CONSULTATION: Proposed changes to eligibility criteria for using the description "Chartered Accountants"

CONTENTS

PURPOSE OF THIS CONSULTATION

1. ICAEW proposes to make changes to the Regulations Governing the Use of Description Chartered Accountants (the Regulations) to make the eligibility criteria clearer, more proportionate, and easier for firms to comply with. We are seeking feedback from stakeholders on the potential impact of these proposals.

2. ICAEW is consulting for transparency and to ensure that the proposed changes are consistent with ICAEW's duty to act in the public interest. Consulting also helps protect against any unforeseen or unintended consequences that may be brought about by the changes.

3. This consultation is likely to be of interest to: ICAEW members, member firms and non-member firms, firms that have been granted a dispensation to use the description Chartered Accountants, other professional bodies, consumer groups and other professional services regulators.

4. The consultation is open from 9 September to 4 November 2026. Following the consultation process, revised regulations are expected to come into effect in 2027.

Key proposed changes

- A simplification of the eligibility criteria in the regulations that permit a firm to describe itself as Chartered Accountants.
- Changes to the requirements for ICAEW general affiliates, to align with the requirements for other types of ICAEW affiliate.
- Changes to clarify the key factors for assessing dispensation applications from firms that are ineligible to use the description Chartered Accountants.

BACKGROUND

5. ICAEW's role is to help ICAEW members and firms to maintain high professional standards and hold them to those standards. We act in the public interest to strengthen trust in ICAEW members and firms by raising standards through a programme of continuous improvement.

6. The description "Chartered Accountants" communicates professional standing and is part of the basis on which clients and the public identify firms connected with ICAEW's standards, ethical requirements and regulatory arrangements. The eligibility requirements must therefore protect public confidence while remaining clear, proportionate and capable of application to modern firm structures.

7. The last substantive updates to the Regulations were:

    - In 2009 changes were made to reflect evolving firm ownership structures, and to permit a firm where a majority of its voting rights were directly held by a holding company to remain eligible to use the description;
    - In 2010 a discretionary power was introduced to give ineligible firms the ability to apply for a dispensation to be permitted to use the description while ineligible; and
    - In 2017 enhanced guidance and clarity was issued on the circumstances when a dispensation might be granted.

8. While these changes responded to emerging issues at the time, no comprehensive review of the underlying core eligibility criteria had been carried out to assess its continued relevance to modern firm structures.

9. The increase in firm restructures in recent years, including consolidations and firms taking external investment (including private equity), has also brought into focus the complexity within the existing rules that apply to determine whether a firm is permitted to use the description Chartered Accountants.

10. The regulations have therefore been reviewed with the aim to make the criteria as easy to comply with as possible. The widest possible range of firms that are, in substance, controlled by Chartered Accountants should be able to make use of the description Chartered Accountants.

11. The current eligibility criteria in the Regulations include the following:

Member firm shall mean:

a. a member of ICAEW engaged in public practice as a sole practitioner; or
b. a partnership engaged in public practice of which more than 50 per cent of the rights to vote on all, or substantially all, matters of substance at meetings of the partnership are held by Chartered Accountants or by another member firm(s); or
c. a limited liability partnership engaged in public practice of which more than 50 per cent of the rights to vote on all, or substantially all, matters of substance at meetings of the partnership are held by Chartered Accountants or by another member firm(s); or
d. any body corporate (other than a limited liability partnership) engaged in public practice of which:
    i. 50 per cent or more of the directors are Chartered Accountants or another member firm(s); and
    ii. more than 50 per cent of the nominal value of the voting shares is held by Chartered Accountants or by another member firm(s); and
    iii. more than 50 per cent of the aggregate in nominal value of the voting and non-voting shares is held by Chartered Accountants or by another member firm(s); and
    iv. provided that in the case of a firm that is a parent entity, more than 50% of the income of the group is derived from public practice and, in the case of a firm that is a subsidiary entity, more than 50% of the income of the group is derived from public practice and the subsidiary entity is engaged in public practice.

provided that in the case of a firm that is a parent entity, more than 50% of the income of the group is derived from public practice and, in the case of a firm that is a subsidiary entity, more than 50% of the income of the group is derived from public practice and the subsidiary entity is engaged in public practice.

Where a firm or member firm is a partner, member, director or shareholder of a firm using the description Chartered Accountants under these regulations, then its interests at meetings of partners, members, directors or shareholders must be represented by an individual who is a Chartered Accountant.

A member firm which engages in public practice is entitled to describe itself as Chartered Accountants provided that any partner, member (in the case of a limited liability partnership) or director (in the case of a company) who is not a Chartered Accountant or a member firm must:

a. hold affiliate status with ICAEW under its Designated Professional Body (Investment Business) Handbook, Licensed Practice Handbook, Audit Regulations, Local Audit Regulations, Legal Services Regulations, or Insolvency Licensing Regulations;
b. hold affiliate status with ICAEW under these regulations;
c. be registered for audit work by ICAEW;
d. be registered for local audit work by ICAEW;
e. be accredited for legal services work by ICAEW;
f. be licensed by ICAEW under its Designated Professional Body arrangements;
g. or be licensed by ICAEW under its Licensed Practice Handbook.

An affiliate applicant must be able to demonstrate:

- fit and proper status (including certification by at least two other members)
- appropriate and relevant experience of accountancy or related discipline or is a member of ACCA/CIMA/CIPFA/CIoT/AAT/IoMC

ISSUES IDENTIFIED WITHIN THE CURRENT CRITERIA

12. The current criteria create friction and barriers-to-entry through a combination of tests concerning principals, directors, voting rights, voting and non-voting share capital, public-practice income and affiliate status. These tests can produce technically ineligible outcomes even where Chartered Accountants have effective ownership and control. We want firms to be able to present themselves as Chartered Accountants as easily as possible in a friction-free way.

13. The current criteria can also require straightforward groups that are clearly under the day-to-day control of Chartered Accountants to need to seek a dispensation because they do not meet the requirements for direct ownership. Furthermore, the current dispensation process has become resource intensive. In some cases, ICAEW and firms review extensive constitutional, shareholder and investment documents to test whether Chartered Accountants could determine every relevant decision, including remote or non-routine contingencies. This can place disproportionate emphasis on technical drafting rather than on who controls professional services, quality, ethics and compliance.

PROPOSED CHANGES

14. The overall objective of the reforms is to improve consistency and make the Regulations clearer, more proportionate and easier for firms to comply with, while not weakening the public interest principle that firms using the description "Chartered Accountants" should be appropriately controlled by Chartered Accountants and subject to ICAEW oversight.

15. The proposed revised criteria therefore simplify the current approach while preserving the underlying policy objective. The following text details the proposed updated eligibility criteria:

    1. For a firm to be eligible to use the description, Chartered Accountants (the 'CA firm), it must meet all the following criteria:

        i. It is engaged in public practice as a sole practitioner, partnership, limited liability partnership or any other body corporate; and
        ii. 50 per cent or more of the principals are Chartered Accountants or other CA firm(s); and
        iii. More than 50 per cent of the rights to vote on all, or substantially all, matters of substance at meetings of the members of the firm are held directly or indirectly by Chartered Accountants or by CA firm(s).

        Note: the phrase 'meetings of the members of the firm' means formal meetings of a firm's owners (ie, partners, LLP members or shareholders) where key governance decisions are taken and minuted (e.g. at an Annual General Meeting). It does not include Board meetings of directors or other operational or management board meetings.

    2. In addition to meeting the criteria in 1(i) to (iii) above, any principal in the CA firm who is not a Chartered Accountant or a CA firm must be an affiliate or regulated firm. An affiliate applicant must be able to demonstrate fit and proper status (including certification by at least two other members)

        i. affiliate means a person to whom affiliate status has been granted in accordance with clause 12A of ICAEW's Supplemental Charter of 21 December 1948.
        ii. regulated firm *means a firm regulated by ICAEW in its capacity as:*

            - a Recognised Supervisory Body under the Companies Act 2006 or the Local Audit and Accountability Act 2014;
            - a Designated Professional Body under the Financial Services and Markets Act 2000; or
            - an Approved Regulator and Licensing Authority under the Legal Services Act 2007; or in any comparable capacity under any legislation, wherever in force, for the time being designated in regulations.

    Additional requirements for parent entities

    3. Where a CA firm is a partner, member, director or shareholder of a firm using the description Chartered Accountants under these regulations, then its interests at meetings of partners, members, directors or shareholders must be represented by an individual who is a Chartered Accountant.

    Definition of "Principal"
    An individual in sole practice, (where the firm is a sole practice), a person who is a partner (including both salaried and equity partners) (where the firm is a partnership), a member of a limited liability partnership (where the firm is a limited liability partnership) a director (where the firm is a company) or any individual who is held out as being a partner, member or company director.
    Corporate practices or limited liability partnerships may be principals, where these regulations allow.

16. These proposals would remove the current complexity around non-voting shares, and nominal share values, and would be easier to apply for straightforward group structures. Introducing the ability to consider who holds voting rights either directly or indirectly would also reduce the number of firms that need dispensations where chartered accountants ultimately control the firm. However, it would maintain the position that private equity-backed firms and other externally controlled structures would still need to continue to apply for dispensation rather than becoming automatically eligible to use the description Chartered Accountants.

Question 1

Do you think that changes should be made to simplify the eligibility criteria within the Regulations *Governing the Use of Description Chartered Accountant?*
Yes/No
Please explain the reason for your answer.

Question 2

Should chartered accountants be required to have voting control in any firm that uses the description Chartered Accountants?
Yes/No
Please explain the reason for your answer

Question 3

Do you agree with the overall direction of our proposals?
Yes/No
Please explain your answer and identify any material unintended consequences

Question 4

Have we identified the main problems with the current framework?
Yes/No
Please explain your answer and identify any other problems the revised Regulations should address?

Definition of principal

17. The definition of “principal” would also include persons “held out” as directors, members of an LLP or partners of a partnership. The inclusion of held out principals aligns the Regulations with the approach taken in the Audit Regulations, and other relevant regulations.

Question 5

Do you think that the definition of principal should include those individuals who are held out as principals?
Yes/No
What would be the impact of including held out persons in the definition of “principals”?

Head count test

18. While the current criteria require chartered accountants to have voting control, it is only limited company firms that must ensure that 50% or more of the directors are chartered accountants. Under the proposed criteria, we have introduced a requirement for 50% or more of principals in all types of firms to be chartered accountants. This proposal ensures a visible and meaningful Chartered Accountant presence within the leadership of the firm.

Question 6

Should at least 50% of the principals in any firm using the description Chartered Accountants have to be chartered accountants?
Yes/No
If no, please suggest other criteria that would better protect the description.

Direct or indirect control

19. A refinement has been proposed to the majority voting rights requirement to allow such rights to be held directly or indirectly by chartered accountants or by chartered accountant-controlled firms. This achieves the policy intent that the ultimate controlling parties are chartered accountants without creating unnecessary complexity for firms that are in a group. We believe that the introduction of "directly or indirectly" will reduce the number of dispensations that will be required for straightforward groups, many of whom currently must obtain a dispensation.

Question 7

Should firms be able to meet the control requirement where control by chartered accountants is held indirectly as well as directly?
Yes/No
What would the impact of this change be?

Non-voting shares

20. Corporate entities wishing to use the description Chartered Accountants are currently subject to complicated rules relating to both the voting and non-voting shares held within the entity. An analysis is currently needed to consider whether

    - more than 50 per cent of the nominal value of the voting shares is held by Chartered Accountants or by another member firm(s); and
    - more than 50 per cent of the aggregate in nominal value of the voting and non-voting shares is held by Chartered Accountants or by another member firm(s).

21. This additional analysis adds complexity for firms and can result in a firm not meeting the eligibility criteria despite being under voting control of Chartered Accountants. We propose to remove the criteria relating to non-voting shares on the basis that this has no bearing on the control of the firm.

Question 8

Should the requirement for chartered accountants to hold the majority of the nominal value of voting and non-voting shares be removed from the eligibility criteria? Are there any unforeseen consequences of this change that should be considered?

Application to holding companies and groups

22. The current eligibility criteria have provisions that apply to groups where one or more of the group entities is in public practice, but the parent company is not in public practice. These provisions can be misinterpreted and require more than 50% of the group income to be derived from public practice for either a parent or subsidiary in the group to use the description “Chartered Accountants”.

23. There is a risk that permitting a non-practising group company to use the description “Chartered Accountants” could be confusing to the public and, therefore, this provision has not been included in the proposed draft eligibility criteria. We would welcome views from respondents to this consultation on whether a parent company or other group company should be permitted to use the description “Chartered Accountants” despite not being in practice itself.

Question 9

What is your view on whether a non-trading holding company should be permitted to use the description “Chartered Accountants” if more than 50% of the group income derives from public practice?

Please include alternative suggestions if relevant.

Question 10

Should the threshold remain more than 50% of group income from public practice? If not, what alternative would be clearer and more meaningful?

Private equity and other external investment

24. In recent years, we have seen many firms take on private equity investment or restructure due to acquisitions and consolidations in the market.

25. No special provision has been included to allow firms with private equity or other types of external investment or complex corporate structures to use the description “Chartered Accountants”. This maintains the overarching principle that the description should only be available to firms where Chartered Accountants hold the majority of voting rights. In practice, this means that firms using the description must have at least 50% chartered accountants as principals and more than 50% of the voting rights must be held by them – directly or, as proposed, indirectly.

26. Firms with private equity investment (or other types of external investments or complex corporate structures) will still have to apply for a dispensation to use the description. However, we intend to simplify and improve the dispensation process, as detailed below.

> **Question 11**
>
> Should firms with private equity or other external investment that confers voting control to non-Chartered Accountants continue to require a dispensation to use the description Chartered Accountants?
> Yes/No
> Please explain the reason for your answer.

DISPENSATIONS FOR INELIGIBLE FIRMS

27. Currently there is a dispensation framework that allows the ICAEW Regulatory Board, or those acting under delegated authority, to permit a firm to use the description "Chartered Accountants" that does not meet the automatic eligibility criteria. This route remains important, particularly for firms with complex ownership structures that will continue to not be automatically eligible under the proposed revised criteria.

28. The current process is focused on detailed review of legal and governance documents to establish whether Chartered Accountants technically control all relevant voting decisions. We intend to refocus the guidance on whether accountancy and reserved legal services are carried on under the overall direction, management and control of Chartered Accountants. This should lead to faster, fairer and more consistent decisions.

29. Under the proposed revised guidance, firms would need to evidence safeguards such as Chartered Accountant-led responsibility for the direction, oversight and quality of services; limits on non-Chartered Accountant or investor influence over professional judgements; Chartered Accountant-led quality management and compliance arrangements; and notification requirements where ownership or governance arrangements change.

30. For externally controlled group structures, the revised guidance would allow staff to consider whether reserved or consent matters affect the day-to-day direction, management or control of accountancy or reserved legal services. ICAEW may also require a written undertaking from an intermediate or ultimate controlling party confirming that it will not exert influence over the firm in a way that causes it to cease complying with ICAEW bye-laws and regulations.

> **Question 12**
>
> Where a firm does not automatically meet the eligibility criteria, what are the key factors that should determine whether a dispensation is granted, and which factors should be given greater or lesser weight? Ie, if the control test fails, how does a firm otherwise demonstrate it is a "firm of chartered accountants"?

GENERAL AFFILIATE REQUIREMENTS

31. If an individual principal in a firm that wants to use the description “Chartered Accountants” is not a member, nor an existing ICAEW affiliate of some kind, they must become a general affiliate. It is currently more onerous to become a general affiliate compared to all other types of regulatory affiliate (eg, audit affiliate or designated professional body affiliate). General affiliate applicants must demonstrate appropriate and relevant experience of accountancy or a related discipline or if they are a member of another accountancy or tax body as part of their application, whereas there are no similar experience requirements for regulatory affiliates

32. This additional hurdle leads to illogical outcomes where individuals who are eligible to be an Audit Affiliate for example, may not be eligible to become a general affiliate. We propose to amend the requirements for general affiliates to align them with those of other types of affiliates ie, that the individual only has to demonstrate ‘fit and proper’ status rather than any prior accountancy experience.

33. The rules governing general affiliates are within the Regulations Governing the Use of Description Chartered Accountant, so we propose to simplify the requirements for general affiliates as part of the updates being made to these Regulations

Question 13

Should the requirements for general affiliates be amended to align with all other types of regulatory affiliates (such as audit affiliate) such that no prior accountancy experience is needed to qualify for general affiliate status?
Yes/No
Are there any unforeseen consequences of this change?

AFFILIATES SIMPLIFICATION

34. As a second phase to the eligibility simplification project, we intend to explore whether there could be full affiliate simplification to align the differing requirements for different classes of regulatory affiliate. The longer-term direction is to consider a single “ICAEW affiliate” status, replacing the current multiple categories.

DIVERSITY, EQUALITY AND INCLUSION

35. We do not believe the proposed changes will result in a worse outcome or quality of service for anyone due to their background or life circumstances. Please tell us if you think your firm or any of your clients will be adversely impacted by the proposals due to a protected characteristic (such as age, disability or race).

Question 14

Are there any adverse impacts arising from a diversity, equality or inclusion perspective from the changes outlined in this consultation?

FINAL COMMENTS

Question 15

Do you have any other feedback or comments on the proposed changes?

ABOUT YOU AND YOUR ORGANISATION

Question 16

Are you responding on behalf of yourself or your firm/organisation?
Yourself
Your firm or organisation

Question 17

If you are responding as an individual, please tell us which category you fall into:

- Member in practice
- Member in business
- Retired member
- ICAEW committee member
- Other, please specify
- N/A

Question 18

If you are responding on behalf of your organisation, which category does your organisation fall into:

- ICAEW member firm
- Non-ICAEW member firm
- Firm with a dispensation to use the description Chartered Accountants
- Professional advisers
- Professional body or regulator
- ICAEW committee
- Other, please specify:
- N/A

Question 19

How many ICAEW principals are there at your firm (if applicable)?

- 1
- 2-5
- 6-49
- 50+
- N/A

Question 20

Does your firm use the description "Chartered Accountants"?
Yes
Yes, with a dispensation
No
N/A

Question 21

If your firm does not currently use the description Chartered Accountants, why not?

Question 22

What is your ICAEW firm number (if applicable)?
C0

Question 23

Please provide your name, organisation name (if relevant) and email address

Question 24

Please let us know if you wish us to keep your response confidential

HOW TO RESPOND

Respond to the consultation online

Or

Post your response to:
Sophie Wales, Director, Regulatory Policy, ICAEW
Metropolitan House, Avebury Boulevard, Milton Keynes MK9 3FZ.

You may answer all questions or only those relevant to you.

Please contact us if you need anything further (for example for accessibility reasons) to enable you to submit your response.

TIMELINE AND NEXT STEPS

The consultation will close on 4 November 2026.

After the consultation closes, we will consider all the comments received, discuss the results with ICAEW Council and ICAEW Regulatory Board and make any resulting changes as appropriate.

A summary of the results and next steps will be published in 2027.

ICAEW may publish your comments within the consultation results, although they will not be directly attributed to you or your organisation. Please tell us if you wish us to keep your comments confidential. Any personal data will be handled in accordance with ICAEW's privacy notice.

CONSULTATION QUESTIONS IN FULL

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- Other, please specify:
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