



***Principles for Professional Regulation/  
Principe de la réglementation  
professionnelle***

***Carole Presseault***

*Certified General Accountants Association of Canada/  
Association des comptables généraux accrédités du  
Canada*

# Shared professional regulation

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# About CGA-Canada

- A national professional association founded in 1908; members in more than 70 countries
- 71,000 members & students
- In collaboration with provincial/territorial affiliates delivers training & certification, sets standards of conduct, entry to practice, continuing competence, advocates in public interest

# Outline

- Current trends in regulation
- The accounting story
- Balancing competition & regulation
- Discussion
- Wrap-up

# Trends

- Governments are playing an increasing role in regulation which is largely instigated by recent events
  - US bailout of the lenders
  - Securities regulation
  - Food safety
  - UK Legal Services Act

## Trends (cont'd)

- Performance based systems
  - Gov't of Canada's commitment
  - AIT Labour Mobility Provisions
- Openness to competition
- Greater accountability & transparency

# The public policy perspective

- Self regulation is accorded only if it serves the public interest
- Professional services are perceived to be heavily (unnecessarily) regulated
  - Contributing to trade barriers
  - Resulting in productivity gap
- Professional services are growth export and could contribute to Canada's competitiveness

# The accounting story

- Three accounting designations in Canada sharing the same scope of practice determined by legislation & regulation and varies between jurisdictions
- About 200,000 accountants; significant growth & demand
- Seamless mobility within designation
- Highly competitive environment



# The post-Enron world

- Legislators point the finger at auditors
- Governments step in
- Significant shift from self-regulatory arrangements to arrangements with a public sector role
- Simultaneous conversion to international standards

# Post-Enron in Canada

- Capital market regulation largely of provincial domain; no federal levers
- Gov't turned to newly-created private organization to provide oversight of auditors
- Creation of Canadian Public Accountability Board (CPAB)

# CPAB

- It is the view of CGA-Canada that this organization did not the public interest with regards to:
  - Independence
  - Inclusiveness
  - Accountability

# How

	USA - PCAOB	Canada - CPAB
Accountability	Reports to SEC	Reports to auditors
Funding	Funded by SEC	Funded by audit firms
Governance	Majority of public members	Majority accountants
Transparency	Public meetings	Closed meetings
Standard setting	Responsible	Left to SROs

# CPAB 6 years later

- Recognition that the status quo is no longer acceptable
- Reforms under way to enable it to meet its mandate

# The Competition Bureau

- Issue is barrier to entry by competing professionals & non professionals
- A look at how regulation affects competition
- Will keep a « watching brief » on the professions

# Competition Bureau

- Regulation has a role but needs to be measured against principles of efficiency & effectiveness
  - Only as necessary as required
- Restrictions on market entry, mobility, overlapping services market conduct (advertising, pricing, compensation & business structure) have greater potential to hinder competition

# How are competition and level of quality best maintained?

- Regulation should be focused using means which restrict competition least
- Not necessarily less regulation, but smarter, more efficient regulation, EU motto “Less action, but better action”
- Recognition that competence can be achieved through different means



# Shared regulation

- Public interest driven
  - Governance, oversight & transparency
- Legitimacy
  - Performance & accountability
- Independence
  - In fact and in appearance

# Conclusion

- If SROs don't step up to the plate, governments will intervene.
- Some regulation developed in the guise of « public interest » has served to create barriers
- Whoever assume the role needs to ensure that regulation responds to undesirable market effects using means which restrict competition the least while maintaining high level of quality



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FOR FURTHER INFORMATION, PLEASE CONTACT:  
CAROLE PRESSEAULT, VICE-PRESIDENT, GOVERNMENT &  
REGULATORY AFFAIRS, CGA-CANADA  
[cpresseault@cga-canada.org](mailto:cpresseault@cga-canada.org)

cga-canada