



**BOMBAY
CHARTERED
ACCOUNTANTS'
SOCIETY**

Date: - June 26, 2025

To,
Secretary, Committee for Aggregation of CA Firms,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Subject: Submission of comments to the Exposure Draft on Proposed Guidelines for Overseas Network” issued by Committee for Aggregation of CA Firms, The Institute of Chartered Accountants of India.

Dear Sir / Madam,

On behalf of the Bombay Chartered Accountants' Society (BCAS), we are pleased to submit our comments to the 'Exposure Draft on Proposed Guidelines for Overseas Network issued by Committee for Aggregation of CA Firms' of The Institute of Chartered Accountants of India. This representation highlights key suggestions having significant impact on the growth of the Chartered Accountancy Profession in India.

Whilst we appreciate the intent of the Proposed Guidelines to 'regulate' unregistered overseas networks operating without any oversight in India, we would suggest the said Proposed Guidelines are modified and simplified to avoid collateral damage to Indian firms proposing to form overseas network. We recommend the Guidelines be structured in a simple manner with minimal regulations and enhancing development of India-based overseas networks.

We believe, these suggestions will help to fulfil the desire of the Indian Government and ICAI to empower and facilitate the growth of Indian firms. We hope they will be favourably considered.

We request to provide us an opportunity to discuss the suggestions personally with the Committee to make an effective representation of the overall collective thought process of those involved in preparing the representation.

Thank you for your attention.

Yours sincerely,

CA Anand Bathiya
President

CA Abhay Mehta
Chairman
Accounting & Auditing
Committee of the BCAS

Representation on Exposure Draft “Draft Guidelines for Overseas Network” issued by Committee for Aggregation of CA Firms, The Institute of Chartered Accountants of India.

We commend the Institute of Chartered Accountants of India (ICAI) for taking steps to create an enabling framework in India to regulate and develop professional networks of chartered accountancy profession.

At Bombay Chartered Accountants’ Society, we have extensively deliberated on the Exposure Draft and based on the discussions and views provided by the members of the profession, we are providing herein below the suggestions as well as seek clarifications on many of the critical points which have major impact on the way forward for the Chartered Accountancy Profession in India.

Macro Viewpoints

Chapter & Clause reference	Clause Details	Comments & Recommendations
Preamble	The Preamble provides making provision for ICAI member firms to collaborate with Overseas Networks domestically and internationally.	<p>The intent as per Preamble seems to convey that the guidelines would be applicable to Overseas Network of whom ICAI firms become members. This would suggest that there cannot be any India - initiated Network i.e where an Indian firm of Chartered Accountants intends to initiate a network with presence within as well as outside India. There should be clarity that India - initiated Network would be covered under these Guidelines as that clearly is the objective.</p> <p>There has to be a level playing field – not only at the firm level but also at the network level.</p>
Chapter I – Preliminary		
Clause 2 I (I)	Definition of “Overseas Network” lays down 8 conditions on satisfaction of all or any of those conditions would establish an “Overseas Network” which may be an arrangement, alliance or association between Domestic Entity and an Overseas Entity.	The term “Network” is defined in the International Code of Ethics for Professional Accountants. According to that definition a Network is a larger structure that is aimed at cooperation and that is clearly aimed at profit or cost sharing or shares a common ownership, control or management, common quality management policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources. Globally there are organisations that fit this definition and these are considered as networks by IFAC.

		<p>The other organisations that bring together accounting firms but are not Networks are nomenclated “alliances or associations”. (Refer https://www.accountancyage.com/rankings/top-5050-accountancy-firms-2017-7/ and https://www.accountancyage.com/rankings/top-21-international-alliances-and-associations-2022/).</p> <p>It is recommended that definition in ICAI Guidelines should be aligned with the definition of Network by the IESBA that is accepted by IFAC and used worldwide.</p> <p>Clarity is called for whether a Domestic Entity can engage with a Collective (Association/Alliance) that does not satisfy any of the conditions specified in the definition of Overseas Network.</p> <p>As the guidelines currently stand, Associations/ Alliances cannot be registered as a Overseas Network. Hence there should be separate Guidelines for such Associations/ Alliances permitting the Domestic Entity to state that it is a member of such Association/ Alliance and enabling the details of the Domestic Entity to be available on the website etc. of such Association/ Alliance.</p> <p>This will bring clarity to firms who were members of such Associations / Alliances and who have resigned from the membership in wake of uncertain guidelines. The Guidelines should be a catalyst to encourage Indian firms to become part of one or more such Associations / Alliances. This will give an Indian CA / firm an opportunity to display its skills and expertise on a global arena and in turn attract need for services to be rendered from / in India.</p> <p>The Indian firms should be encouraged to become members of such an Association as a stepping stone to greater international presence. It should be able to demonstrate that it has international alliances to serve it clients having cross border business and has capabilities to grow overseas.</p>
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		Since such Associations / Alliances are not Network and each constituent firm operates as an independent entity, they should be subjected to no or minimal ICAI regulation.
Chapter II – Registration of Overseas Network		
Clause 4 (iii)	The Overseas Network would have a distinct name which should be approved by ICAI. The names of the network may be as mentioned in Appendix II	<p>The illustrative name of the Overseas Network first have the name of the Indian CA Firm followed by name of Overseas Network.</p> <p>Mandatorily having the name of the Indian CA Firm is not practical and will not be acceptable to Overseas Networks whether existing or which may be formed in future. The name of the Network becomes very restrictive in such case.</p> <p>The ICAI may appreciate that these international networks are in existence for decades and have created their own identity. It would be practically impossible to impose such name change for a country specific requirement.</p> <p>Moreover, the ICAI may also examine whether it can impose upon an entity which is not run or managed by Indian chartered accountants to be registered with ICAI.</p>
Clause 6 (ii) (b)	The Nodal Officer of the Overseas Network shall be either Managing Partner or Joint Managing Partner or Designated Partner of LLP or the Partner with highest partnership share in terms of profit sharing and/or highest contribution in capital.	This should be relaxed to include any partner of LLP or partnership firm who may be designated as Nodal Officer and that discretion should be left to the Domestic Entities.
Clause 6 (v)	Lays down on-going responsibility of the Nodal Officer for compliance with requirements as per the guidelines and other applicable laws in force on a continuous basis. Further any violation of these guidelines by any of the constituents of the network benefiting directly or indirectly a	<p>Does this mean even the overseas constituents must comply with ICAI guidelines? Insisting on compliance with the guidelines by overseas firms/entities not registered with ICAI is neither practical nor desirable. It will not help Indian firms seeking growth.</p> <p>As long as the overseas firms/entities comply with their local laws, they should not be considered as violating the ICAI guidelines.</p>

	constituent registered with ICAI shall be considered as professional misconduct.	The second sentence specifies that <u>“any violation of these guidelines by any of the constituents of the network benefiting directly or indirectly a constituent registered with ICAI shall be considered as professional misconduct”</u> . It is not clear whether this will be treated as misconduct of the Nodal Officer or the firm registered with ICAI which has got the benefit.
Chapter III – Permitted & Prohibited Services, Consequences of Registration, Annual Reporting & Ethical Compliances		
Prohibited Services		
Clause 9 (i)	The Nodal Office shall ensure that all transactions in relation to services rendered/obtained by Domestic Entities in the Overseas Network are at arm’s length basis and in strict compliance with Indian laws and regulations.	In case of services obtained by Domestic Entities from Overseas Network partners, how can the arm’s length pricing be applied as per Indian laws and regulations? This is over regulating and hence this requirement should be deleted. The two constituent firms should be left to decide this commercially between them. Wherever necessary, tax laws and FEMA have appropriate regulations.
Clause 9 (i) (b)	As per ICAI Code of Ethics, sharing of fees or profits is not allowed with members of the network other than between Indian Chartered Accountants. Specifically, to state, no referral of work, or referral fees for client identification shall be charged by/paid by the member firms.	It is suggested to bring amendment to the ICAI Act and Regulations, whereby ICAI should allow referral fees or sharing of fees with the entities which are registered and regulated by the Accounting Profession Institutes/body of other countries.
Ethical Compliance		
Clause 12 (i)	Domestic Entities/constituents of Overseas Network shall be required to comply with all applicable law of the land and ethical requirements prescribed by ICAI from time to time.	Does this suggest that only Domestic Constituents of the Overseas Network need to comply with all applicable law or all constituents i.e. Domestic and foreign members of the Overseas Network? As mentioned earlier, ICAI should regulate Indian firms only. Overseas firms would be regulated by their respective country regulator.
Clause 12 (i) (a)	In accordance with section 144 of the Companies Act, if one of the constituents of the Overseas Network is the statutory auditor of an entity, then other constituents of the Network shall not, directly or indirectly, accept	This seems to imply that foreign constituents should also abide by section 144 of the Indian Companies Act. This seems to be regulating beyond the powers of ICAI and may not be possible to implement, though desirable. If an overseas entity commits a default, will it be considered misconduct by the Nodal Officer? That would be most unfair.

	professional assignments which are prohibited for the statutory auditor.	
Clause 12 (iii)	Domestic Entities who are constituents of Overseas Network are expected to be working independently from each other in so far as Section 144 services are concerned and, therefore; they shall be subjected to requirements on Ethical Standards arising out of being constituent of the Overseas Network.	Use of word 'independently' makes this clause confusing. Must clearly restrict domestic constituents of the Overseas Network from rendering Section 144 services. Further, such clause cannot apply to services rendered by overseas entities.

Concluding Suggestions

- We suggest that the Guidelines be structured in a simple manner with minimal regulations. The general principle should be less restrictions and greater freedom to grow. This will ensure more clarity for the structures and constituents both within India and Overseas. This will avoid needless and excessive oversight which would stifle the objective of growth for Indian firms.
- The overall approach of the Guidelines is to over regulate the Overseas Network and its constituent overseas entities, which would hinder the process of onboarding of domestic entities by the Overseas Networks. This would be detrimental to Indian firms seeking international exposure and growth.
- The Guidelines are with the intent to enable the domestic entities to have a level playing field against the well-entrenched Multinational Accounting Firms (MAFs). However, the over- zealous approach in preparing Guidelines makes it too restrictive and defeats the purpose of promoting domestic entities and may end up legalizing the MAFs.
- It appears that Overseas Network cannot have as a member any entity which is not a member of ICAI or firm/LLP of such members.

In our view, these guidelines in their current form are a non-starter and need to be redrafted keeping the above suggestions in mind. These suggestions will help fulfill the desire of the Indian Government and ICAI to empower and facilitate the growth of Indian firms.

BCAS would be happy to collaborate with ICAI in drafting these guidelines, both for Networks and Alliances/Associations so that the avowed objective of creating an ecosystem of growth for Indian firms is achieved.