

## REGISTRATION AS A THIRD COUNTRY AUDITOR IN SWEDEN

### Frequently Asked Questions (FAQ) – Form A (Swe) “Equivalent or Transitional countries”

## 1 Registration

### 1.1 Why do third country audit entities have to register with authorities in EU Member States?

The European Statutory Audit Directive 2006/43/EC (the “Audit Directive”) as amended by the Directive 2014/56/EU sets minimum regulatory requirements for statutory audits across the European Union/European Economic Area (“EU/EEA”). The interrelation of capital markets underlines the need to ensure that auditors from third countries carry out high quality audit work in relation to capital markets within the EU/EEA. The Audit Directive therefore requires that the relevant statutory audit entities and auditors from third countries be entered in a public register and be subject to a level of regulation equivalent to the minimum required for EU/EEA auditors. The European Commission has declared a number of third countries as “equivalent” and has also made transitional measures to facilitate the introduction of these requirements.

Registration is required according to Article 45 of the Audit Directive if a third country audit entity provides an audit report concerning the annual or consolidated accounts of a relevant audit client (see FAQ no. 1.4).

### 1.2 Which auditors come within the definition of a third country audit entity?

According to Article 2(4) of the Audit Directive a ‘third country audit entity’ means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial

statements of a relevant audit client (see FAQ no. 1.4), other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3 of the Audit Directive.

**1.3 Who should use Form A (Swe)?**

Form A (Swe) may only be used by a third country audit entity:

- the home country of which is one of the third countries recognized as equivalent by the European Commission, or
- the home country of which is one of the third countries to which the European Commission has granted a transitional period under the Decision 2011/30/EU, as amended by the Decision 2016/1223/EU, in accordance with Article 46(2) of the Audit Directive, and
- which may provide to the SIA all required information for registration specified in the Commission Decision 2016/1223/EU. These minimum information requirements have been included in the Form A (Swe).

List of equivalent and transitional countries and territories:

<b>Equivalent countries</b>	<b>Transitional countries</b>
Abu Dhabi	Bermuda
Australia	Cayman Islands
Brazil	Egypt
Canada	Russia
China	
Dubai International Financial Centre	
Guernsey	
Indonesia	
Isle of Man	
Japan	
Jersey	
Malaysia	
Mauritius	
New Zealand	

Singapore	
South Africa	
South Korea	
Switzerland	
Taiwan	
Thailand	
Turkey	
United States of America	

The home country is usually the country where both the third country audit entity and the audit client are incorporated or have their main office. However, in some cases, it may happen that the country of incorporation or the audit client differs from the country where the third country audit entity is incorporated or has its main office. In this case, the **home country is the one of the audit entity**. If you are uncertain as if you may use Form A (Swe), **you should contact the SIA**.

#### **1.4 What is a “relevant audit client” (Item 7.0)**

A relevant audit client is a company incorporated outside the EU/EEA with transferable securities, within the meaning of Article 4 (1) (18) of EU Directive 2004/39/EC, admitted to trading on a regulated market, within the meaning of Article 4 (1) (14) of EU Directive 2004/39/EC, of any Member State of the EU/EEA.

This refers to an issuer, as defined by Article 2 (1) (d) of EU Directive 2004/109/EC, except when the company is an issuer exclusively of debt securities, within the meaning of Article 2 (1) (b) of EU Directive 2004/109/EC, admitted to trading on a regulated market, within the meaning of Article 4 (1) (14) of EU Directive 2004/39/EC, in the relevant Member State of the EU/EEA, the denomination per unit of which is:

- If admitted to trading on or before 31 December 2010: at least EUR 50,000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50,000; or
- If admitted to trading after 31 December 2010: at least EUR 100,000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100,000.

The applicant should submit applications in each Member State where the audit client's securities are admitted to trading on a regulated market.

### **1.5 Does registration entitle third country audit entities to provide statutory audit services in the EU/EEA?**

No. Registration as a third country audit entity only gives approval, for the purposes of Swedish requirements, in relation to the audit of a third country entity with securities admitted to trading on a Swedish regulated market. It does not give approval to carry out statutory audits as required by EU law (see Article 2 (1) of EU Directive 2006/43/EC, as amended by EU Directive 2014/56/EU). Nor does it recognise the qualifications of third country auditors.

### **1.6 What are the requirements for registration as a third country audit entity under the Commission Decision on transitional provisions?**

The Commission Decision states that Member States **shall not apply Article 45** in relation to audit reports of the relevant issuers, for financial years starting during the period from 2 July 2010 to 31 July 2018, which are issued by auditors or audit entities from specified third countries where the third country auditor or audit entity concerned provides:

- a) the name and address of the auditor or audit entity concerned and information about its legal structure;
- b) where the auditor or the audit entity belongs to a network, a description of the network;
- c) the auditing standards and independence requirements which have been applied to the audit concerned;
- d) a description of the internal quality control system of the audit entity;
- e) an indication of whether and when the last quality assurance review of the auditor or audit entity was carried out and necessary information about the outcome of the review.

These minimum information requirements have been included in Form A (Swe).

### **1.7 What happens if an applicant does not meet the requirements of the Commission Decision on transitional provisions and its home country is not considered as equivalent by the European Commission?**

In case the applicant does not meet the conditions laid down in the European Commission Decision on transitional provisions or its home country is not considered as equivalent by the European Commission, it has to apply for a registration according to Article 45 of the Audit Directive, which means that it has to apply for a **full registration** by using **Form B (Swe)**.

## **2 Application procedure**

### **2.1 How does a third country audit entity apply for registration in the EU/EEA?**

The registration of third country audit entities shall be carried out in each individual Member State. The Audit Directive does not provide a single registration for the EU/EEA. Therefore registration is the responsibility of each Member State and third country audit entities have to submit their applications separately to the relevant competent authority in each Member State where a registration is required. However, Member States are cooperating closely so that third country audit entities will be able to use, as far as national regulatory systems allow, application forms which follow the agreed common format.

### **2.2 When will third country audit entities be able to apply for registration?**

Third country audit entities are required to register with the SIA if they intend to issue an auditor's report concerning the annual or consolidated financial statements of a relevant audit client (see FAQ no. 1.4). Registration is required at the latest before the issuance of the auditor's opinion.

### **2.3 Will the information submitted by the third country audit entity be treated as confidential?**

Yes, other than in respect of the information available on the register that will be electronically accessible to the public. According to Article 36(2) of the Audit Directive the obligation of professional secrecy shall apply to all persons who are employed or who have been employed by competent authorities. Information covered by professional secrecy may not be disclosed to any

other person or authority except by virtue of the laws, regulations or administrative procedures of a Member State.

#### **2.4 What information provided in the form will be available on the public register?**

The information provided under Items 1.1 to 1.14, 2.2, 2.3, 3.1, and 4.1 of Form A (Swe) will be stored in the Register in electronic form and will be electronically accessible to the public.

#### **2.5 Will the information submitted by the third country audit entity be subject to data protection rules?**

Yes. All Competent Authorities in the Member States are subject to data protection provisions according to EU law. However, as noted above, some information will be publicly available in the Register.

#### **2.6 Which countries are members of the EU/EEA?**

Members of the EU: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Members of the EEA which are not members of the EU: Iceland, Liechtenstein and Norway.

#### **2.7 What language should be used for registration purposes?**

Each Member State is responsible for registration. Therefore Member States may require the submission of information in their own official language.

Submitted information may be provided to the SIA in the following languages: Swedish or English.

### **3 Other information required by Form A (Swe)**

#### **3.1 What is a network? (Item 2.0)**

According to Article 2 (7) of EU Directive 2006/43/EC a 'network' is:

- a) The larger structure which is aimed at cooperation and to which the applicant belongs; and
- b) Which is clearly aimed at profit or cost-sharing or shares common ownership, control or management, or shares common quality-control policies and procedures, or shares a common business strategy, or shares the use of a common branch-name or shares a significant part of professional resources.

#### **3.2 What is an affiliate of the applicant? (Item 2.3)**

In this context an 'affiliate' means any undertaking, regardless of its legal form, which is connected to the third country audit entity by means of common ownership, control or management, *and* which provides services to 'relevant audit clients' listed under Item 7.0.

#### **3.3 What should be included in the description of the applicant's internal quality control system? (Item 5.0)**

A description of the applicant's internal quality control system should include at least a description of:

- a) The policies designed to provide reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances; and
- b) The procedures necessary to implement and monitor compliance with these policies.

#### **3.4 What is an external quality assurance review? (Item 6.0)**

An external quality assurance review can be:

- A peer review under the supervision of a professional body or an independent public oversight body;
- A review carried out by a professional body;

- A review carried out by a professional body under the supervision of an independent public oversight body; or
- An inspection by an independent public oversight body in any jurisdiction.

The external quality assurance review should comprise both an assessment of the firm-wide procedures (including an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm) and adequate testing of selected audit files.

Nevertheless, it is important to note that this obligation **only** applies if an external quality assurance review **has been carried out** and a corresponding report exists.

### **3.5 What is “necessary information”? (Item 6.10)**

Where possible the applicant should provide a full copy of the last quality assurance review report, i.e. the inspection report issued by the competent body in the home country.

Where this is not possible an applicant should provide information as to the outcome, the main shortcomings, and the main measures the applicant has undertaken to address the shortcomings and to prevent them from recurring, including an indication as to whether the competent body has communicated its satisfaction with these measures.

## **4 Registration costs**

### **4.1 Is there a common system of registration fees across the EU/EEA?**

No. EU Directive 2006/43/EC, as amended, does not provide for a single registration fee across the EU/EEA. This is a matter for individual Member States.

In Sweden, the applicant must pay an initial application fee and if the application is approved a registration fee. Thereafter the applicant must pay an annual registration fee.



## 4.2 How to pay the registration fees?

The fee is payable on submission of the application form and shall be transferred to the account of the SIA. (Note to the payee: “Registration: “Name of the auditor/audit entity”, “Country name”, “Year”, “Month”” Example: EYUS201809).

Payment instructions:

Bank name:	Danske Bank
BIC (SWIFT-CODE):	DABASESX
Owner of the account:	Revisorsinspektionen
Account number:	Bank giro number 784-8419
IBAN:	SE8612000000012810104662

## 5 Updating of registration information

### 5.1 What does the third country audit entity need to do to update registration information?

According to Article 18 of the Audit Directive third country audit entities have to notify the competent authorities of the Member States in charge of the public register without undue delay of any change of information contained in the public register. The SIA considers a timeframe of up to one month as appropriate to communicate any changes.

Furthermore, every fifth year, third country audit entities have to reapply to remain registered as a third country audit entity with the SIA.

If you have further queries please contact us by e-mail at [ri@revisorsinspektionen.se](mailto:ri@revisorsinspektionen.se)