The Chartered Institute of Management Accountants (CIMA) – Written evidence (PBS0036)

About CIMA

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders. Chartered Global Management Accountant (CGMA) is the most widely held management accounting designation in the world. It distinguishes more than 137,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management.

CIMA is a founder member of The Association of International Certified Professional Accountants (the Association). The Association is the most influential body of professional accountants, combining the strengths of the American Institute of CPAs (AICPA) and CIMA to power opportunity, trust and prosperity for people, businesses, and economies worldwide. It represents over 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. In the UK alone CIMA has over 80,000 members working across all sectors. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CIMA and CGMA designation holders and accounting and finance professionals globally.

One of the core missions of the organisation is to develop research and analytical thinking of the challenges faced by both our management accounting professional but also the wider and global finance sector.

Responses to the relevant questions asked by this Inquiry:

1. **How important are the different UK professional and business services sectors to the UK's economy and trade in services? Please include data where possible.**

2. **What are the UK's different professional and business services sectors' key priorities for the future UK-EU relationship? What are the key priorities of smaller professional and business services providers and providers from the UK's regions and devolved nations in particular?**

3. **What preparations (if any) have UK professional and business services providers made, or planned to make, ahead of the end of the transition period?**

4. **What provisions should the Government seek to negotiate to minimise potential barriers to trade, particularly for smaller professional and business services providers? What steps should the Government take to preserve the competitiveness and innovation capacity of the UK's different professional and business services sectors?**

5. What type of arrangements should the Government seek to negotiate with the EU for the mobility of professionals?

5.1 The mobility of accountancy and audit professionals is crucial for the sector. Many accountancy firms provide professional advice and services to clients who operate across a range of jurisdictions. For this work to be carried out it requires mobility of their staff to do so. The same is also true for auditors who are often required to work on audits for many months in different locations, which often involves travel overseas and to EU countries.

5.2 With our own members many are responsible for the accounting and finance functions in businesses with operations and premises across a range of countries including in the EU. Our members and other accounting professionals are also responsible for assisting in the managing, accounting, and auditing of business supply chains and do this successfully it requires movement to conduct work across the EU. If the freedom to move for work purposes was changed this would make our members jobs much more difficult.

5.3 We think the government should look to negotiate an agreement that allows for professionals such as finance, accounting and auditors to move freely in the EU. Negotiating for freer movement for professionals for work reasons should also form part of other trade deals that the UK negotiates with external partners. An agreement with Canada, Australia and New Zealand, as part of a CANZUK style arrangement, should include free movement for professionals as the Government have indicated.

6. How important are arrangements on the mutual recognition of professional qualifications to professional and business services providers in the UK and EU? How could a future UK-EU agreement best allow for this?

6.1 The Withdrawal Agreement provides for a transition period until 31 December 2020. This allows the current frictionless arrangements (including mutual recognition of professional qualifications and the right to work and establish businesses) to continue, until a long-term trading relationship is agreed between the UK and the EU-27. If by the 31 December 2020. there is no deal in place, we will be in the realms of a "no deal" Brexit.

6.2 Recognition of professional qualifications currently falls under Directive 2005/36/EC, implemented in UK law by the EU (Recognition of Professional Qualifications) Regulations 2015 (as amended by the Recognition of Professional Qualifications (Amendment etc.) (EU Exit) Regulations 2019). The title "chartered management accountant" which our members use is not automatically recognized under the Directive. Instead, the ACMA qualification is subject to the "General System" of recognition. This allows recognition of a qualification held by an EU citizen in another EU country when the level of professional qualification is at least equivalent to the level immediately below the level required in the host country.

6.3 In the absence of a trade deal that covers professional qualifications, as of 1 January 2021 United Kingdom nationals will be third country nationals. Directive 2005/36/EC will no longer apply to them. This means that any decisions about the recognition of CIMA qualifications of United Kingdom nationals in an EU-27 Member State will be governed by the national policies and rules of that Member State.

6.4 A UK CIMA member seeking to rely on her ACMA to provide accountancy services in Poland may need to seek recognition of the qualification under Polish national law. Similarly, for EU-27 nationals, the CIMA qualification will be a third country qualification from today. Subject to any agreement between the UK and EU-27 countries after the transition period, recognition of the qualification will depend on the national rules of individual EU-27 Member States.

6.5 The Recognition of Professional Qualifications (Amendment etc.) (EU Exit) Regulations 2019 amends the existing regulations which implemented Directive 2005/36/EC into UK law. Under the new Regulations, UK competent authorities are still required to consider applications for recognition from holders of EEA and Swiss qualifications but are only obligated to grant recognition to qualifications that are comparable to UK qualification requirements and standards in scope, level and content.

6.6 The arrangements for mutual recognition of qualifications is very important to professional services. Many professionals, including accountants, rely on mutual recognition of qualifications to be able to travel for work whether short-term or long-term and many global companies hire staff on the basis that their qualification transcends national borders.

6.7 If there is no agreement on recognition of professional qualifications with the EU this has the potential to harm our members and the wider accounting profession both here in the UK and in the EU. We feel it is in both sides interests to reach an agreement that acknowledges the internationally recognized standard of accounting education provided by CIMA training culminating in the award of the ACMA.

6.8 If an agreement is not reached or looks unlikely to be reached the UK should look to immediately start putting in place country by country agreements with the EU-27 on mutual recognition of qualifications. This should take place as soon as possible to allow sufficient time to conclude agreements with individual EU member nations prior to 1 January 2021.

6.9 The UK should be highlighting how important both UK and EU-27 professionals are to both economies and why the mutual recognition of qualifications should continue post Brexit in the interest of both economies. This will support the professions in both the UK and EU and reduce the impact this could have on businesses that cross borders between the UK and EU.

7. What provisions should the Government seek to agree with the EU on cross-border investment and rights of establishment?

8. Should there be regulatory cooperation between the UK and the EU on professional and business services? If so, what form should such cooperation take?

8.1 Yes, there should be some regulatory cooperation between both the UK and EU on professional and business services relating to work undertaken within Europe to allow the continuation of cross border trade in these services on similar terms.

8.2 This cooperation should not constrain the UK's ability to conclude trade in service agreements with external partners.

8.3 Both the UK and the EU have a shared interest in ensuring a high global standard of accounting and audit practices to maximize the trade opportunities for both parties and both should avoid measures that are protectionist that might constrain growth in the professional services sector. Protectionist moves would increase business costs and reduce the quality of services for businesses across the EU and UK were they to be introduced. It might increase the risk of regulatory arbitrage, i.e. businesses seeking the lightest regulatory regime.

8.4 If an agreement cannot be reached with the EU, the UK Government needs to signal this as soon as possible to allow businesses to prepare and to allow time for the UK Government to conclude agreements with individual EU members states where possible.

9. What lessons, if any, can be learnt from the EU's existing trade agreements with other third countries including services, or negotiations on trade in services?

10. To what extent could UK-EU trade in professional and business services continue in the absence of a UK-EU agreement covering services? How effective would the WTO General Agreement on Trade in Services be in supporting such trade, and what arrangements (if any) could be put in place to go beyond the WTO framework?

11. If there were no reciprocal data adequacy arrangements in place between the EU and UK by the end of the transition period, what would the implications be for professional and business services providers?

11.1 Recognition of qualifications would be our biggest concern and have the most impact for the accountancy sector and our members. We are concerned that If there are no reciprocal data arrangements between the EU and UK by the end of this year it could have serious consequences for NARIC, the UK's national agency of recognition and comparison of international qualifications. NARIC relies on data sharing with the EU and member states to be able check qualifications achieved in EU nations. If this data is no longer available, it will be much harder for companies and professional membership bodies to check qualifications and their equivalency.

11.2 This would make it harder for us to check the qualifications of people from the EU wishing to study with CIMA. This could harm UK education both professional and academic as institutions and professional bodies will be unable to check qualifications from EU member states or will find it much more difficult. UK education is a major attraction and investment in the UK and data arrangements to allow NARIC to continue to operate as they are is needed to ensure investment in UK education from the EU is not harmed.

12. What opportunities (if any) could the UK's withdrawal from the EU offer to the UK's professional and business services providers?

12.1 There is a major opportunity with forthcoming trade deals with other nations for the UK to ensure professional services are included within them. If done correctly this could enable more trade with the UK on professional and businesses services. The UK is already recognized as a global leader in professional and business services and the government in the negotiation of future trade deals should ensure they get trade agreements that allow the UK professional services to take advantage of new global opportunities.

12.2 For example, the suggestion that the UK conclude an agreement with Canada, Australia and New Zealand under the CANZUK Framework would be particularly attractive given the significant trade between these countries and our similar legal system.

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