

## **EXPLANATORY MEMORANDUM**

### **Overview of the proposal to amalgamate The Institute of Certified Public Accountants in Ireland (“CPA Ireland”) and the Institute of Chartered Accountants in Ireland (operating under the name Chartered Accountants Ireland) (“Chartered Accountants Ireland”)**

#### **Overview**

It is proposed that CPA Ireland and Chartered Accountants Ireland will amalgamate and that from the effective date of the amalgamation Chartered Accountants Ireland will be the combined organisation going forward and will retain its current name and operating title. CPA Ireland’s legal entity (together with all of its assets and liabilities) will be transferred to Chartered Accountants Ireland and all the members of CPA Ireland will become members of Chartered Accountants Ireland.

From the date of the amalgamation, Chartered Accountants Ireland will operate in accordance with Chartered Accountants Ireland constitutional documents, including the, Royal Charter 1888, Charter Amendment Acts 1966, Principal Bye-Laws, Disciplinary Bye-Laws and all other regulations issued by the Council of Chartered Accountants Ireland thereunder. The bye-laws and regulations of Chartered Accountants Ireland will, where necessary, be amended to give effect to the amalgamation.

The following sections of this explanatory memorandum provide a high-level overview of the current proposals for the amalgamation and the proposed legal mechanics for putting the amalgamation into effect.

#### **Membership and designatory letters**

The members of CPA Ireland, at the effective date of the amalgamation, will become members of Chartered Accountants Ireland. All existing CPA Ireland and Chartered Accountants Ireland members will be entitled to use either or both the ACA / FCA and CPA /FCPA designations.

Authorised firms will be able to use the description “Chartered Accountants” in accordance with Chartered Accountants Ireland’s Bye-Laws.

#### **Regulation and Discipline**

##### **Transitional regulatory arrangements**

From the effective date of the amalgamation, Chartered Accountants Ireland’s regulations will be in force and applicable to all members. Certain transitional provisions will be included in the regulations to ensure continuity for CPA Ireland members, firms and affiliates, and will, for example provide for:

- CPA Ireland members who hold practising rights will be granted equivalent rights (and obligations) under Chartered Accountants Ireland’s regulations.
- CPA Ireland firms holding authorisations in reserved areas such as audit and/or investment business will be granted equivalent authorisations under Chartered Accountants Ireland’s regulations.

##### **Transitional disciplinary arrangements**

From the effective date of the amalgamation, all disciplinary processes will be administered by Chartered Accountants Ireland, subject to the following principles:

- Any disciplinary proceedings involving CPA Ireland members in being at the time of the amalgamation will continue to be dealt with using CPA Ireland procedures, grounds for liability and sanctions. The existing CPA Ireland disciplinary bodies responsible for investigation and decision-making will be, where relevant, reconstituted by Chartered Accountants Ireland
- Any latent disciplinary issues involving CPA Ireland members (i.e. events which occurred prior to the amalgamation but which are not the subject to any disciplinary proceedings at the time of the amalgamation) will be dealt with in accordance with Chartered Accountants Ireland’s disciplinary

procedures, subject to certain additional procedural protections, including that disciplinary proceedings would not be initiated against former CPA Ireland members other than on the basis of the grounds for liability that applied under the CPA Ireland rules in force at the time and the sanctions that may be imposed will be limited to those which would have been available under those CPA Ireland disciplinary rules.

### **Students and exams**

From the effective date of the amalgamation, all existing CPA Ireland students will be invited to become Chartered Accountants Ireland students. As of that date, the examination process will be administered by Chartered Accountants Ireland, subject to the following principles:

- Existing CPA Ireland Strategic Level students sitting their final exam will be allowed see out their studies within the existing curricula and receive dual designation of ACA CPA upon completion of their studies (within 3 years).
- All new and existing Foundation and Professional CPA Ireland students will transition to a new combined curriculum.

The dual running of legacy curricula will be wound down within 3 years.

### **The Chartered Accountants Ireland Council and the officers**

It is proposed that for a transitional period the newly enhanced Chartered Accountants Ireland Council will be expanded from 24 to 30 members. Six CPA Ireland members will join the amalgamated Council and each will be appointed to boards to ensure representation of CPA Ireland members in the governing structures. Chartered Accountants Ireland officers in place from May 2024 will continue until their terms expire.

Subject to certain limits around length of service that apply to all members of Chartered Accountants Ireland's Council, those members of Council who join from CPA Ireland following the amalgamation will serve an initial term until 2028 and will then be eligible for re-election. The increased Council will reduce to 24 members by 2030.

All members of the combined CPA Ireland will be eligible for election to the Council.

### **Legal mechanics for giving effect to the amalgamation**

At a high-level, it is currently envisaged that the amalgamation will be achieved in the following way:

- On 21 February 2024, CPA Ireland and Chartered Accountants Ireland will convene general meetings of their respective members who will be asked to approve the amalgamation in principle and to authorise their respective Councils to negotiate and finalise the terms of the amalgamation.
- If the members of both CPA Ireland and Chartered Accountants Ireland approve the amalgamation in principle it is proposed that the amalgamation will be effected by way of a "scheme of arrangement" under Chapter 1 of Part 9 of the Companies Act 2014, pursuant to which the High Court of Ireland would be asked to sanction the amalgamation. The scheme of arrangement will be between CPA Ireland and its members, with Chartered Accountants Ireland undertaking to be bound by its terms.
- It is envisaged that CPA Ireland would hold further meetings later in 2024 (currently proposed to be during May); a special court ordered meeting to approve the amalgamation and an extraordinary general meeting on the same day to approve changes to the constitution of CPA Ireland to facilitate the scheme of arrangement. On the same day, the members of Chartered Accountants Ireland will hold a further general meeting at which the members of Chartered Accountants Ireland may approve the necessary changes to Chartered Accountants Ireland's bye-laws to give effect to the amalgamation.
- If the members of both CPA Ireland and Chartered Accountants Ireland pass the relevant resolutions at their respective meetings and the necessary approvals of IAASA, the Department for

the Economy of Northern Ireland and all other relevant regulatory bodies are obtained, application would be made to the High Court asking it to sanction the amalgamation.

- If the High Court sanctions the amalgamation, all members of CPA Ireland will cease to be members of CPA Ireland and will become members of Chartered Accountants Ireland on foot of the order of the High Court. Chartered Accountants in Ireland will become the sole member of CPA Ireland.
- Subject to all necessary approvals, the amalgamation would take effect on such day (after the issue of the formal oversight body approvals) as approved by the High Court.

Any material change to the final structure will be outlined to members and further information on the legal process will be provided to members of CPA Ireland in due course.

### **Oversight body approval**

Approval will be required for all changes to CPA Ireland's constitution from IAASA.

Approval will be required for all changes to the bye-laws of Chartered Accountants Ireland from IAASA and the Department for the Economy of Northern Ireland. Approval for changes to Chartered Accountants Ireland's regulations will be required from a number of regulators.

The amalgamation cannot take effect unless and until all necessary approvals are obtained.