



BERMUDA

BERMUDA PUBLIC ACCOUNTABILITY (GENERAL) RULES 2015

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The Bermuda Public Accountability Board, in exercise of the power conferred by section 17(1) as read jointly with section 37 of the Bermuda Public Accountability Act 2011, and with the approval of the Minister, makes the following Rules:

PART 1 PRELIMINARY

Citation

- 1 These Rules may be cited as the Bermuda Public Accountability (General) Rules 2015.

Interpretation

- 2 In these Rules—
 - “the Act” means the Bermuda Public Accountability Act 2011;
 - “applicant” means an applicant for registration as a PIE public accountant under rule 3 and includes an applicant who is an individual or is a firm;
 - “audit” means a public accounting firm's examination, intended to be in accordance with generally accepted auditing standards, of a PIE's financial statements that are required to be filed with the BMA or a foreign securities regulator;

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- “BMA” means the Bermuda Monetary Authority established under section 2 of the Bermuda Monetary Authority Act 1969;
- “the BPAB” means the Bermuda Public Accountability Board established under section 3 of the Act;
- “business day” means any day except Saturday, Sunday or a day that is a statutory holiday in Bermuda;
- “CPA Canada” means the Chartered Professional Accountants of Canada;
- “Committee” means the BPAB Compliance Committee appointed by the BPAB under section 30 of the Act;
- “CPAB” means the Chartered Professional Accountants of Bermuda established under the Chartered Professional Accountants of Bermuda Act 1973;
- “designated professional” means a person involved in a professional capacity in audits of financial statements of a PIE public accountant and occupying any of the following positions—
- (a) partner;
 - (b) director;
 - (c) member;
 - (d) principal; or
 - (e) employee;
- “document” includes—
- (a) any physical embodiment of information or ideas and includes written documents, electronic or computerized data compilations and any disc, tape, film or other device in which sound, visual images or other data are embodied;
 - (b) a separate document that is a draft or non-identical copy of a document referred to under paragraph (a),
- but shall not be construed to be limited to audit working papers;
- “firm” includes a company admitted under by-law 6 of the Chartered Professional Accountants of Bermuda By-Laws 2006;
- “foreign auditor oversight body” means a body which, in a country or territory outside of Bermuda, exercises regulatory functions corresponding to the functions of the Board;
- “inspection” means any inspection, whether regular or special, performed pursuant to Part 4;
- “member” means, in relation to a company admitted under by-law 6 of the Chartered Professional Accountants of Bermuda By-Laws 2006, a member,

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director, officer or other person acting under the express authority of the firm who is a member in good standing of the CPAB;

“Participation Agreement” means the Participation Agreement to be concluded between the BPAB and an applicant under rule 4;

“PIE public accountant” includes a PIE public accountant firm;

“professional regulatory authority” means an entity in Bermuda, other than a securities regulator, that has statutory inspection, investigatory or disciplinary responsibility for a PIE public accountant, its practice office or any of its designated professionals;

“professional standards” means the standards referred to in section 32 of the Act and rule 11;

“securities regulator” means the Bermuda Monetary Authority, the Bermuda Stock Exchange or other entity or agency that has statutory responsibility and authority for the administration of the securities legislation in Bermuda.

PART 2

REGISTRATION OF PIE PUBLIC ACCOUNTANTS

Application for registration as PIE public accountant

3 (1) An applicant for registration as a PIE public accountant under section 17 of the Act must make an application to the BPAB in the form set out in Schedule 1.

(2) The application must be accompanied by—

- (a) the prescribed fee of \$5,000;
- (b) a copy of the applicant’s valid certificate of membership of the CPAB, issued under paragraph 5(1)(c) or paragraph 6 of the Chartered Professional Accountants of Bermuda By-Laws 2006;
- (c) a copy of the applicant’s qualifications or, where the applicant is a firm, the qualifications of its designated professionals, which qualifications must be in accordance with the Chartered Professional Accountants of Bermuda Rules of Professional Conduct;
- (d) details of the applicant’s practical experience;
- (e) information and documents including—
 - (i) personal information consent forms;
 - (ii) indemnification agreements;
 - (iii) compliance certificate; and
 - (iv) such other information and documents as the BPAB may determine;
- (f) a copy of the applicant’s quality control procedures;

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- (g) a declaration by the applicant verifying the information contained in or relating to the application.
- (3) The applicant shall satisfy the BPAB, in addition to complying with other requirements under this rule, that the applicant—
- (a) is practising as a public accountant, or the business of its firm is that of public accountancy, in Bermuda;
 - (b) is maintaining a registered office for practice or practises at the registered office of a firm or company that is registered as a member of the CPAB; and
 - (c) has acquired, or its designated professionals have acquired, professional training as required by the CPAB.
- (4) An applicant for registration as a PIE public accountant who is an individual must have attained the age of 21 years.
- (5) An applicant shall submit any further information or document requested by the BPAB under paragraph (2)(e)(iv) within 21 days of the date of such request.
- (6) The BPAB shall consider an application made under this rule within a period of 30 business days—
- (a) from the date of receipt of the application; or
 - (b) from the date of receipt of the last information or document requested, where the BPAB has requested further information or documents under paragraph (2)(e)(iv).
- (7) Subject to paragraph (8), an application form duly completed and submitted to the BPAB shall be posted on the website of the BPAB during the period of processing of the application by the BPAB.
- (8) The application form posted on the BPAB website shall not include information on the fee payable by the applicant or any fees payable to the applicant by clients.

Participation Agreement

- 4 (1) The BPAB may, at any time before giving its decision under rule 5(1) on the application, invite an applicant to sign a Participation Agreement as set out in Schedule 2.
- (2) The applicant shall submit to the BPAB an original copy of the Participation Agreement signed by the applicant or in the case of an applicant firm, by the most senior partner, chief executive officer or most senior management person, as the case may be.

Registration as PIE public accountant

- 5 (1) Subject to these Rules, the BPAB may, on application duly made in accordance with rule 3, accompanied by all such information and documents as it may reasonably require, grant or refuse to grant the application for registration of any individual or firm as a PIE public accountant.

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(2) The BPAB shall, where it determines to grant the application under paragraph (1) and having received the Participation Agreement duly signed, issue to the PIE public accountant a certificate of registration in the form set out in the Schedule 3.

(3) The certificate of registration shall be for the duration of 12 months and shall be subject to such conditions and restrictions as the BPAB may deem appropriate.

Decision not to register

6 (1) Where the BPAB determines not to grant an application for registration under rule 5(1), it shall provide the applicant with a written notice, containing reasonable detail, of its grounds for such decision.

(2) An applicant who has received a decision of the BPAB under paragraph (1) may—

- (a) elect to withdraw his application for registration as a PIE public accountant; and
- (b) re-submit an application, at any other time, as provided for under these Rules.

(3) If the applicant does not elect to withdraw his application, he may file with the Secretary a petition requesting the Committee to issue an order for review proceedings under section 33(1)(b)(i) of the Act.

(4) The petition referred to in paragraph (3) shall be accompanied by a statement describing with specificity the applicant's reasons for believing that it should be registered as a PIE public accountant by the BPAB.

Renewal of registration

7 (1) A PIE public accountant shall submit to the BPAB an application for renewal of registration not less than 30 days before the expiration of the registration of the PIE public accountant.

(2) The application for renewal of registration shall be accompanied by—

- (a) the prescribed fee of \$5,000;
- (b) any further information that the BPAB may require; and
- (c) a declaration by the applicant verifying the information contained in or relating to the application.

Withdrawal of registration

8 (1) A PIE public accountant may at any time submit to the BPAB a notice of its withdrawal from registration as a PIE public accountant.

(2) The notice of withdrawal as a PIE public accountant shall be in such form as the BPAB may determine and shall—

- (a) state the termination of the PIE public accountant's registration Participation Agreement;

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- (b) provide an undertaking that the PIE public accountant shall not as from the date of the notice issue an audit report on the financial statement of any PIE without re-applying for registration under these Rules; and
- (c) be signed by the applicant or in the case of an applicant firm, by the most senior partner, chief executive officer or most senior management person, as the case may be.

Referring of questions to other professional bodies

9 The BPAB may refer any question or matter as it may consider appropriate relating to an application or inspection under these Rules to—

- (a) the BMA, the CPAB or the Bermuda Stock Exchange;
- (b) other professional regulatory authorities, including securities regulators, outside of Bermuda.

Report of change in particulars

10 (1) A PIE public accountant shall notify the BPAB if the PIE public accountant considers that there has been a change in the particulars of the PIE public accountant or there has been a material change to the information provided to the BPAB within 30 business days of the date of such change.

(2) Without limiting paragraph (1), the following events are deemed to constitute a material change—

- (a) a merger between a PIE public accountant and another PIE public accountant;
- (b) the acquisition by a PIE public accountant of all or part of the audit practice of another PIE public accountant;
- (c) the sale or other disposition by a PIE public accountant of all or part of his or its audit practice involving 10% or more of his or its base of Public Interest Entity audit clients, as measured by the number of such clients;
- (d) the bankruptcy or insolvency of a PIE public accountant; or
- (e) the dissolution of a PIE public accountant.

PART 3

PROFESSIONAL STANDARDS

Professional Standards

11 (1) If the audit report on the financial statements of a Public Interest Entity refers to auditing standards generally accepted in Bermuda, the PIE public accountant and the designated professionals of such firm shall, in connection with such audit, comply with auditing standards generally accepted in Canada, as set out in the Assurance Handbook of the CPA Canada.

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(2) If the audit report on the financial statements of a Public Interest Entity refers to generally accepted auditing standards other than those of Bermuda, the PIE public accountant and the designated professionals of such firm shall, in connection with such audit, be knowledgeable with respect to, and comply with, those other auditing standards.

(3) A PIE public accountant and the designated professionals of such firm shall comply with ethics standards with respect to an audit of the financial statements of a Public Interest Entity that are as follows—

- (a) a Bermudian PIE public accountant firm, and the designated professionals of such firms, shall comply with the ethics standards of the professional regulatory bodies that have jurisdiction over them and such other standards as the BPAB may require from time to time;
- (b) with respect to auditor independence, the relevant standards for all Bermudian PIE public accountants whose members are Chartered Professional Accountants and the designated professionals of such firms shall be the requirements set out in rule 204.1 of the CPAB Rules of Professional Conduct;
- (c) foreign PIE public accountant firms, and the designated professionals of such firms, shall comply with such ethics standards as the BPAB may require from time to time.

(4) PIE public accountants shall comply with General Standards of Quality Control for Firms Performing Assurance Engagements issued by the Auditing and Assurance Standards Board of the CPA Canada.

(5) PIE public accountants shall have a system of quality control that conforms with General Standards of Quality Control for Firms Performing Assurance Engagements issued by the Auditing and Assurance Standards Board of the CPA Canada with respect to their audits of Public Interest Entities' financial statements.

PART 4

INSPECTIONS AND INVESTIGATIONS

Cooperation of PIE public accountant with inspections

12 Each PIE public accountant and its designated professionals, partners or employees shall—

- (a) cooperate with inspections and investigations conducted under these Rules; and
- (b) comply with BPAB demands and requests for purposes of subparagraph (a).

Inspections

13 (1) The BPAB may have a PIE public accountant inspected by the Committee for the purpose of assessing the PIE public accountant's compliance with—

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- (a) provisions of the Act, Regulations and Rules;
 - (b) professional standards and rules; and
 - (c) quality control policies of the PIE public accountant in connection with the issuance of audit reports on the financial statements of Public Interest Entities.
- (2) Inspections conducted by the Committee may be—
- (a) regular inspections conducted once in every three years; or
 - (b) special inspections conducted at any time the BPAB determines as necessary.
- (3) The Committee and any other person or entity authorized by the BPAB to participate in the inspection shall, when performing regular or special inspections, take such steps and perform such procedures as the BPAB determines to be necessary or appropriate.
- (4) Where an oral interview is conducted as part of the inspection, persons permitted to be present at such an interview shall be limited to—
- (a) the person or persons being interviewed;
 - (b) members of the Committee;
 - (c) any other person, or members of an entity, authorized by the BPAB to participate or to conduct the inspection; and
 - (d) such other persons as the Committee may determine as necessary to be present.
- (5) A PIE public accountant under inspection shall, within ten business days of a query or question being raised either by the Committee or any person authorized to inspect or by both, provide the response to the query.
- (6) A response to a query or question shall be in the form of a letter and signed by the PIE public accountant or in the case of a PIE public accountant firm, by the most senior partner, chief executive officer or most senior management person, as the case may be.
- (7) All expenses of and incidental to an inspection shall be defrayed by the PIE public accountant under inspection.

Inspection report

- 14 (1) The Committee shall, following an inspection under rule 13, make a draft inspection report and where the finding of the inspection indicates, the draft inspection report shall include—
- (a) details of any significant identified weaknesses in the PIE public accountant's system of quality control;
 - (b) details of any significant deficiencies in any specific audit engagements reviewed; and

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- (c) recommendations for improvement in the PIE public accountant's system of quality control.
- (2) Recommendations contained in the draft report may include a requirement for—
 - (a) additional or continuing education for the PIE public accountant or PIE public accountant's designated professionals;
 - (b) designing, adopting or effectively implementing policies and procedures to ensure compliance with the Act, Regulations, Rules and professional standards.
- (3) The draft report shall state the measures to be imposed by the Committee following the findings of the inspection and such measures may include—
 - (a) the imposition of any requirements, recommendations, restrictions or penalties; and
 - (b) the time period within which the requirement for remedial action under subparagraph (a) is to be taken by the PIE public accountant.
- (4) A PIE public accountant under inspection shall, 30 business days after receipt of the draft report or such shorter period as the Committee may require, submit to the Committee a response to each recommendation in the draft report, indicating whether the recommendation is accepted and where it is not accepted stating the reasons for the nonacceptance of the recommendation.
- (5) The Committee may, upon receipt from the PIE public accountant of the response to the draft inspection report, take such action with respect to the draft inspection report as it considers appropriate, including—
 - (a) adopting the draft report as the final inspection report;
 - (b) preparing a revised draft inspection report; or
 - (c) continuing or supplementing the inspection and requiring the PIE public accountant to respond in terms of paragraph (4) before issuing a final inspection report.
- (6) The Committee shall attach to, and make part of the final inspection report, the responses submitted by the PIE public accountant, but shall not include in the final inspection report any comments pertaining to recommendations or observations in the draft inspection report that were deleted from the final inspection report.
- (7) The Committee shall issue the final inspection report and upon its issuance—
 - (a) shall immediately make the report available to the PIE public accountant inspected; and
 - (b) may provide a copy of the report to any professional regulatory authority having jurisdiction over the PIE public accountant inspected.

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(8) A PIE public accountant in receipt of a draft or final inspection report following an inspection shall not disclose the contents of the report to any third party, except that in the case of a final inspection report the PIE public accountant may inform the audit committee of an audit client whether the Committee's recommendations included in the final inspection report have been implemented or are to be implemented within the period established by the Committee.

(9) The term "third party" under paragraph (8) does not refer to—

- (a) members of a firm of a PIE public accountant; and
- (b) other firms that are members of a group of firms to which the PIE public accountant is also a member.

Remedial action following final inspection report

15 (1) Where a final inspection report confirms findings of weaknesses, deficiencies and the necessity to make recommendations as provided in rule 14(1), the Committee shall require the PIE public accountant concerned to submit evidence or otherwise demonstrate to the Committee that it has remedied such weaknesses and deficiencies and implemented such recommendations no later than 12 months after the issuance of the final inspection report or by an earlier date as may be required by the Committee.

(2) The Committee shall—

- (a) determine if the PIE public accountant has adequately addressed the weaknesses and deficiencies, and implemented recommendations; and
- (b) allow the PIE public accountant a period of not more than 60 days to remedy any defects identified in the process of its determination under subparagraph (a),

after which the Committee, if satisfied, shall notify the professional regulatory authority that was provided a copy of the final inspection report under rule 14(7) that the weaknesses, deficiencies and recommendations have been adequately addressed.

(3) Where a PIE public accountant fails to adequately address all or any of the weaknesses, deficiencies or recommendations to the satisfaction of the Committee as provided under paragraphs (1) and (2), the Committee shall publish on its website the relevant portion of the final inspection report that deals with all or any of such weaknesses, deficiencies or recommendations that are not adequately addressed, if—

- (a) 15 days after receiving notification of the Committee's intention to publish the final inspection report, the PIE public accountant fails to file with the Secretary a petition for review proceedings under section 33 of the Act; or
- (b) the PIE public accountant having filed a petition for review proceedings under section 33 of the Act within 15 days after receiving notification of the Committee's intention to publish the final inspection report, the review panel considering the petition finds that the PIE public accountant has not adequately addressed all or any of the weaknesses, deficiencies or recommendations to be published.

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(4) The Committee shall keep the publication referred to in paragraph (3) on its website until such time as the PIE public accountant confirms that it has adequately addressed the weaknesses, deficiencies and recommendations.

(5) The Committee shall ensure that publication on its website of a final inspection report does not result in the disclosure of the identification of any individual or Public Interest Entity, except that the foregoing shall not preclude the naming of a PIE public accountant who has failed to comply with the requirements of this rule even if the names of one or more individuals are included in the name of the PIE public accountant.

Investigations

16 (1) Where the Committee considers that a violation event has occurred it may issue an order for investigation in terms of section 32(3) of the Act, and where an order for investigation is issued the Committee shall designate in writing any one or more members of the Committee to conduct the investigation.

(2) The order for investigation issued against a PIE public accountant shall—

- (a) state the terms of the investigation;
- (b) require the PIE public accountant and any person connected with the PIE public accountant—
 - (i) to cooperate with the members of the Committee; and
 - (ii) to comply with requests and demands of the members of the Committee,

to the extent that the information sought is relevant to the matters described in the order for investigation.

(3) Each PIE public accountant against whom an order for investigation is issued shall require partners and employees, and in the case of a firm require each of its designated professionals, to cooperate and comply with any request or demand from the Committee to—

- (a) provide access to and permit the copying of any document in the possession, custody or control of the PIE public accountant; and
- (b) provide information by oral interview or written response or in such other format as the Committee may determine.

Giving testimony during investigations

17 (1) The Committee may require the testimony of any PIE public accountant or any designated professional, partner or employee of such PIE public accountant, with respect to any matter that the Board considers relevant or material to an investigation.

(2) The Committee shall require testimony under paragraph (1) by serving a demand notice—

- (a) giving a reasonable time and place for the taking of the testimony;

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- (b) stating the method or methods by which the testimony shall be taken, which may be audio or audio and video, and may include a recording and transcription of the testimony by a verbatim reporting service; and
- (c) including a description with reasonable particularity of the matters on which testimony is required from the PIE public accountant.

(3) A PIE public accountant that has been served with a demand notice and required to provide testimony shall designate one or more individuals to testify on its behalf, and may determine, with respect to each individual designated, the matters on which the individual will testify.

(4) At the taking of testimony pursuant to a demand notice under paragraph (2), persons permitted to be present shall be limited to—

- (a) the person giving testimony, and his counsel, who shall be permitted to advise the person giving testimony of his rights but shall take no other part in the taking of testimony;
- (b) any member of the Committee or staff of the Committee;
- (c) the reporter from the verbatim reporting service;
- (d) counsel to the Committee; and
- (e) such other persons as the Committee determines are appropriate to permit to be present,

except that no other person who has been or is reasonably likely to be required or requested to give testimony in the investigation shall be present.

(5) A person giving testimony who has given oral testimony, after being notified that the transcript of such testimony is available, shall have 15 days in which to review but not copy the transcript, and if there are explanations or additions to the information contained therein, to sign and deliver to the Committee a statement reciting such explanations or additions and the reasons given by the person giving testimony for making them.

(6) A person who has given oral testimony in an investigation may request a copy of the transcript of such testimony after the transcript has been reviewed under paragraph (5) and the Committee may provide such copy to such person.

(7) The Committee may issue a request notice for the testimony of any person, including any client of the PIE public accountant under investigation with respect to any matter that the Committee considers relevant or material to an investigation and—

- (a) such request notice for testimony shall contain the matters set out in subparagraphs (a) to (c) of paragraph (2); and
- (b) the provisions of paragraphs (3), (4), (5) and (6) shall apply to the giving of testimony under this paragraph.

(8) A PIE public accountant shall first provide its consent to disclosure to the Committee by any person that is the subject of a Committee request under paragraph (7).

Production of documents and examination of records

18 (1) The Committee may issue a demand notice for the production of audit working papers or any other document or information in the possession of a PIE public accountant or designated professional of such firm, wherever domiciled, that the Committee considers relevant or material to the investigation and the demand notice shall set forth a reasonable time and place for production of the documents required.

(2) The Committee may issue a demand notice—

- (a) expressly requiring the production of original documents; or
- (b) requiring copies of the requested documents to be produced, in which case the originals copies of the documents produced shall—
 - (i) be maintained in a reasonably accessible manner;
 - (ii) be readily available for inspection by the Committee; and
 - (iii) not be destroyed without the Committee's consent.

(3) Unless a demand notice expressly requests or permits printed copies of electronic documents, documents that exist in electronic form shall be produced in that form.

(4) The Committee may issue a request notice to any person, including any PIE public accountant, for the production of any document that the Committee or its staff considers relevant or material to the investigation, and such request shall set forth a reasonable time and place for production.

(5) A PIE public accountant shall first provide its consent to disclosure to the Committee by any person that is the subject of a request notice under paragraph (4).

(6) The Committee may in connection with an investigation examine the records of any participating audit firm or a designated professional of such firm.

Privileged information

19 (1) In accordance with section 6(6) of the Act, where a PIE public accountant or an individual subject to an order for investigation objects to any demand or request notice for information, including testimony, on the grounds that the information or testimony is privileged, and an answer or document is not provided on the basis of such assertion, the person asserting the privilege or his, or its, counsel, shall—

- (a) identify the nature of the privilege that is being claimed and indicate the relevant jurisdiction's privilege rule being invoked; and
- (b) subject to paragraph (2), provide in the objection—
 - (i) for documents, the type of document, the general subject matter of the document, the date of the document and such other information as is sufficient to identify the document; and
 - (ii) for oral communications, the name of the person making the communication, the names of persons present while the

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communication was made and, where not apparent, the relationship of the persons present to the person making the communication, the date and place of the communication and the general subject matter of the communication.

(2) The information to be provided under paragraph (1)(b)(ii) shall be divulged unless divulgence of such information would cause disclosure of the allegedly privileged information.

Production of order for investigation

20 (1) Any person who testifies or produces documents pursuant to a Committee demand or request shall, upon request, be shown the Committee's order for investigation.

(2) At the discretion of the Committee, a copy of the order may be furnished to such person for his retention, subject to such limits on dissemination as the Committee may require.

Information given at firm's initiative

21 (1) A PIE public accountant and any designated professional of such firm who become involved in an investigation may, on their own initiative, submit a written statement to the Committee setting forth their interests and positions in regard to the subject matter of the investigation.

(2) The Committee shall advise such persons of the general nature of the investigation, including the indicated violations as they pertain to those persons and the amount of time that is available for preparing and submitting a statement.

Cooperating in investigations with foreign auditor oversight body

22 (1) The Committee may, in appropriate circumstances, rely upon the investigation of a PIE public accountant by a foreign auditor oversight body, in lieu of carrying out its own investigation of such PIE public accountant.

(2) The Committee may, as it deems appropriate, and subject to applicable confidentiality provisions, provide assistance to a foreign auditor oversight body in an investigation of a PIE public accountant conducted pursuant to the laws and/or regulations of a foreign jurisdiction, provided that the Committee shall first have obtained the written consent of the PIE public accountant that the Committee may provide such assistance.

Committee decision on conclusion of investigation

23 (1) If, based on the information obtained during any investigation, the Committee considers that a violation event has occurred, the Committee may, if it deems it appropriate, propose the imposition of requirements, restrictions or penalties pursuant to rule 24.

(2) If, based on the information obtained during any investigation, the Committee decides to take no further action, the Committee shall advise the PIE public accountant accordingly.

PART 5

REQUIREMENTS, RESTRICTIONS AND PENALTIES

Violation event notice

24 (1) If as a consequence of an inspection or investigation, or otherwise, the Committee considers that a violation event has occurred, the Committee may give a violation event notice to a PIE public accountant, which shall set out the requirements, restrictions or penalties the Committee proposes to impose on such PIE public accountant, which may include one or more of the following—

- (a) additional professional education for some or all of the designated professionals of a PIE public accountant;
- (b) the designing, adoption or implementing of policies by a PIE public accountant to ensure its compliance with the Rules and professional standards;
- (c) assignment of a reviewer or supervisor to oversee the work of one or more designated professionals of a PIE public accountant;
- (d) termination of one or more audit engagements of a PIE public accountant;
- (e) the appointment of an independent monitor, subject to the approval of the Committee, to observe and report to the Committee on a PIE public accountant's compliance with the Rules and professional standards;
- (f) monetary assessment intended to defray the Committee's anticipated cost of monitoring the PIE public accountant's compliance with the terms of any requirement, restriction or penalty;
- (g) prohibition of a PIE public accountant from assigning one or more designated professionals to audits of financial statements of Public Interest Entities, for a period of time or permanently;
- (h) prohibition of a PIE public accountant from accepting new Public Interest Entity clients for a period of time;
- (i) a penalty of public censure;
- (j) a penalty cancelling the registration of a PIE public accountant and terminating its Participation Agreement; or
- (k) any other remedial actions permitted under the Act, Regulation or Rules.

(2) If the Committee proposes that any requirement, restriction or penalty be imposed on a PIE public accountant, the Secretary shall send a notice of such proposal to the PIE public accountant's most recent address on file with the Committee and to any individual specifically identified in such proposed requirement, restriction or penalty by—

- (a) regular mail;
- (b) electronic transmission;

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- (c) telephone transmission of a facsimile; or
 - (d) personal service or delivery.
- (3) If the notice is sent by—
- (a) regular mail, it shall be deemed to have been received on the third business day after it is mailed; or
 - (b) electronic transmission, telephone transmission of a facsimile, or by personal service or delivery, it shall be deemed to have been received on the day after it was sent, unless that day is not a business day, in which case it shall be deemed to have been received on the next day that is a business day.

Petition for review proceedings

25 (1) A PIE public accountant or any individual specifically identified in the proposed requirement, restriction or penalty may, within 15 days of receipt from the Committee of a violation event notice, file with the Secretary a petition for a review proceeding under section 33 of the Act, which petition must include a statement describing with specificity its basis of objection to the proposed requirement, restriction or penalty, and an agreement to be bound by the Rules relating to the review proceedings.

(2) If, following the issuance to a PIE public accountant of a notice pursuant to rule 24—

- (a) the Board does not receive a petition for a review proceeding in accordance with paragraph (1); or
- (b) the decision of a review panel in proceedings held in response to such petition determines that the requirement, restriction or penalty, as the case may be, should be imposed,

the Board shall send to the participating audit firm a notice stating that the relevant requirement, restriction or penalty is in effect, in which case the participating audit firm shall comply immediately therewith.

Application for termination of requirement, restriction or penalty

26 (1) A PIE public accountant that is subject to any continuing requirement, restriction or penalty may file an application for termination of the requirement, restriction or penalty at any time, and the PIE public accountant may, at the Committee's discretion, be afforded a hearing.

(2) Notwithstanding the application under paragraph (1), the requirement, restriction or penalty shall continue until such time as it is terminated by an order of the Committee.

Failure to pay monetary assessment

27 If a PIE public accountant has failed to pay a monetary assessment, as may be required under rule 24(1)(f), within 60 days of it being assessed, the Committee may, if such

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assessment remains unpaid after seven days' notice to the PIE public accountant in writing of such fact, cancel the registration of the PIE public accountant and terminate its Participation Agreement.

Publication of continuing restrictions or penalty

28 (1) A PIE public accountant subject to any continuing restriction or penalty shall notify professional regulatory authorities, securities regulators and the audit committees of its Public Interest Entity clients of the restriction or penalty.

(2) The Committee shall disclose publicly to anyone who inquires and on its website the name of a PIE public accountant that is subject to any continuing restriction or penalty and that has made notifications pursuant to paragraph (1) of the restriction or penalty, provided that disclosure by the Committee shall not precede the date by which the PIE public accountant shall have made such notifications.

(3) Where the Committee makes a disclosure under this rule, it shall not disclose the identity of any individual specifically identified in a continuing restriction or penalty, provided that the foregoing shall not preclude the naming of a PIE public accountant even if the names of one or more individuals are included in the firm's name.

Foreign PIE public accountant

29 The Committee may, in appropriate circumstances, rely upon a restriction or penalty imposed on a foreign PIE public accountant by a foreign auditor oversight body in lieu of imposing its own restriction or penalty on such firm.

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SCHEDULE 1

(rule 3)

APPLICATION FOR REGISTRATION AS PIE PUBLIC ACCOUNTANT

| | | |
|-----|---|--|
| 1. | Date of application | |
| 2. | Full name of applicant | |
| 3. | Date of birth of an applicant who is an individual | |
| 4. | Registered office (or Business) address of applicant | |
| 5. | Academic and professional qualifications of applicant or of applicant's partners or members (copies to be attached) | |
| 6. | Applicant's certificate of membership of the CPAB as required under rule 3(2)(b) (copies to be attached) | |
| 7. | Details of applicant's practical experience | |
| 8. | Applicant's personal information consent form (copies to be attached) | |
| 9. | Applicant's indemnification agreements | |
| 10. | Applicant's compliance certificate | |
| 11. | Number of hours of professional training education acquired by partners or members in 12-month period immediately preceding application | |
| 12. | Additional information or documents | |
| 13. | Enclose application fee of \$5,000 or supply ID No. / Receipt particulars and date of payment | |

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| | |
|-----|---|
| 14. | <p>I/We confirm that all particulars provided above and in the documents accompanying this application or otherwise furnished in support hereof are true and correct, and confirm that if this application is granted I/we shall at all times comply with the requirements and provisions of the Bermuda Public Accountability Act 2011 and Regulations and Rules made thereunder or any amendments thereto, which may be made from time to time.</p> <p>Dated thisday of20...</p> <p>By</p> <p>Member/Partner of.....</p> <p>Signed</p> <p>Position</p> <p>Witness: Name..... Position.....</p> <p>Stamp and date of receipt of Application:</p> |
|-----|---|

SCHEDULE 2

(rule 4)

PARTICIPATION AGREEMENT

- The member firm is resident in Bermuda
- The member firm is not resident in Bermuda

In consideration of the participation by _____ (the "Participant") in the Programme of the Bermuda Public Accountability Board (the "Board") relating to a system of practice inspection and the establishment of practice requirements for PIE public accountants that audit Public Interest Entities in Bermuda (the "Programme"), the Participant and the Board agree as follows:

1. The Participant shall comply with the Bermuda Public Accountability Act 2011 (the "Act"), the Regulations, Rules and all of the Board's published requirements applicable to PIE public accountants in the Programme, including the Board's Rules pertaining to such participation and any additions or amendments, which may be made thereto from time to time (the "Rules"), which Rules shall contain requirements in addition to those contained in this agreement.
2. Without limiting the generality of paragraph 1 hereof, the Participant shall on a timely basis—
 - (a) adhere to the professional standards established by the Board in the Rules, whether through reference to standards set by third party standard-setting bodies or standards set by the Board;
 - (b) provide all reports and information required in accordance with the Rules;
 - (c) provide all the reports and working papers, which the Participant has requested and received from other audit firms participating in the audit of PIEs, and where the Participant is not provided with such reports in full, or at all, by the other audit firms—
 - (i) the other audit firms shall inform the Participant of the nature of the reports and working papers that are being withheld and the reasons for withholding the reports and working papers; and
 - (ii) the Participant shall consult the Board for a determination on whether there are alternative methods of obtaining the required reports and working papers;
 - (d) submit to and co-operate in all respects with each regular inspection and each special inspection contemplated by the Rules (each an "Inspection") of the practice and procedures of the Participant relating to the auditing of financial statements of a Public Interest Entity and of any of its partners, officers, employees and independent contractors involved therewith in a professional capacity ("Designated Professionals"), regardless of whether or not such Inspections are co-ordinated with or form a part of inspections by entities (other than securities regulatory authorities) having Bermuda statutory inspection, investigatory or disciplinary responsibility for the Participant, a practice office of the Participant or its Designated Professionals ("Professional Regulatory Authorities");

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- (e) submit to, co-operate in all respects with and, if required by the Board, pay for each inspection and investigation of the Participant, determined by the Board to be appropriate;
 - (f) pay fees as established by the Board; and
 - (g) comply with any requirement, restriction or penalty that may be imposed in accordance with the Rules.
- 3. Prior to implementing any new Rules or amending any portion of the Rules, the Board shall give notice of its intention in such regard to the Participant in accordance with the requirements of the Act, Regulations and Rules.
- 4. (1) The Participant consents to the disclosure to the Board to the extent reasonably necessary in connection with the purpose of the Board as stated in the Rules (the "Purpose") of—
 - (a) all information relevant to the professional activities of the Participant and its Designated Professionals obtained by Professional Regulatory Authorities in the course of supervising, regulating or reviewing the conduct of the Participant and its Designated Professionals; and
 - (b) all reports, evaluations and similar materials prepared by or for Professional Regulatory Authorities with regard to the professional activities of the Participant and its Designated Professionals, in each case subject to compliance with applicable law.(2) The Participant shall take (or cause to be taken) all reasonable steps, including without limitation the execution of all further documents and consents, as requested by any of the Professional Regulatory Authorities in order to permit any such disclosures and, if requested, shall deliver to the Board complete copies of any reports, evaluations and similar materials provided to the Participant by any Professional Regulatory Authority, subject to such deletions as may be required in order to comply with restrictions at law or pursuant to professional conduct rules.
- 5. The Participant shall obtain and retain on behalf of the Board written consents and agreements from each of its Designated Professionals and written agreements from each of its partners and officers, each of such documents to be in such form and to contain such terms as provided for from time to time in the Rules. The Participant shall certify to the Board, within three months after the date hereof and thereafter during the continuance of the Participant's participation in the Programme annually (or more frequently as may be required by the Board), that the Participant has obtained such consents and agreements from its Designated Professionals and such agreements from its partners and officers.
- 6. The Participant shall indemnify and hold harmless the Board and each of its officers, directors, members, employees, agents, hearing officers, attorneys and inspectors and their respective dependants, heirs, personal representatives, successors and assigns (the "Indemnified Parties"), from and against any and all losses, expenses, claims, actions, damages and liabilities of any kind, including without limitation the reasonable fees and expenses of legal counsel, that may be suffered or incurred as a result of or in connection with any action, claim, counterclaim, cross claim, third party claim or any other kind of court or other proceeding (a "Claim") that may be taken or continued by any partner, officer or

Designated Professional of the Participant as a result of anything done, or omitted, in good faith in the performance, or intended performance, of the Purpose, subject to the following—

- (a) the maximum liability of the Participant under this paragraph 6 shall not, in respect of any Claim, exceed the greater of (i) \$50,000 and (ii) 50% of the annual participation fees as required pursuant to the Rules to be paid by the Participant during the calendar year in which the Claim commenced;
- (b) if the Board becomes aware of a Claim for which an indemnity as provided in this paragraph 6 may be sought, the Board shall promptly give written notice of the Claim to the Participant and shall specify with reasonable particularity (to the extent known) the factual basis for the Claim and the amount thereof, provided that any delay in giving such notice shall not reduce the liability of the Participant pursuant to this paragraph 6 except to the extent that any such delay prejudices the defence of the Claim or results in any material increase in the liability of the Participant pursuant to this paragraph 6;
- (c) the Indemnified Parties shall have the right, at the Participant's expense subject to the limitation in paragraph 6(a) hereof, to control the negotiation, settlement and defence of the Claim and to retain counsel to act on their behalf in respect thereof, provided that, if the Board proposes to make any claim against the Participant under this paragraph 6, the Board shall use reasonable efforts to keep the Participant informed as to material developments in proceedings involving the claim;
- (d) if any Claim is of a nature such that (i) an Indemnified Party is required by applicable laws or the order of any court, tribunal or regulatory body having jurisdiction, or (ii) it is necessary in the reasonable view of the Board acting in good faith, to make a payment to any person (a "Third Party") on the Claim before completion of settlement negotiations or related legal proceedings, as the case may be, the Board may make such payment and the Participant shall, promptly after demand by the Board, reimburse the Board for such payment to the extent contemplated in paragraph 6(a) hereof. If the amount of any liability of the Indemnified Parties under the Claim for which a payment is made, as finally determined, is less than the amount paid by the Participant to the Board, the Board shall, promptly after receipt by the Indemnified Parties of the difference from the Third Party, pay the amount of such difference to the Participant. If the payment results in settlement of the Claim and precludes a final determination of the Claim, and the Board and the Participant are unable to agree whether payment was reasonable in the circumstances having regard to the amount and merits of the Claim, the dispute shall be resolved in accordance with Clause 9 of this agreement;
- (e) it is the intention of the Participant and the Board to constitute the Board as the trustee for each of the other Indemnified Parties in respect of the covenants of the Participant under this Clause 6 and in Clause 9 hereof and also in respect of the covenants of the partners and officers of the Participant under the agreements referred to in paragraph 5 hereof, and the Board agrees to accept such trust.

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7. All information obtained by the Board and its officers, directors, members, employees, agents, attorneys and inspectors in performing Inspections and Investigations (the “Confidential Information”) shall be treated by the Board as confidential save and except as follows—
- (a) the Board shall be entitled to disclose all information contained in (i) documents filed by the Participant as part of its initial registration with the Board and (ii) any annual information filing by the Participant with the Board, excluding in all cases any information to be excluded from such disclosure as specifically provided in the Rules;
 - (b) the Board shall be entitled to disclose Confidential Information to Professional Regulatory Authorities having jurisdiction over the Participant or its Designated Professionals;
 - (c) the Board shall be entitled to disclose Confidential Information to securities regulatory authorities having jurisdiction in Bermuda, provided that the Board shall not disclose any specific information relating to the business, affairs or financial condition of any audit client of the Participant except to the extent such disclosure may be explicitly authorized by applicable law;
 - (d) the Board shall, in accordance with any written consent provided by the Participant to the Board from time to time, be entitled to disclose Confidential Information to any body in any jurisdiction outside Bermuda that performs an oversight role similar to that performed by the Board;
 - (e) the Board shall be entitled to prepare summaries, compilations and general reports on its activities and the results of the Programme and Inspections and Investigations and to disclose such documents publicly, subject to such provisions relating to confidentiality and permitted disclosures as provided in the Rules;
 - (f) notwithstanding the foregoing, the Board shall be entitled to disclose that the Participant participates in the Programme (or has ceased to do so), that one or more Inspections or Investigations have been conducted with regard to the Participant, and whether there has been imposed on the Participant any requirement or restriction in respect of which the Board has notified the Participant that it has failed to comply with to the satisfaction of the Board, in each case including the details thereof but without naming any individual (other than as a result of the individual’s name forming part of the Participant’s name); and
 - (g) none of the foregoing restrictions shall in any manner require the Board to maintain confidentiality in respect of any information that has become public other than as a result of disclosure by the Board in breach of this paragraph 7 or any information that is required to be disclosed by applicable law or court order.
8. The Participant shall have the right to terminate its participation in the Programme in accordance with the provisions of the Act and Rules. The Board shall have the right to terminate the participation of the Participant in the Programme in accordance with the provisions of the Act and Rules. Unless the participation of

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the Participant in the Programme has been previously terminated, this agreement and the Participant's participation in the Programme shall terminate on (..).

9. All disputes, disagreements and claims made in connection with or relating to this agreement, the Rules or any determination, directive, order, ruling, recommendation or advice made, requirement or restriction or penalties imposed, or action taken by the Board (whether by its operating personnel, a review panel or its board of directors) (each a "Dispute") shall be determined in accordance with the procedures specified under the Regulations or Rules, which procedures shall be the sole and exclusive procedures for the resolution of any Dispute. The Participant, on behalf of itself and its partners in their capacity as partners of the Participant, hereby—
- (a) agrees that its and their sole remedy in respect of any Dispute shall be as determined in accordance with such Regulations or Rules (including without limitation any arbitration as provided therein); and
 - (b) without limiting the Participant's rights as against the Board as provided for in the Regulations or Rules, agrees not to commence, direct the commencement by any person, partnership, trust or other entity of, or continue, as against the Board (or its officers, directors, members, hearing officers, employees, agents, attorneys and inspectors, and their respective dependants, heirs, personal representatives, successors and assigns), and releases those persons in respect of, any action, claim, counterclaim, cross claim, third party claim or any other kind of court or other proceeding, including without limitation arbitration, on account of any and all actions, causes of action, suits, proceedings, claims, debts, dues, accounts, covenants, bonds, contracts, duties, damages, sums and sums of money, promises, grievances, executions, judgments, orders, liabilities and demands of any kind whatsoever, including without limitation those for damages, defamation, legal fees, loss, injury, interest or costs, however arising, which have existed or may in the future exist by reason of any cause, matter or thing whatsoever as a result of anything done, or omitted, in good faith in the performance, or intended performance, of the Purpose.
10. Except as otherwise specifically provided in the Regulations or Rules, any notice, demand or other communication (in this paragraph, a "notice") required or permitted to be given or made in connection with this agreement or the Programme shall be in writing and shall be sufficiently given or made if—
- (a) clearly marked for the attention of the Chairman of the Board;
 - (b) delivered in person during normal business hours on a business day and left with a receptionist or other responsible employee of the relevant party at the applicable address set forth below;
 - (c) sent by prepaid first class mail; or
 - (d) sent by any electronic means of sending messages, including facsimile transmission and email ("Electronic Transmission") during normal business hours on a business day;

in the case of a notice to the Participant, addressed to it at:-

Name of participant: _____

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Attention: _____
Address: _____

Fax No. : _____
Email: _____

and in the case of a notice to the Board, addressed to it at:-

Bermuda Public Accountability Board

Address : _____

Attention: Secretary
Fax No.: _____
Email: _____

Each notice sent in accordance with this paragraph shall be deemed to have been received:

- (i) on the day it was delivered;
 - (ii) on the third business day after it was mailed (excluding each business day during which there existed any general interruption of postal services due to strike, lockout or other cause); or
 - (iii) on the same day that it was sent by Electronic Transmission, or on the first business day thereafter if the day on which it was sent by Electronic Transmission was not a business day. Either party may change its address for notice by giving notice to the other party as provided in this paragraph.
11. If any action is required to be taken pursuant to this agreement on or by a specified date which is not a business day, then such action shall be valid if taken on or by the next succeeding business day. For the purposes of this agreement, "business day" means any day except Saturday, Sunday or a day that is a statutory holiday in Bermuda.
12. This agreement shall be governed by, and interpreted and enforced in accordance with, the laws in force in Bermuda (excluding any conflict-of-laws rule or principle that might refer such construction to the laws of another jurisdiction) and shall be treated in all respects as a Bermuda contract.
13. This agreement, together with the Act, Regulations and Rules, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, negotiations, discussions and understandings, written or oral, between the parties.

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14. This agreement may be executed in two or more counterparts, each executed by one or more signatories on behalf of the parties hereto. All such executed counterparts taken together shall constitute one and the same agreement.
15. Each party shall take (or cause to be taken) all reasonable steps, including without limitation the execution of all further documents, as the other party may in writing from time to time reasonably request be done in connection with the Programme or as otherwise may be necessary or desirable to give effect to this agreement.
16. Without limiting the right of the Board to implement new Rules or to amend the Rules as contemplated by paragraph 3 hereof, this agreement may otherwise be amended or supplemented only by a written agreement signed by both the Participant and the Board.
17. Any waiver of, or consent to depart from, the requirements of any provision of this agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of either party to exercise, and no delay in exercising, any right under this agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.
18. The provisions of paragraphs 4, 6, 7 and 9 hereof shall remain in effect after the termination of this agreement. No termination of this agreement by any party shall affect the rights and obligations of either party that have accrued as of the date of such termination.
19. The Participant declares that it has read this agreement and fully understands its terms and that it has had a satisfactory opportunity to receive legal advice from its attorneys with respect to this agreement.

Dated this _____ day of _____, _____.

Bermuda Public Accountability Board

By:

Printed Name

Signature Secretary (BPAB)

(Name of Participating Audit Firm)

By:

Printed Name

Signature Partner
(Participating Audit Firm)

[Schedule 2 amended by BR 59 / 2016 rule 2 effective 8 July 2016]

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SCHEDULE 3

(rule 5)

CERTIFICATE OF REGISTRATION

Certificate of Registration No.....

.....

is hereby registered as a PIE public accountant under the Bermuda Public Accountability Act 2011 to audit Public Interest Entities in Bermuda.

This registration is for the period..... to,
subject to the provisions of the Bermuda Public Accountability Act 2011, the Regulations
and Rules made thereunder and the Participation Agreement concluded on
the between the Board and the above named registered PIE public
accountant.

.....

Chairman
Bermuda Public Accountability Board

.....

Stamp

Made this 15th day of December 2015

Chairman
Bermuda Public Accountability Board

Approved this 15th day of December 2015

Minister of Finance

[Amended by:

BR 59 / 2016]