



TTIP - Transatlantic Trade and Investment Partnership

**What could this mean for
European professional
accountants and auditors?**

INFORMATION PAPER

What is the TTIP?

Since July 2013, the European Union and the United States have been negotiating a trade and investment deal: the Transatlantic Trade and Investment Partnership (TTIP). TTIP aims to make it easier for the EU and USA to invest in each other's economies and to buy and sell each other's goods and services. Not only by removing trade barriers, but also by making their rules more compatible, so EU/US companies can more easily access each other's markets.

The 28 EU Member States have mandated the European Commission to negotiate with the USA on their behalf. The Commission coordinates closely with the Member States and with the European Parliament, who will ultimately have to approve of the trade agreement.

The EU and the USA expect to conclude their negotiations in 2016. The following three subjects could be relevant for the accounting and audit profession and are addressed in this Information Paper:

- recognition of the professional qualifications of accountants and auditors
- standards for the accounting profession
- oversight of the audit profession

Professional qualifications

In the USA, only certified public accountants (CPAs) are allowed to provide audit and accounting services. European auditors and accountants who wish to practise in the USA must first acquire an American CPA qualification, because the national qualification obtained in an EU Member State is not recognised in the USA. The qualification requirements vary across the United States.

US CPAs who wish to provide audit or accounting services in the EU, have to follow the rules of the EU Member State in which they want to work. The requirements for accounting services depend on whether the profession is regulated in this Member State: compensation measures like an adaptation period or an aptitude test may be mandatory or even the full qualification may be needed.

In cases, where US CPAs want to provide statutory audit services in an EU Member State, they have to apply for approval and registration in the relevant Member State. Depending on whether the US CPA qualification is accepted as equivalent in this Member State, they may have to do an aptitude test or – if not equivalent – follow the full qualification process.

Depending on the outcome of the negotiations, the TTIP could change this situation and facilitate cross-border movement of qualified professional accountants in both directions.

The TTIP could include a framework to facilitate mutual recognition of professional qualifications for a number of professions, including accountants and/or auditors.¹ This framework would include a provision that the EU and the USA should encourage the relevant representative professional bodies to jointly develop and provide specific recommendations on mutual recognition of specific professional qualifications.

The recommendations of the professional bodies would specify the criteria for education, examination, practical experience and licensing of professional accountants.

Based on these recommendations, the EU and the USA could then negotiate and conclude a Mutual Recognition Agreement (MRA) for the relevant profession. Such a MRA would specify the requirements for recognising qualifications such as aptitude tests regarding national/state company and tax law.

Currently, without the TTIP, each professional body in the EU would need to negotiate and conclude its own bilateral MRA with the relevant professional body of the USA. Such negotiations require significant investments of time and resources and only very few professional bodies in the EU have (successfully) undertaken this effort.²

¹ At the current stage of negotiations it is still open whether audit services would be included.

² For example, the institute of Chartered Accountants Ireland (CAI) has a [mutual reciprocity agreement](#) with the National Association of State Boards of Accountancy (NASBA)/American Institute of Certified Public Accountants (AICPA), that allows CAI members to apply for membership of AICPA and vice versa. Usually applicants will have to demonstrate a minimum of three years of practical experience and undertake certain exams before being allowed to become members.

Standards

At this stage, the TTIP discussions do not include accounting, auditing and other standards relevant the work of the accountancy and audit profession. It is unknown whether such standards would be discussed in the Regulatory Cooperation Body that the TTIP is foreseen to establish.

In this Regulatory Cooperation Body, senior representatives of EU and US regulatory authorities would set priorities for regulatory cooperation. This joint body would act as a forum to share ideas and plan collaboration on new challenges and risks and their regulatory responses. This body would also be a way to bring more transparency to existing regulatory cooperation work, which currently happens on an ad hoc basis.

Audit oversight

It remains to be seen whether – once TTIP would be in place – audit oversight could become subject to regulatory cooperation.

Currently, EU and US authorities operate under comparable systems for the oversight of auditors and audit firms, but there is no automatic mutual reliance on quality assurance reviews or audit inspections. This is because the competent authorities in the USA – namely, the Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB) – have not recognised the equivalence of the EU systems.

For the moment, some EU Member States have cooperative arrangements with the PCAOB regarding audit oversight.³

Further information

[European Commission's TTIP website](#)

[TTIP in 6 pages](#)

[Questions and Answers](#)

[Services in TTIP](#)

³ See [FEE fact sheet on cross-border audit oversight](#)

FEE WHO WE ARE

FEE represents 47 professional institutes of accountants and auditors from 36 European countries, including all of the 28 EU member states.

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 800,000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE is in the EU Transparency Register (No 4713568401-18).



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