

Mrs. Christiana Sideri
Director of the Service
Commission for the Protection of Competition (CPC)
Republic of Cyprus

15 January 2019



Dear Mrs. Sideri

Subject: Communication of the Service of the CPC dated 21 December 2018 concerning the United Kingdom Competition & Markets Authority ('CMA') Invitation to comment on the CMA Update paper dated 18 December 2018 entitled 'Statutory audit services market study' ('the CMA Update paper')

We would like to express the appreciation of The Institute of Certified Public Accountants of Cyprus ('ICPAC') for the relevant communication of the Service of the CPC addressed to ICPAC, and the opportunity provided to ICPAC to present before the CPC its comments regarding the CMA Update paper.

ICPAC constitutes the sole recognised body of accountants pursuant to the decision of the Council of Ministers of 2002 and the only recognised body of auditors in the Republic of Cyprus pursuant to Section 113(2) of the Auditors' Law of 2017, performing a number of significant statutory duties including, inter alia, the licensing and regulating of statutory auditors and audit firms under the provisions of the Auditors' Law of 2017 and the Delegation Agreement entered into with the Cyprus Public Audit Oversight Board pursuant to Section 18(4) of the said Law. Further, ICPAC is the sole competent Regulatory Authority for the licensing and monitoring of its members under the Law Regulating Companies Providing Administrative Services and Related Matters of 2012, as well as under the Insolvency Practitioners Law of 2015, and the sole competent Regulatory Authority responsible to monitor its members pursuant to the Prevention and Suppression of Money Laundering Activities Law of 2007.

ICPAC's principal objectives include the provision of an organisational framework for all professional accountants, the support and the promotion of the activities and interests of the accountancy profession, the safeguarding of the reputation of the profession and adherence to the Code of Ethics by all its members, as well as the continuous professional development and updating of the members on issues relevant to accounting, auditing and other business matters.

Within the ambit of achieving the above-mentioned objectives, ICPAC welcomes and, indeed, encourages the reinforcement of the co-operation between the European Union Commission, the competent National Competition Authority (NCA) of each EU Member State within the ambit of the European Competition Network (ECN)

framework, and the respective competent Regulatory Authorities in relation to the audit profession.

ICPAC has been closely monitoring the international debate on issues concerning the efficient performance of the auditors' entrusted tasks with the target of audit quality enhancement and securing independence.

It is the understanding of ICPAC, as per the Note to editors no. 1 to the CMA Update paper and point 1.1 page 10 thereof, that the said document was prepared by the CMA after a market study conducted in the United Kingdom pursuant to the relevant statutory powers of CMA, in the latter's capacity as the UK national Competition Regulator pursuant to section 5 of the Enterprise Act 2002, concerning the UK audit sector and the specific market characteristics thereof (as per points 1.3 - 1.6 pages 10 - 11 of the CMA Update paper).

ICPAC considers that the usage of empirical data, in conjunction with independent reviews from Competition Law specialists, both from the legal and the economic field, as well as financial evidence based on macro-economic analysis of each EU Member State relevant services' market would indeed be proven beneficial to the evaluation of the state of play in each such market.

The presence of 1.014 registered statutory auditors and 676 registered audit firms in the Republic of Cyprus as at 31 December 2018, experiencing an increase of 7% and 15% vis - a - vis the year ended 31 December 2017, respectively, constitutes a clear marker of a healthy competitive market characterised by the absence of significant barriers of market entry. It is further noted that the total number of members of ICPAC as at 31 December 2018 is 4.579 (increase by 12% from 2017).

The above data clearly illustrates the efficiency of a dedicated regulatory authority in enabling and safeguarding an inhibited market access continued active presence.

It is also the belief of ICPAC that State intervention via the imposition of structural measures, such as, the split between audit and advisory business, the dissolution of the audit firms or the introduction of regulatory measures such as market caps would be **not** productive in practice or compatible with the EU and Republic of Cyprus Competition Law legal status quo. Such measures could indeed, bearing in mind the above-mentioned specific regulatory environment and market characteristics, lead to the distortion of the competitive market, via, inter alia, the inability to retain, adequately train utilising sufficient resources and recruit skilled personnel which is essential to maintain the Republic of Cyprus status as a well-established global centre of professional services' provision.

As ICPAC is also entrusted with the regulation and monitoring of, amongst other, the performance of administrative services by its members as well as the audit functions thereof, it remains at the disposal of the competent Competition Law Authorities within the ECN framework so as to commonly evaluate stakeholder's concerns and where, necessary, advise on the introduction of regulatory changes.



We would kindly like to note that CPC can communicate the present Letter to the CMA.

We remain at your disposal should you require any additional information or clarification.

Yours faithfully

Marios Skandalis
President