

17 CAR § 236-603. General requirements.

(a) **Ownership.** A person who is not a certified public accountant in this or some other state or jurisdiction but who actively participates within this state in the business conducted in Arkansas by a business entity licensed in Arkansas to practice public accounting may be an owner, director, officer, limited liability company member, or manager in any such business entity, under the following conditions:

(1) Such person shall not hold himself or herself out as a certified public accountant;

(2) The name of such person shall be provided to the Arkansas State Board of Public Accountancy by a business entity in connection with the granting or renewal of a license in Arkansas to such business entity; and

(3) Such person shall not have ultimate responsibility for the performance of audits, reviews, or compilations of financial statements or other forms of attestation related to financial information.

(b) **Equity ownership.** Persons who are not certified public accountants in this or any other state or jurisdiction but who are owners of a business entity licensed in Arkansas to practice public accounting shall neither:

(1) Hold, in the aggregate, more than a minority interest of such business entity's equity capital or voting rights; nor

(2) Receive, in the aggregate, more than a minority interest of such business entity's profits or losses.

(c) **Sole proprietorships.** A certified public accountant operating as a sole proprietorship and engaged in Arkansas in the practice of public accounting is considered a firm.

(d) Other requirements.

(1) The principal executive officer of a business entity licensed in Arkansas to practice public accounting shall be a shareholder and a director who is a licensed certified public accountant.

(2) Directors and officers who are not licensees shall not exercise any authority

whatsoever over professional matters relating to the practice of public accountancy.

(3) Any shareholder who ceases to be eligible to be a shareholder shall be required to dispose of all of his or her shares within a reasonable period to a person qualified to be a shareholder or to the corporation.

(e) **Other forms of practice.** This subpart shall be applied to individuals and to any business entity licensed in Arkansas to practice public accounting in a manner consistent with carrying out the intent of this subpart.

(f) **Professional conduct.** Any firm granted a license under the Public Accountancy Act of 1975, Arkansas Code § 17-12-101 et seq., shall be subject to the Rules of Professional Conduct.

(g) **Employment of licensees on inactive status.** A business entity licensed in Arkansas to practice public accounting may employ a licensee on inactive status only as provided in Arkansas Code § 17-12-505(c)(4).

(h) **Disqualification.** With respect to owners who are not licensed in this state or any other state or jurisdiction as certified public accountants, if at any time the board determines that any such owner no longer is eligible to be an owner by virtue of not being in compliance with the criteria set forth in the Public Accountancy Act of 1975, Arkansas Code § 17-12-101 et seq., and rules, such owner and the business entity in which ownership exists shall be notified that if a board hearing is not requested within thirty (30) days of the date of mailing notification of such determination, an order will then be entered that such owner must divest himself or herself of ownership in the business entity within sixty (60) days of entry of the order.