



Third Country Auditor: Registration Consultation on proposed amendments to the FRC's policy

Response from ICAS

27 March 2026

FRC Third Country Auditor: Registration Consultation on proposed amendments to the FRC's policy

Introduction

We welcome the opportunity to submit a response to the FRC's Third Country Auditor: Registration Consultation on proposed amendments to the FRC's policy.

Comments

We have not responded to the specific questions in the consultation paper but rather have set out our key comments below.

We support the priority of driving economic growth and emphasising a sustainable approach to this.

Our key messages on this consultation are:

- We believe it is reasonable to allow the listing in London of the securities of eligible Chinese businesses, however, we are not convinced that sufficient information and evidence has been included within the consultation paper to address the information needs of investors and the potential risks of the proposed amendment.
- A listing must include appropriate caveats and safeguards to inform investors and to ensure they have the information necessary to assess whether there are any matters which might impact on the quality of financial reporting.
- Chinese auditing standards are not equivalent to ISAs (UK). Therefore, it is important to communicate clearly to potential investors what the main differences are, the related risks and their potential impact, to help inform their evaluation and decision-making.
- There should be an acknowledgement to potential investors that the differences in auditing standards may present a higher risk and therefore would not be appropriate for certain investors. It could be stated that advice should be sought to inform investors if they are not familiar with the differences and potential implications before deciding to purchase.
- This is a specialist topic so if wider stakeholder views are expected on the proposals contained in this consultation paper, we believe that the onus is on the FRC, FCA and Department of Business & Trade (DBT) to explain the differences, risks and impact for the UK market to help inform consultees and maximise informed responses.
- We note that there may be reciprocal opportunities for the UK but we would like to see more information on this with an explanation of how it supports longer-term growth and evidence of the demand in the consultation paper.
- We would welcome further explanation from DBT about how allowing Chinese entities to issue global depository receipts in the UK and accessing UK capital markets will promote growth in the UK. This may promote investment growth but is that the type of growth the government is intending with this proposal and how material is this to the UK growth agenda? It is unclear if enabling access to UK capital will support investment in UK businesses or overseas. We are not fully convinced by the reasons cited in the consultation paper.
- We are not fully persuaded why a temporary amendment is needed and question if this is being rushed through without appropriate due process.
- We would like information on whether the FRC would be able to inspect the work of the Chinese firms involved in any such audits and, if so, deal with any issues identified.
- We have concerns over the limited period over which this consultation is being undertaken. At just over 5 weeks this is considerably shorter than the usual FRC consultation period, particularly for a specialist topic.

In summary, we believe that further consideration should be given to the longer-term potential consequences of any regulatory changes to the UK capital markets regime. Overall, we would welcome further information to address some of the concerns noted above about the FRC's proposals for a temporary amendment to the TCA policy; we are not convinced that institutional investors will

have sufficient knowledge of Chinese auditing standards and indeed, how they differ from international standards on auditing (UK). We also question the short consultation period that is being applied to these proposals.

If the proposals were to be adopted there is a need for enhanced transparency which should clearly set out the following:

- Chinese auditing standards are not equivalent to ISAs (UK);
- The key differences that are applicable;
- The implications for investors and their risk assessment; and
- Whether the FRC would be able to inspect the audit files of the Chinese firms involved and, if so, deal with any issues identified.



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