceeding during the 15 day period allowed, the Board shall make public on its website the relevant portion or portions of the final Inspection report and that information shall remain on its website until such time as the firm has demonstrated to the complete satisfaction of the Board that it has addressed the weaknesses, deficiencies or recommendations or the firm's status as a participant and its Participation Agreement have been terminated. In any public disclosure made by the Board under this Rule, the Board will use its best efforts to not identify any individual or reporting issuer, provided that the foregoing shall not preclude the naming of a participating audit firm even if the names of one or more individuals are included in the firm's name.
- 417 Any documents or other information prepared or received by or specifically for the Board or the staff of the Board in connection with an Inspection of a participating audit firm shall be confidential in the hands of the Board, provided however that the Board shall, if it considers it appropriate, disclose such information: (i) to any professional regulatory authority having jurisdiction over the participating audit firm or its designated professionals; ~~and~~ (ii) to securities regulators and the Superintendent of Financial Institutions Canada, provided only that disclosure shall

not be made of any specific information relating to the business, affairs or financial condition of any client of the participating audit firm except to the extent such disclosure may be authorized by applicable law; and when making such disclosure the Board shall inform the recipient that the information is confidential; and (iii) as contemplated in connection with the administration of Rule 413 (b).

418 If, based on the information obtained during any Inspection, the Board considers that:

- a. A Violation Event may have occurred, the Board may, if it deems appropriate, issue an order for an Investigation of such event pursuant to Rule 501; or
- b. A Violation Event has occurred, the Board may, if it deems appropriate, propose the imposition of requirements, restrictions or sanctions pursuant to Section 600.

419 The Board may, at any time, publish such summaries, compilations or general reports concerning the procedures, findings and results of its various Inspections as it deems appropriate. Such reports may include discussion of significant potential weaknesses or deficiencies in, or recommendations for, improvement of systems of quality ~~control~~ management of any participating audit firm or firms that were the subject of an Inspection. In its reports, other than for disclosures specifically authorized by these Rules, the Board will use its best efforts not to publish information that would enable the identification of the firm or firms with respect to which such weaknesses were found or recommendations relate, unless that information has previously been made public by lawful means.

420 A foreign participating audit firm that seeks to have the Board rely, to the extent deemed appropriate by the Board, on inspections carried out by a foreign auditor oversight body shall submit to the Board a written statement signed by an authorized partner or officer of such firm certifying that the firm seeks such reliance for all Board inspections. The statement shall identify the auditor oversight body on which the firm wishes the Board to rely.

421 If a foreign participating audit firm has submitted a statement pursuant to Rule 420, the Board will, at an appropriate time, determine the degree, if any, to which the Board may rely on the inspections carried out by the foreign auditor oversight body (the oversight body). In making that determination, the Board will make an evaluation of such oversight body that may include, but not be limited to, consideration of whether:

- a. The oversight body is authorized to do all of the following without the approval of, or consultation with, any person affiliated or otherwise connected with a foreign participating audit firm or an institute, association or other professional body to which such persons or firms may belong:
  - i. inspect foreign participating firms' audit and review engagements, evaluate the sufficiency of such firms' quality control systems, and perform such other testing as deemed necessary;
  - ii. conduct investigations and disciplinary proceedings of foreign participating audit firms that may have violated the laws and standards relating to the

- issuance of audit reports;
- iii. impose appropriate requirements, restrictions and sanctions for violations of the foreign jurisdiction's laws and standards relating to the issuance of audit reports; and establish and enforce ethics rules and standards of conduct for the individual or group of individuals who govern the oversight body and for the staff of the oversight body;
  - b. Appointment of the person or persons governing the oversight body did not require the approval of, or consultation with, any person affiliated or otherwise connected with a foreign participating audit firm or a professional institute or association to which such persons or firms may belong; and may not be removed by any person affiliated or otherwise connected with a participating audit firm or an institute, association or other professional body to which such persons or firms may belong;
  - c. A majority of the individuals with whom the oversight body's decision-making authority resides, including the individual who functions as the entity's chief executive or equivalent thereof, are not practicing public accountants;
  - d. The oversight body conducts its day-to-day operations without the approval of any person affiliated or otherwise connected with a foreign participating audit firm or an institute, association or other professional body to which such persons or firms may belong;
  - e. The staff of the oversight body have adequate qualifications and expertise;
  - f. The oversight body has an appropriate source of funding that is not subject to change, approval or influence by any person affiliated or otherwise connected with a foreign participating audit firm or an institute, association or other professional body to which such persons or firms may belong;
  - g. The oversight body's rulemaking procedures and periodic reporting to the public are openly visible and accessible; and
  - h. The oversight body has a record of disciplinary proceedings and appropriate requirements, restrictions and sanctions, but only for those oversight bodies that have existed for a reasonable period of time.

422 The Board may, as it deems appropriate, provide assistance to a foreign auditor oversight body by including in its inspection of a Canadian participating audit firm consideration of the laws and/or regulations of a foreign jurisdiction.

## Section 500 – Investigations

- 501 The Board may issue an order for an Investigation if the Board considers that a Violation Event may have occurred. In an Investigation order, members of the Board’s staff or its designate may be ~~designated~~ assigned to issue Board demands and Board requests to, and otherwise request the cooperation of, any person to the extent that the information sought is relevant to the matters described in the Investigation order. The Board shall provide to the participating audit firm a copy of the Board’s Investigation order, subject to receiving from the firm signed consent to such limits on dissemination as the Board may require.
- 502 Every participating audit firm shall, and every participating audit firm shall use its best efforts to cause each of its designated professionals and other partners and employees to, cooperate and comply with any Board demand or Board request to:
- a. Provide access to, and the ability to copy, any document in the possession, custody or control of such firm or person; and
  - b. Provide information by oral interview, written response, or otherwise.
- 503 The Board may require the testimony of any participating audit firm or any designated professional or other partner or employee of such firm, with respect to any matter that the Board considers relevant or material to an Investigation. The Board shall require testimony by serving a Board demand that:
- a. Gives reasonable notice of the time and place for the taking of testimony;
  - b. States the method or methods by which the testimony shall be taken, which may be audio or audio and video, but shall include a recording and transcription of the testimony by a verbatim reporting service; and
  - c. If the testimony is being required from a participating audit firm, includes a description with reasonable particularity of the matters on which testimony is required.
- 504 A participating audit firm subject to a Board demand to provide testimony shall designate one or more individuals to testify on its behalf, and may set forth, for each individual designated, the matters on which the individual will testify.
- 505 Persons permitted to be present at the taking of testimony pursuant to a Board demand are limited to:
- a. The person giving testimony, and his or her counsel, who shall be permitted to advise the person giving testimony of his or her rights but shall take no other part in the taking of testimony;
  - b. Any member of the staff of the Board;
  - c. The reporter from the verbatim reporting service; and
  - d. Counsel to the Board and such other persons as the Board determines are appropriate to permit to be present, provided however, that no other person who has been or is reasonably likely to be required or requested to give testimony in the Investigation shall be present.

- 506 A witness who has given oral testimony, after being notified that the transcript of such testimony is available, shall have 15 days in which to review but not copy the transcript, and if there are explanations or additions to the information contained therein, to sign and deliver to the Board a statement reciting such explanations or additions and the reasons given by the witness for making them.
- 507 A person who has given oral testimony in an Investigation may request a copy of the transcript of such testimony. When the Investigation is complete, the Board's staff, at its discretion, may provide such copy.
- 508 The Board may issue a Board demand for the production of audit working papers or any other document or information in the possession of a participating audit firm or designated professional of such firm, wherever domiciled, that the Board considers relevant or material to the Investigation. A Board demand shall set forth a reasonable time and place for production. Unless a Board demand expressly requires the production of original documents, copies of requested documents may be produced. If the originals are not produced, they shall be maintained in a reasonably accessible manner, shall be readily available for inspection by the Board and shall not be destroyed without the Board's consent. Unless a Board demand expressly requests or permits printed copies of electronic documents, documents that exist in electronic form shall be produced in that form.
- 509 The Board may in connection with an Investigation examine the records of any participating audit firm or a designated professional of such firm.
- 510 When a claim of privilege is asserted by a participating audit firm or an individual in objecting to any Board demand for information, including testimony, and an answer or document is not provided on the basis of such assertion, the person asserting the privilege, or its, his or her counsel, shall:
- a. Identify the nature of the privilege that is being claimed and indicate the relevant jurisdiction's privilege rule being invoked; and
  - b. Provide in the objection, unless divulgence of such information would cause disclosure of the allegedly privileged information:
    - i. For documents, the type of document, the general subject matter of the document, the date of the document and such other information as is sufficient to identify the document; and
    - ii. For oral communications, the name of the person making the communication, the names of persons present while the communication was made and where not apparent the relationship of the persons present to the person making the communication, the date and place of the communication and the general subject matter of the communication.
- 511 The Board may issue a Board request for the testimony of any person, including any client of a participating audit firm, with respect to any matter that the Board considers relevant or material to an Investigation. A Board request for testimony shall:

- a. Give reasonable notice of the time and place for the taking of testimony;
- b. State the method or methods by which the testimony shall be taken, which may be audio or audio and video, but shall include a recording and transcription of the testimony by a verbatim reporting service; and
- c. If the testimony is being requested from a reporting issuer or other organized entity, give a description with reasonable particularity of the matters on which testimony is required.

512 The provisions of Rules 505, 506 and 507 shall also apply to the taking of testimony pursuant to a Board request.

513 The Board may issue a Board request to any person, including any reporting issuer, for the production of any document that the Board or its staff considers relevant or material to the Investigation, with appropriate notice, subject to the needs of the Investigation. A Board request issued pursuant to this Rule shall set forth a reasonable time and place for production.

514 A participating audit firm shall provide its consent to disclosure to the Board by any person that is the subject of a Board request.

515 Any person who testifies or produces documents pursuant to a Board demand or Board request shall, upon request, be shown the Board's Investigation order. At the discretion of the Board, a copy of the order may be furnished to such person for his or her retention, subject to such limits on dissemination as the Board may require.

516 Investigations, and any documents, testimony or other information prepared or received by or specifically for the Board in connection with such Investigations, shall be confidential in the hands of the Board, provided however that the Board shall, if it considers it appropriate, disclose such information: (i) to professional regulatory authorities having jurisdiction over the participating audit firm or its designated professionals; and (ii) to securities regulators and the Superintendent of Financial Institutions Canada, provided only that disclosure shall not be made of any specific information relating to the business, affairs or financial condition of any client of the participating audit firm except to the extent such disclosure may be authorized by applicable law; and when making such disclosure the Board shall inform the recipient that the information is confidential.

517 Participating audit firms, and designated professionals of such firms, who become involved in an Investigation may, on their own initiative, submit a written statement to the Board setting forth their interests and positions in regard to the subject matter of the Investigation. The Board shall advise such persons of the general nature of the Investigation, including the indicated violations as they pertain to those persons and the amount of time that is available for preparing and submitting a statement.

518 If, based on the information obtained during any Investigation, the Board considers that a Violation Event has occurred, the Board may, if it deems appropriate, propose the imposition of requirements, restrictions or sanctions pursuant to Section 600.

- 519 If, based on the information obtained during any Investigation, the Board decides to take no further action, the Board will so advise the participating audit firm.
- 520 The Board may, in appropriate circumstances, rely upon the investigation of a foreign participating audit firm by a foreign auditor oversight body, in lieu of carrying out its own investigation of such firm.
- 521 The Board may, as it deems appropriate, and subject to applicable confidentiality provisions, provide assistance to a foreign auditor oversight body in an investigation of a Canadian participating audit firm conducted pursuant to the laws and/or regulations of a foreign jurisdiction, provided that the Board shall first have obtained the written consent of the Canadian participating audit firm that the Board may provide such assistance.



## Section 600 – Requirements, restrictions and sanctions

601 If as a consequence of an Inspection or Investigation, or otherwise, the Board considers that a Violation Event has occurred, the Board may give notice to a participating audit firm that it proposes to impose requirements, restrictions or sanctions on such firm, which may include one or more of the following:

- a. Additional professional education for some or all of the designated professionals of a participating audit firm;
- b. The design, adoption or implementation of policies by a participating audit firm to ensure its compliance with the Rules of the Board and Professional Standards;
- c. Assignment of a reviewer or supervisor to oversee the work of one or more designated professionals of a participating audit firm;
- d. Termination of one or more audit engagements of a participating audit firm;
- e. Appointment of an independent monitor, subject to the approval of the Board, to observe and report to the Board on a participating audit firm's compliance with the Rules and Professional Standards;
- f. Prohibition of a participating audit firm from accepting new reporting issuer audit clients for a period of time;
- g. Prohibition of a participating audit firm from assigning one or more designated professionals to audits of financial statements of reporting issuers, for a period of time or permanently;
- h. Public censure;
- i. Monetary assessment intended to recoup the Board's anticipated cost of monitoring the participating audit firm's compliance with the terms of any requirement, restriction or sanction;
- j. Termination of a firm's status as a participant and its Participation Agreement;  
or
- k. Other remedial actions.

602 If the Board proposes that any requirement, restriction or sanction be imposed on a participating audit firm, the Secretary shall send a notice of such proposal to the firm and to any individual specifically identified in such proposed requirement, restriction or sanction:

- a. ~~By regular mail;~~ **b.** By electronic transmission; or
- ~~e. By telephone transmission of a facsimile; or d.~~ **b.** By personal service or delivery;

~~to the most recent address on file with the Board. If the notice is sent by regular mail, it shall be deemed to have been received on the third business day after it is mailed. If a copy is sent by electronic transmission, telephone transmission of a facsimile, or by personal service or delivery, it shall be deemed to have been received on the day after it was sent, unless that day is not a business day, in which case the copy shall be deemed to have been received on the next day that is a business day. Notice by electronic transmission shall be confirmed by regular mail or courier delivery.~~

603 Within 15 days of receiving from the Board a notice referred to in Rule 602, the

- participating audit firm or any individual specifically identified in the proposed requirement, restriction or sanction may file with the Secretary a petition for a review proceeding under Section 700, which petition must include a statement describing with specificity its basis of objection to the proposed requirement, restriction or sanction, and, in the case of an individual, an agreement to be bound by the Rules relating to review proceedings.
- 604 If, following the issuance to a participating audit firm of a notice pursuant to Rule 602, (i) the Board does not receive a petition for a review proceeding in accordance with Rule 603 or (ii) the decision of a review panel in a proceeding held in response to such petition determines that the requirement, restriction or sanction, as the case may be, should be imposed, then the Board shall send to the participating audit firm a notice stating that the relevant requirement, restriction or sanction is in effect, in which case the participating audit firm shall comply immediately therewith.
- 605 Any participating audit firm that is subject to any continuing requirement, restriction or sanction may file an application for termination of the requirement, restriction or sanction at any time, and the applicant may, at the Board's discretion, be afforded a hearing. The requirement, restriction or sanction shall continue, however, unless and until it has been terminated by an order of the Board.
- 606 If a participating audit firm has failed to pay a monetary assessment within 60 days of it being assessed, the Board may, if such assessment remains unpaid after seven days' notice to the participating audit firm in writing of such fact, terminate the firm's status as a participant and its Participation Agreement.
- 607 The Board shall disclose publicly to anyone who inquires and on its website the name of a participating audit firm that is subject to any continuing restriction or sanction with respect to which the firm is required, pursuant to National Instrument 52-108, to notify both securities regulators and the audit committees of its reporting issuer audit clients of the restriction or sanction. Disclosure by the Board shall not precede the date by which the firm shall have been required to make such notifications. In making disclosure under this Rule, the Board shall not disclose the identity of any individual specifically identified in a continuing restriction or sanction, provided that the foregoing shall not preclude the naming of a participating audit firm even if the names of one or more individuals are included in the firm's name.
- 608 The Board may, in appropriate circumstances, rely upon a requirement, restriction or sanction imposed on a foreign participating audit firm by a foreign auditor oversight body in lieu of imposing its own requirement, restriction or sanction on such firm.
- 609 For the purposes of determining whether interim relief should be granted under Rule 610, an expedited hearing shall be held on application by the Board before a single hearing officer designated by the Chair of the roster of hearing officers as soon as possible but no later than 10 days after the filing of the application. The

Chair of the roster of hearing officers may appoint themselves as hearing officer. The application must set out the basis on which the Board is requesting the expedited hearing and the content of the order being sought.

610 At an expedited hearing pursuant to Rule 609, the hearing officer may impose on an interim basis, any of the requirements, restrictions or sanctions prescribed by Rule 601 upon a participating audit firm and/or designated professional, notwithstanding that a petition for a review proceeding has been filed in accordance with Rule 603, in any of the following circumstances:

(1)

- a) a participating audit firm and/or a designated professional makes a general assignment for the benefit of its creditors, makes an authorized assignment or proposal to its creditors, is declared bankrupt, or a winding up order is made in respect of a participating audit firm and/or designated professional or a receiver or other officer with similar powers is appointed in respect of all or part of the undertaking and property of the participating audit firm and/or designated professional;
- b) a participating audit firm and/or designated professional has been disciplined, or otherwise sanctioned, by a professional regulatory authority charged with supervision of public accounting firms;
- c) a participating audit firm and/or a designated professional has been disciplined, or otherwise sanctioned by a securities regulatory authority;
- d) a participating audit firm and/or designated professional has been charged with or convicted of a criminal offence relating to theft, fraud, misappropriation of funds and securities, forgery, money-laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, or any similar criminal charge that likely threatens public confidence in the integrity of financial reporting; or
- e) the CPAB Board of directors has determined that a participating audit firm and/or designated professional has committed a violation event as defined in Rule 103 and that the imposition of one or more enforcement actions under Rule 601 (d), (f), (g) or (j) is required to maintain public confidence in the integrity of financial reporting;

and

(2) in exceptional circumstances where the facts support that the interim order is necessary to maintain public confidence in the integrity of financial reporting.

611 In determining the content and effective dates of the interim order, the hearing officer shall, take into account any undue prejudice to the participating audit firm and any impact on the public confidence in the integrity of financial reporting, and impose the requirement(s) restriction(s) or sanction(s) that impair the rights of a

participating audit firm as minimally as possible.

612 When a hearing officer makes an order at the conclusion of an expedited hearing, the Board shall forthwith serve a copy of the order and reasons of the hearing officer on the participating audit firm and/or designated professional affected by the order.

613 An interim order made pursuant to an expedited hearing may be varied by application to the panel member who issued the initial interim order or by a panel of hearing officers appointed under Rule 706.

614 Any hearing under Rule 609 shall be held *in camera*.

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## Section 700 - Review Proceedings

701 Upon receipt of a petition for a review proceeding (i) from a public accounting firm that is an applicant to become a participating audit firm pursuant to Rule 209 or (ii) from a participating audit firm pursuant to Rule 416 or (iii) from a participating audit firm or an individual pursuant to Rule 603 or (iv) from a participating audit firm pursuant to Rule 217, the Board Chair of the roster of hearing officers, or their designate, shall issue an order for a review proceeding. The order shall include a short and plain statement of the issues to be considered and determined with respect to the firm that is the subject of such review proceeding.

~~The Board shall have the right to identify the issues to be considered in the review proceeding and the petitioning party or and~~ Once the Order has been issued the parties shall have the right to raise in the proceeding such issues and arguments as they consider appropriate in responding to the issues included in the notice for a review proceeding or any additional issues determined by the review hearing panel to be appropriate. In any review proceeding, the parties shall be the Board, any public accounting firm or participating audit firm that is the subject of the review proceeding and, in the case of a review proceeding that is the result of a petition under Rule 603, any individuals who are specifically identified in a proposed requirement, restriction or sanction. Review proceedings shall be held in camera, whether, in writing, in person or electronically.

The resulting decision of the review panel shall be made public unless the review panel determines that publication would unduly prejudice or cause significant harm to a third party, such as a reporting issuer.

The final decision may be subject to such redactions as the review panel considers appropriate or necessary to prevent undue prejudice, significant harm to a third party or to a participating audit firm, or to comply with applicable law.

702 The Board may make an order that consolidates proceedings that have been instituted in respect of the same firm.

703 If the parties to a review proceeding consent, a review proceeding may be disposed of by a decision of the Board without a hearing.

704 The Secretary shall give to the parties to the review proceeding a copy of the order for the review proceeding, and, if the order sets a hearing date, each party shall be given notice of the hearing within a reasonable time in advance of the hearing. A notice of hearing shall include:

- a. A statement of the date, place and purpose of the hearing; and
- b. A statement that if the party notified does not attend at the hearing, the hearing may proceed in the party's absence and the party will not be entitled to any further notice in the proceedings.

705 The Board will maintain a roster of hearing officers who will be appointed by the

CPAB Council of Governors and may preside over review proceedings. The CPAB Council of Governors shall appoint one hearing officer to serve as the Chair of the roster of hearing officers. For a particular review proceeding, the Chair of the roster of hearing officers shall select from the roster three persons who will form a review panel to preside over the review proceeding and will provide to the parties to the review proceeding the names of the three persons. A bilingual review panel shall be appointed to preside at a review proceeding where, prior to the initial selection of the review panel, a party to the review proceeding has requested that it be conducted in whole or in part in French. Within five business days of being notified of the names of the members of the proposed review panel, the parties to the review proceeding shall have the right to submit to the Chair of the roster of hearing officers on a confidential basis any objections to the assignment of one or more hearing officers to the panel. The Chair of the roster of hearing officers, will consider carefully the basis of any objection before finalizing the composition of the review panel, and will remove from any proposed panel an individual whose presence on the panel would raise a reasonable apprehension of bias.

- 706 A review panel shall have the authority to do all things necessary and appropriate to discharge its duties. All decisions of a review panel shall be made by majority vote. The powers of a review panel include the following:
- a. Receiving relevant evidence and ruling upon the admission of evidence;
  - b. Regulating the course of a proceeding and the conduct of the parties and their counsel;
  - c. Holding prehearing and other conferences for purposes other than discussing the merits of the issues in controversy, and requiring the attendance at any such conference of at least one representative of each party;
  - d. Determining motions on procedural issues brought before or during hearings, including the making of directions on the process to be followed on motions; ~~and~~
  - e. Receiving statements of facts agreed upon by the parties, in place of all or some of the evidence; ~~and~~
  - f. Imposing, affirming, quashing or varying an interim order including those made pursuant to Rule 609.

- 707 A review panel shall, at any stage of the review proceeding, make orders for:
- a. The provision of particulars; and
  - b. The production and exchange of documents and other information in the possession of the parties relevant to the issues in the proceeding, including witness statements, transcripts of testimony taken during the course of any relevant Investigation, and reports of expert witnesses.

This Rule does not authorize the making of an order requiring disclosure of privileged information.

- 708 A review panel shall have the power to determine its own procedures and practices, and may for that purpose make orders with respect to the procedures and practices

that apply in any particular proceeding, and to make such orders or give such directions in review proceedings before it as it considers proper to prevent an abuse of process.

709 A review panel has the right to receive independent legal, accounting and auditing advice, which shall be communicated to the parties. The parties shall have a right to provide comment to the review panel on that advice.

710 A hearing may be adjourned from time to time by the review panel on its own motion or where it is shown to the satisfaction of the review panel that the adjournment is required to permit an adequate hearing to be held.

711 The Board may, at any time before a review panel files with the Secretary its initial decision, propose that an order instituting a review proceeding be amended to include new issues that are within the scope of the initial order – for example, to correct an error, to conform the order to the evidence or to take into account subsequent developments which should be considered in disposing of the proceeding. However, an amendment to an order instituting a review proceeding may be made only with the approval of the review panel.

712 A review panel may receive as evidence at a hearing, whether or not given or proven under oath or affirmed or admissible as evidence in a court, any oral or previously transcribed testimony, and any document or other thing relevant to the subject matter of the review proceeding and may act on such evidence, but the review panel may exclude anything unduly repetitious, except that nothing is admissible in evidence at a hearing that would be inadmissible in a court by reason of any privilege under the law of evidence.

713 A party to a review proceeding may be represented by counsel, and may call and examine witnesses and present evidence and submissions and conduct cross-examinations of witnesses at the hearing as determined by the review panel to be reasonably required for a full and fair disclosure of all matters relevant to the issues in the proceeding.

714 A witness at a hearing is entitled to be advised by counsel as to his or her rights but such counsel may take no other part in the hearing without leave of the review panel.

715 On the request of a party to a review proceeding who speaks English or French but not both, interpretation shall be provided of any testimony given orally in the other language and there shall be translation of a review panel's decision and the reasons for the decision written in the other language.

716 A review panel may:

- a. In the case of a review proceeding pursuant to Rule 209, determine whether an applicant firm should be allowed to become a participating audit firm;
- b. In the case of a review proceeding pursuant to Rule 416, determine whether a participating audit firm has satisfactorily addressed weaknesses, deficiencies or

recommendations in an inspection report; and

- c. In the case of a review proceeding pursuant to Rule 603, determine whether an alleged Violation Event has occurred and whether to accept, reject or vary a proposed requirement, restriction or sanction.

A review panel shall deliver its initial decision to the Secretary within 30 days of the conclusion of the hearing including receipt of any post-hearing briefs or other submissions that are required by the panel. The Secretary shall send each party who participated in the proceeding, and the parties' counsel, a copy of the review panel's initial decision with reasons in writing:

- a. ~~By regular mail;~~ b. By electronic transmission; or
- ~~e. By telephone transmission of a facsimile; or d.~~ b. By personal service or delivery;

to the most recent address on file with the Board. ~~If a copy is sent by regular mail, it shall be deemed to have been received on the third business day after it is mailed. If a copy is sent by electronic transmission, telephone transmission of a facsimile, or by personal service or delivery, it shall be deemed to have been received on the day after it was sent, unless that day is a not a business day, in which case the copy shall be deemed to have been received on the next day that is a business day. Notice by electronic transmission shall be confirmed by regular mail or courier delivery.~~

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A party to a review proceeding may, within 15 days from its receipt of the review panel's initial decision, provide to the review panel its comments on the initial decision in relation to concerns over the risk of identifying a reporting issuer or factual inaccuracies. If (i) the review panel receives no comments from any party during the time allowed for comment, or (ii) the review panel receives comments from one or more parties during the time allowed for comment but does not amend its initial decision during the time allowed for amendment, the initial decision shall become the panel's final decision. If the review panel receives comments from one or more parties to the proceeding, the review panel may, within 15 days of receiving such comments, amend its initial decision, whereupon the amended decision shall become the panel's final decision. The review panel shall either inform the Secretary that its initial decision has become its final decision or deliver a copy of its final decision to the Secretary.

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A review panel shall compile a hearing record of any review proceeding in which a hearing has been held, which shall include:

- a. The order initiating the review proceeding;
- b. The notice of hearing;
- c. Any orders made by the review panel on motions heard;
- d. All documentary evidence filed with the review panel;
- e. The transcript, if any, of the oral testimony given or received at the hearing; and
- f. The decision and reasons for decision of the review panel.



- 719 If a review proceeding resulted from a petition filed by a participating audit firm pursuant to Rules 416 or 603, and the decision of the review panel determines that the Board's position with respect to such firm is appropriate, the firm shall pay the Board's reasonable costs related to the review proceeding and any Investigation that preceded the proceeding, including an appropriate recovery of the time of the Board's staff members involved.
- 720 All parties to a review proceeding shall be bound by the final decision of a review panel subject only to the dispute resolution procedures provided for in the Rules, which shall be the sole and exclusive procedures for the resolution of any disputes relating to the review proceeding and the decision of the review panel resulting therefrom.

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## Section 800 – Fees

801 All amounts stated in the Rules are stated in Canadian dollars and all payments to be made in accordance with the Rules shall be in Canadian dollars. Intent to participate fees and annual participation fees are not GST exempt, and amounts stated in the Rules do not include any applicable taxes. The Board's GST/HST number is 89050 0705 RT0001.

802 Public accounting firms, including foreign public accounting firms, that are applying to become a participant in the oversight program shall pay to the Board, at the time of filing with the Board the Intent to Participate form and the Quality Control Report, an Intent to Participate fee in accordance with the following schedule:

- ~~a. Each of Deloitte Canada, Ernst & Young Canada, KPMG Canada and PricewaterhouseCoopers Canada – \$500,000;~~
- ~~b. Each of BDO Dunwoody Canada and Grant Thornton Canada – \$100,000;~~
- a. Public accounting firms with more than 100 reporting issuer clients - \$100,000
- ~~e. Other p~~ b. Public accounting firms with more than between 50 and 99 reporting issuer audit clients - \$25,000;
- ~~dc.~~ c. Public accounting firms with between 11 and 50 reporting issuer audit clients - \$5,000;
- ed. Public accounting firms with between 3 and 10 reporting issuer audit clients - \$2,000; and
- fe. Public accounting firms with 2 or fewer reporting issuer audit clients - \$1,000.

An applicant firm that, in accordance with Rule 206, withdraws its Intent to Participate form and Quality Control Report prior to filing its initial registration form, shall be entitled to a refund of its Intent to Participate fee, less an administrative charge of \$1,000.

- 803
- a. Participating audit firms will pay to the Board annual participation fees that will be calculated by the Board to be in aggregate an amount that is at least sufficient to cover all costs related to the Board's ongoing operations including the Board's annual operating budget for the calendar year in respect of which the annual participation fees are being assessed, and any accumulated deficit in respect of prior years. Such aggregate annual participation fees will be allocated by the Board among participating audit firms in proportion to such firms' total fees charged to their reporting issuer clients in respect of audit services, as reported by first-time participating audit firms in the Initial Registration form and by on-going participating audit firms in their subsequent annual information returns.
  - b. Client and fee information will be reported by participating audit firms in accordance with requirements established by and published by the Board in a Fee Notice from time to time.
  - c. The minimum annual participation fee for a participating audit firm will be \$1000.

- 804 The Board will determine the timing of billings to firms for annual participation fees. Such fees may, at the option of the Board, be billed in quarterly or semi-annual instalments.
- 805 Notwithstanding Rule 803, the Board shall have the power to levy a special participation fee in each calendar year upon each participating audit firm of an amount not to exceed 50% of the annual participation fee payable in such year by such firm.
- 806 Participating audit firms shall pay participation fees within 30 days of the date of the billing from the Board. The Board reserves the right to charge interest at 12% per annum on unpaid billings, commencing with the 31<sup>st</sup> day following the date of the billing.
- 807 If a billing by the Board to a participating audit firm remains unpaid 90 days after the date of such billing, the Board may, if such billing remains unpaid after seven days' notice to the firm, terminate the firm's status as a participant and its Participation Agreement.
- 808 [deleted]
- 809 As part of its Inspection activity, the Board reserves the right to test the accuracy of the fee information submitted by a participating audit firm in its Initial Registration form and in subsequent annual information returns.

## Section 900 – Dispute Resolution

- 901 Any dispute, disagreement or claim made in connection with or relating to the Participation Agreement, the Rules, or any determination, directive, order, ruling, recommendation or advice made, requirement, restriction or sanction imposed, or action taken by the Board (whether by its operating personnel, a review panel or its board of directors) (each a “Dispute”) shall be determined in accordance with the procedure specified in these Rules (the “dispute resolution procedure”), which procedure shall be the sole and exclusive procedure for the resolution of any such Dispute.
- 902 In the event of a Dispute, the Board or the relevant participating audit firm may, by written notice to the other, but subject to Rule 905, require the Dispute to be settled by arbitration in accordance with the *Arbitration Act* of Ontario and in accordance with the arbitration rules of ADR Chambers.
- 903 The parties to an arbitration may agree to conduct the arbitration anywhere in Canada, but in the absence of agreement, the arbitration shall be conducted in Toronto, Ontario.
- 904 The parties to an arbitration may agree to have the arbitration conducted by either a sole arbitrator or a panel of three arbitrators, but in the absence of agreement, the arbitration shall be conducted by a sole arbitrator.
- 905 There shall be no submission to arbitration of a Dispute that may be decided in a review proceeding under the Rules (cf. Rules 209, 416 and 603) until after the review proceeding is completed, except with the consent of all parties to the review proceeding.
- 906 Where a review proceeding has taken place under the Rules, the substantive decision that was made by the review panel shall be final and shall not be subject to appeal or review through the dispute resolution procedure or through any other dispute resolution process, administrative or judicial, save and except that any alleged failure to conduct the review proceeding in accordance with the provisions of an applicable Participation Agreement, the Rules or the rules of fairness and natural justice may be determined by arbitration under the dispute resolution procedure.
- 907 An arbitration award made in accordance with the dispute resolution procedure shall be final and binding on the parties thereto and there shall be no appeal therefrom or judicial review thereof on any other question provided that such dispute resolution procedure has been conducted in good faith in accordance with the applicable rules of ADR Chambers and the principles of natural justice.