

## Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code



### Overarching Objective for Additional Independence Provisions for PIEs

**Q1. Paragraph 400.13 provides that some independence requirements and application material in Part 4A of the Code are applicable only to the audit of financial statements of public interest entities (PIEs) because of the significant public interest in the financial condition of these entities.**

**Why does paragraph 400.13 refer to the “financial condition” of an entity instead of its “financial performance” or its “financial position”, on which auditors focus more as part of the audit engagement?**

- A.** The IESBA believes that for the purpose of determining whether additional independence requirements should be applied, the focus on the significance of the public interest should be on the general financial health of the entity as reflected in its complete financial statements instead of an aspect of the financial statements like financial position or financial performance. The focus on the entity’s financial condition better conveys how the financial failure or success of the entity would impact stakeholders. To highlight the broader nature of the term “financial condition,” the IESBA included the phrase “due to the potential impact of their financial well-being on stakeholders” in paragraph 400.13.

Whilst an entity’s financial statements, which present its financial performance and financial position, are necessary in assessing the entity’s financial condition as indicated in paragraph 400.15, the IESBA is of the view that focusing on “financial statements” instead of “financial condition” might place too much emphasis on the technical composition of the financial statements and their compliance with legal and regulatory requirements as opposed to their role in assessing the overall financial well-being of the entity. The IESBA is also of the view that the phrase “public interest in the financial statements” might be perceived as restricted to the interests of investors only.

The focus on the broader concept of “financial condition” and the notion of financial health do not in any way expand the auditor’s responsibilities under auditing standards.

Further, as Part 4A of the Code deals only with audits and reviews of financial statements, the public interest in non-financial information, such as environmental, social and governance (ESG) matters, does not form part of the overarching objective for additional independence requirements for the audit of financial statements of PIEs.

#### TABLE OF CONTENTS

- 1 Overarching Objective for Additional Independence Provisions for PIEs
- 2 Evaluating the Extent of Public Interest in an Entity’s Financial Condition
- 4 Publicly Traded Entities
- 6 Adoption of the PIE Definition by Relevant Local Bodies
- 8 Additional PIE Categories at the Local Level
- 8 A Firm’s Determination of Whether to Treat Other Entities as PIEs
- 9 Public Disclosure of the Application of PIE Independence Requirements

This Questions and Answers (Q&A) publication is issued by the Staff of the International Ethics Standards Board for Accountants (IESBA). It is intended to assist national standard setters, professional accountancy organizations, and auditors as they adopt, implement or apply the revisions to the definitions of listed entity and public interest entity, and related provisions, in the IESBA [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) (revised PIE provisions). The IESBA issued the [final pronouncement](#) in April 2022.

The publication may also be of interest to regulators and audit oversight bodies, preparers and others with an interest or role in the work of auditors and auditors’ independence.

This publication is designed to highlight, illustrate or explain aspects of the revised PIE provisions, and thereby assist in their proper application. It does not amend or override the Code, the text of which alone is authoritative. Reading the Q&As is not a substitute for reading the Code. The Q&As are not intended to be exhaustive and reference to the Code itself should always be made. This publication does not constitute an authoritative or official pronouncement of the IESBA.

Paragraph numbers in this document refer to the 2024 version of the IESBA Code.

**Q2. There is significant public interest in some entities due to their operational activities or other aspects of their performance (e.g., charities). Should these entities be treated as PIEs?**

**A.** As Part 4A of the Code deals with audits and reviews of financial statements, the overarching objective, as set out in paragraphs 400.13 and 400.15, is focused on the financial condition of an entity and not on other aspects of the entity or its business or operations. For example:

- Whilst there is public interest in charitable organizations that deliver services for the benefit of vulnerable communities, the funding mechanism and the communities these charitable organizations serve vary such that the impact of their financial condition on stakeholders will vary. For instance, a jurisdiction might determine that an entity that is defined as a charity under local legislation and meets a minimum gross receipt threshold should be treated as a PIE. However, another jurisdiction might not make the same determination for a similar charity in its jurisdictional context.
- For social media providers, there might be significant public interest in how they manage the collection, use and dissemination of their users' data containing personal and sensitive information. However, the holding of data by such providers does not necessarily mean that their financial success or failure will draw significant public interest given that their users may simply switch to a similar service from another social media provider.



### Evaluating the Extent of Public Interest in an Entity’s Financial Condition

**Q3. Paragraph 400.14 provides a list of factors for consideration when evaluating the extent of public interest in the financial condition of an entity. What is the relevance of these factors in the evaluation?**

**A.** The following table explains the relevance of each of the factors in paragraph 400.14 in the evaluation of the extent of public interest in the financial condition of an entity. These factors should not be considered in isolation.

Factor	Relevance
<p>1. The nature of the business or activities, such as taking on financial obligations to the public as part of the entity’s primary business</p>	<p>This factor is drawn from the version of the Code before the PIE project. Certain types of business or activities, such as those of banks, insurers and other financial institutions, are likely to draw greater public interest in the entities’ financial condition. For instance, the financial failure of a financial institution may result in the general public losing their deposits and investments. On the other hand, hospitality service operators are less likely to attract significant public interest in their financial condition.</p>
<p>2. Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations</p>	<p>This factor is linked to Factor #1. This factor relates to entities that are subject to financial or prudential regulatory supervision designed to give confidence that the entities will meet their financial obligations. Such regulation is often present in, but not necessarily restricted to, financial markets. The term “regulatory supervision” refers to not only regulations but also a process of supervision or a supervisory regime. If an entity is subject to regulatory supervision designed to provide confidence that it meets its financial obligations, there is likely to be significant public interest in that entity’s financial condition.</p>

Factor	Relevance
<p><b>3. Size of the entity</b></p>	<p>The size factor is drawn from the version of the Code before the PIE project.</p> <p>This factor is particularly important when a relevant local body is determining if there should be a size threshold for any of its categories of PIEs at the local level. Size may be determined by total assets, revenue or other considerations.</p> <p>Size as a factor can be viewed both from the perspective of excluding very small entities that might meet other factors, and from the perspective of considering very large entities that, by sheer size alone, might qualify to be regarded as being of significant public interest. This latter aspect will often be linked to Factors #5 and #6.</p>
<p><b>4. The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure</b></p>	<p>This factor includes consideration as to whether an entity's financial failure will cause significant disruption to the provision of goods or services on which the public depends.</p> <p>This factor captures a characteristic of a number of entities in, for example, the energy sector as well as financial market infrastructure entities.</p> <p>For instance, some companies that sell electricity to retail customers in some jurisdictions may not play an integral part in the energy sector. The financial failure of such a company may not create significant disruption if its customers can readily sign up with another retail electricity company for similar services.</p>
<p><b>5. Number and nature of stakeholders including investors, customers, creditors and employees</b></p>	<p>This factor is drawn from the version of the Code before the PIE project.</p> <p>It relates to the extent of direct impact on an entity's stakeholders.</p> <p>The greater the number of stakeholders and the broader the range of stakeholders, the more likely there will be significant public interest in the financial condition of the entity.</p> <p>This factor calls for consideration of not only the number of stakeholders, but also their nature. For instance, the extent of public interest may be higher for entities with largely retail investors compared to those whose investors are predominantly wealthy, sophisticated investors.</p> <p>It is also relevant to assess the conditions under which stakeholders have access to information pertaining to the entity. For instance, the extent of public interest in entities whose stakeholders are primarily creditors (which may have privileged access to company information as part of their conditions to lend funds) might be lower compared to that in entities whose stakeholders are largely retail investors (whose access to company information is generally via information in the public domain).</p> <p>Another example is large private companies. A local regulator that is the relevant local body might determine that large private entities that meet certain thresholds, such as the number of employees or revenue, should be treated as PIEs.</p>
<p><b>6. The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity</b></p>	<p>This factor relates to the impact that an entity might have on the economy as a whole.</p> <p>If an entity's financial failure were to have a significant impact on the economy, this would indicate that it is of significant public interest.</p> <p>Many entities of potential systemic impact would be expected to be captured under some of the mandatory PIE categories, such as banks and insurers.</p>

## Publicly Traded Entities

**Q4. Do all listed entities meet the definition of publicly traded entities (PTEs), and therefore, are considered public interest entities without exception?**

- A. The concept of “listed entity” is incorporated into the definition of PTE in the Code.

The phrase “including through listing on a stock exchange” is intended to include not only primary stock exchanges but also other exchanges that are accessible to the public for trading, such as second-tier exchanges, whether they are regulated or not.

The Glossary definition of PTE also includes the explanatory guidance that a “listed entity as defined by relevant securities law or regulation” is an example of a PTE. As such, any entities that are listed entities as defined by the relevant securities law or regulation in the jurisdiction will meet the definition of a PTE, provided they meet the criteria set out in the definition. Therefore, they will be considered PIEs, subject to any refinements of the PTE category by the relevant local bodies. See, however, also Q6.

If an entity in a jurisdiction has issued financial instruments, such as bonds, that are publicly traded in another jurisdiction, the firm conducting the audit of the entity’s financial statements should prima facie treat it as a PTE. This is because the definition of PTE does not distinguish where the trading takes place. However, the IESBA is of the view that the relevant local body may refine the definition to address such situations in order to ensure that the public interest is served.

**Q5. What are some examples of “financial instruments” in the definition of PTE?**

- A. The IESBA determined not to define the term “financial instruments” or rely on the International Accounting Standards Board’s (IASB) definition set out in [International Accounting Standard \(IAS\) 32, Financial Instruments: Presentation](#), concluding that the term should be broadly interpreted subject to local refinement.

Therefore, the term covers not only shares, stock or debt (as referred to in the previous definition of “listed entity”) but also other types of instruments such as bonds, warrants and hybrid securities. It is also sufficiently broad to cover any future developments in corporate fundraising.

**Q6. What does the criterion “traded through a publicly accessible market mechanism” mean? What are examples of entities that are determined to be included or excluded as PTEs based on this criterion?**

- A. The criterion “traded through a publicly accessible market mechanism” means that the trading of an entity’s financial instruments is through a trading platform or system that is available to the public. Such a mechanism can be either a primary or secondary stock exchange or an over-the-counter platform. However, it is not intended to capture entities for which the only way to trade their financial instruments is through privately negotiated agreements, or entities whose listing on the market mechanism is only for tax or regulatory compliance.

For instance, an entity whose listed debt securities are offered only to institutional investors would not meet the definition of PTE. On the other hand, an entity whose financial instruments are traded through an over-the-counter platform by the public, is a PTE even if the volume of trade is low, assuming there is no refinement of the PTE category by the relevant local body.

Similar to the description of the mandatory categories under paragraph R400.22(b)-(c), the definition of PTE is high-level and will scope in a broad range of entities if there is no refinement in local jurisdictions. Any further refinement should be conducted by the relevant local bodies as appropriate depending on their specific jurisdictional contexts. For example, the relevant local bodies in some jurisdictions might determine that entities trading via certain secondary markets or over-the-counter platforms are not PTEs under paragraph R400.22(a) on the ground that the financial condition of these entities does not attract *significant* public interest. The relevant local bodies might thus refine R400.22(a) in their jurisdictions accordingly.

Further, entities whose financial instruments are tradable but have not been traded are not scoped in as PIEs under the PTE definition. In other situations, such as when an entity that has been treated as a PTE becomes “dormant” or the trading in the entity’s financial instruments has been suspended by the capital market regulator, the relevant local body may be best placed to determine how the entity should be treated in the public interest.



**Questions 7-10 below explain if certain entities would be scoped in as PTEs under the Code's definition. The IESBA acknowledges that local bodies will need to gain an understanding of the different types of financial instruments, including the mechanism employed and the availability of the financial instruments, when determining whether certain entities should be scoped in as PTEs at the local level**

**Q7. Do PTEs encompass all entities whose financial instruments are traded on any platforms, such as primary stock exchanges, secondary markets, and over-the-counter trading platforms?**

.....

**A.** The definition of PTE in the Code includes any entities whose financial instruments are traded through any publicly accessible market mechanism, whether it be a primary stock exchange or an over-the-counter platform.

As part of its adoption and implementation process, the relevant local body may, for instance, determine that only entities whose financial instruments are trading on the primary stock exchange or other specified trading platforms attract significant public interest in those entities' financial condition and should be considered PTEs for purposes of determining PIEs. As such, the local body might refine its local definition of PTE to include only those entities.

**Q8. Does the definition of PTE include entities whose stocks or debt instruments are traded on the unregulated markets of a jurisdiction?**

.....

**A.** Yes, but only if their instruments are available to the public for trading.

The key factor for consideration is whether the financial instruments trading in a particular market are available to the public (as is generally the case for regulated markets). If an entity whose stocks or debt instruments are traded in an unregulated market where those instruments are not available to the public for trading, the entity would not be a PTE under the Code's definition..

**Q9. There are some entities that register debt offerings on an exchange (often not a regulated exchange) to qualify for exemption from certain taxes. Do these entities meet the definition of PTE?**

.....

**A.** The IESBA used the term "publicly traded" instead of "publicly listed" as some financial instruments might only be listed and are not intended to be traded. Such situations can arise, for example, within groups where the relevant instruments are held entirely intra-group. Additionally, there might be shares in small "start-up" or new venture entities that are subscribed for by the public because of the tax breaks available and from which any exit will be only through a disposal managed by the professional advisers promoting the entity. In these instances, the entities would not be scoped in as PTEs.

The IESBA is of the view that entities whose financial instruments are only listed or issued to the public with no trading do not necessarily attract significant public interest in their financial condition.



**Q10. State and local governments might finance their capital needs, such as for the development of schools, roads and hospitals, through the issuance of long-term debt, primarily tax-exempt municipal bonds. These bonds can often be traded in over-the-counter trading markets. Would these public sector entities meet the definition of PTE?**

.....

**A.** If the municipal bonds are redeemable and are trading through a publicly accessible market mechanism, the issuing public sector entity would be scoped in as a PTE under the Code's definition assuming that the relevant local body does not expressly exclude such type of entity through refinement of the PTE definition.

## Adoption of the PIE Definition by Relevant Local Bodies

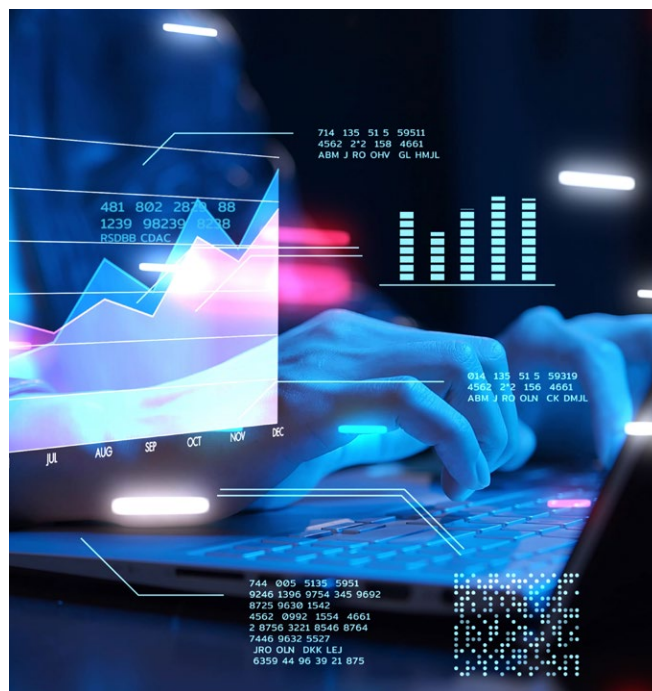
Local bodies responsible for adopting the Code, or promulgating ethics and independence standards based on the Code, play a significant role under the framework for the Code’s revised PIE definition. The IESBA anticipates that those bodies will refine the definition taking into account the local contexts to ensure that the right entities are scoped in as PIEs in their jurisdictions.

**Q11. What if the relevant local body adopted the Code’s list of mandatory PIE categories without refining the categories?**

- A. If the relevant local body adopts the Code’s list of mandatory PIE categories (paragraph R400.22(a)–(c)) without further refinement or explicit definition, then the Code’s definition will apply as is.

In developing the revised PIE definition, the IESBA recognized that it cannot provide refined specifications of the mandatory categories that would be globally applicable. The IESBA considered that the relevant local bodies have the responsibility, and are best placed, to assess more precisely which entities should be scoped in as PIEs in their jurisdictions. Accordingly, the IESBA determined that it would be appropriate under these circumstances to depart from its normal practice of promulgating the precise definitional boundaries in the Code. Instead, the IESBA determined to allow the relevant local bodies to more precisely define which entities should be included as PIEs under each of the three mandatory categories under paragraph R400.22(a)–(c), and to include additional entities as PIEs in their jurisdictions under paragraph R400.22(d).

A relevant local body might conclude, after considering the views of all relevant stakeholders and the local context, that it is appropriate to adopt the Code’s mandatory PIE categories without any refinement in its jurisdiction. However, if the local body simply adopts the list of mandatory categories in paragraph R400.22 without due assessment, the local PIE definition may inadvertently scope in entities that do not have significant public interest in their financial condition. To mitigate this risk, the IESBA has included application material in paragraphs 400.23 A1 and 400.23 A2 that highlights the anticipated role of the local bodies under the IESBA’s framework for the revised PIE definition.



**Q12. What if the relevant local body more explicitly defines the “publicly traded entity” category to include only entities trading in its primary market but not entities trading on other public trading platforms?**

- A. Paragraph 400.23 A1 explains that the mandatory categories set out in paragraph R400.22(a)–(c) are broadly defined and that the Code provides for the relevant local bodies to more explicitly define these categories. Paragraph 400.23 A1 also provides examples of how such bodies may refine the categories, such as by making reference to specific public markets for trading securities.

The definition of the new term “publicly traded entity” in the Glossary includes an entity that issues financial instruments that are traded through a publicly accessible market mechanism. The IESBA’s definition is sufficiently broad to include entities trading in secondary markets. However, a relevant local body might refine the category of PTE in its local provisions to include only entities with financial instruments trading in the jurisdiction’s primary market. Accordingly, a firm in that jurisdiction is required to treat only those entities trading in the primary market as PTEs in accordance with paragraph R400.23.

See also the Q&As in the subsection “Publicly Traded Entities” above.



**Q13. What if a national standard setter or other relevant body does not have the authority to refine the local PIE definition as the term is defined by legislation?**

- A. The IESBA recognizes that standard-setting frameworks vary from jurisdiction to jurisdiction. For instance, a national standard setter may not have the authority to make any refinement to the PIE definition in the Code as the term is already defined by legislation for a range of public policies, not only on auditor independence but also on other matters such as the responsibilities of audit committees. In such a situation, the IESBA acknowledged that it may be difficult for the national standard setter to persuade the legislature to revise the local PIE definition. Whether national standard setters or other relevant local bodies can adopt the revised PIE definition in the Code and the options that might be available to do so will depend on the circumstances in the particular jurisdictions.

Take the scenario where a local parliament has codified the PIE definition for the purposes of auditor independence into law and has enacted independence requirements into law. In case the PIE definition in the local law covers all the PIE categories set out in paragraph R400.22 (a)-(d), firms in that jurisdiction will be prima facie compliant with paragraphs R400.22 and R400.23 if they treat entities that fall within the local PIE definition as PIEs.

**Q14. What if a relevant local body has not yet adopted the PIE revisions when they become effective on December 15, 2024?**

- A. The PIE revisions will become effective for audits of financial statements for periods beginning on or after December 15, 2024. Similar to the adoption of other IESBA pronouncements, if a relevant local body has not yet adopted the PIE revisions by that date, the local extant requirements and definitions will continue to apply in that jurisdiction.

Relevant local bodies are encouraged to review the PIE revisions and adopt the PIE definition with additional refinement, as appropriate, as part of the adoption process. It is encouraged that this review process be completed in time to align with the IESBA effective date or as soon as practicable.

**Q15. What if a jurisdiction has an extant PIE definition that is different from the revised PIE definition set out in paragraph R400.22 and the relevant local body does not intend to make any revision to its extant definition?**

- A. Paragraph 400.23 A1 explains that the mandatory categories set out in paragraph R400.22(a)-(c) are broadly defined and that the Code provides for the relevant local bodies to more explicitly define these categories.

A relevant local body may determine that its extant definition of PIE already covers all the mandatory categories of PIEs and that no further revision to its extant categories is necessary to adopt the IESBA's revised PIE definition. In this case, its extant definition will continue to apply. However, to fully adopt the IESBA's revised PIE definition, a relevant local body must not exclude any of the mandatory categories set out in paragraph R400.22(a)-(c) from its local definition.

**Q16. What is required of a firm if a jurisdiction has no PIE definition or the relevant local body has excluded one or more of the mandatory categories set out in paragraph R400.22(a)-(c)?**

- A. Paragraphs R400.22 and R400.23 are to be read in conjunction with each other and require firms to treat an entity as a PIE based on the more explicit definition established in local law, regulation or professional standards.

If a jurisdiction does not have a PIE definition, the Code does *not* require firms to treat any entity in that jurisdiction as a PIE. Also, if a jurisdiction has not included one or more of the mandatory categories in paragraph R400.22(a)-(c) in its PIE definition, the Code does *not* require firms to treat any entity in that jurisdiction that falls in those categories as a PIE. However, as noted in the explanatory guidance to the definition of PTE in the Glossary to the Code, a listed entity as defined by the relevant securities law or regulation is an example of a PIE under the PTE category. Therefore, in the absence of a PIE definition and where there are such listed entities in a jurisdiction, firms in that jurisdiction should treat these entities as PTEs and PIEs. See also Q4.

Notwithstanding that the Code does not impose the above mentioned requirements on firms, firms are not precluded from treating an entity in the particular jurisdiction as a PIE pursuant to the encouragement and guidance in paragraph 400.24 A1.

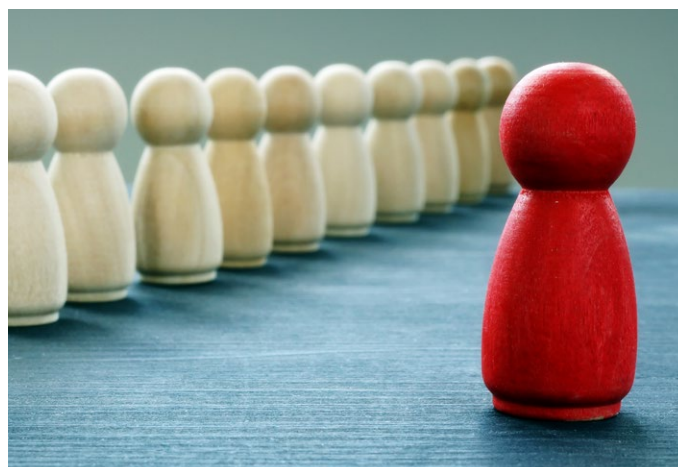
## Additional PIE Categories at the Local Level

### Q17. Why are pension funds and collective investment vehicles (CIVs) not mandatory PIE categories in the revised PIE definition?

- .....
- A. The IESBA determined after due public consultation during the development of the revised PIE definition that the categories of post-employment benefits (PEBs), such as pension funds, and CIVs should not be included as mandatory PIE categories in the revised PIE definition. This is because of the wide diversity in the types of PEBs and CIVs across jurisdictions, and therefore the potential to impose a disproportionate burden on relevant local bodies to determine what should be scoped in or out.

The IESBA also took into consideration the following observations and comments from stakeholders:

- Whilst pension funds and CIVs can have a significant impact on stakeholders in the event of financial failure, in some jurisdictions many of them have only a few investors or stakeholders. There is therefore minimal public interest in the financial condition of these smaller entities.
- Some CIVs may otherwise be PIEs as PTEs.
- Some CIVs may not be open to the public and are available for trading only by institutional investors.
- In some jurisdictions, increased independence requirements would make those pension plans more expensive and thus result in some employers abandoning the plans altogether.
- Government-operated pension schemes may not pose significant risks to the public.
- In jurisdictions where the financial statements of the pension scheme only show the scheme's assets and not its liabilities, the financial statements are effectively stewardship accounts and do not convey the financial condition of the scheme. There may therefore not be much public interest in such a pension scheme.



The IESBA has committed to conducting a holistic review of PEBs and CIVs and their relationships with trustees, managers and advisors. Further, the IESBA acknowledged that the categories of PEBs and CIVs may have been included in some local codes. It has, therefore, included in paragraph 400.23 A2 both pension funds and CIVs as examples of potential categories of PIE that may be considered by local bodies for addition to the local definition of PIE.

## A Firm's Determination of Whether to Treat Other Entities as PIEs

### Q18. In relation to the Code's encouragement in paragraph 400.24 A1 for a firm to determine whether to treat other entities as PIEs, one of the factors for consideration is an entity's "corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management." How would this factor affect a firm's determination about whether to treat an entity as a PIE for the purposes of Part 4A of the Code?

- .....
- A. In considering whether to treat an additional entity as a PIE, it is appropriate for a firm to consider whether the entity has the appropriate governance arrangements in place. Otherwise, treating such an entity as a PIE for the purposes of independence requirements may create a misperception about the firm's ability to comply effectively with the independence requirements for PIEs, in particular those related to communication with those charged with governance.



**Q19. If a firm determines to treat an entity as a PIE in accordance with paragraph 400.24 A1, does that firm have to apply all the independence requirements for PIEs with regards to the audit of that entity’s financial statements, such as the PIE independence requirements in the revised non-assurance services (NAS) and Fees provisions?**

**A.** If a firm determines to treat an entity as a PIE in accordance with paragraph 400.24 A1, then all the provisions of the Code relevant to PIEs are applicable, including the revised NAS and Fees provisions. Similarly, the transparency requirement in paragraph R400.25 assumes that all the independence requirements for PIEs have been applied to the audit of the financial statements of such an entity.

Notwithstanding paragraph 400.24 A1, a firm may apply additional independence requirements without determining that the entity should be treated as a PIE in order to address threats to its independence relating to the audit of an entity’s financial statements. In this regard, ISQM 1<sup>1</sup> also provides that “in some cases, the matters addressed by the firm in its system of quality management may be more specific than, or additional to, the provisions of relevant ethical requirements.”<sup>2</sup>

## Public Disclosure of the Application of PIE Independence Requirements

**Q20. In relation to paragraph R400.25, what might be some “appropriate” forms of public disclosure of the application of PIE independence requirements?**

**A.** In October 2023, the IAASB issued an amendment to ISA 700 (Revised)<sup>3</sup> to operationalize paragraph R400.25. As a result, ISA 700 (Revised) now provides that the auditor’s report is an appropriate disclosure mechanism for the purposes of complying with paragraph R400.25.

The auditor’s report remains an appropriate disclosure mechanism even if it has limited distribution since those who do not have access to the auditor’s report would in principle not be relying on the additional independence requirements associated with the entity being treated as a PIE.



With regards to determining what might be other “appropriate” forms of public disclosure, firms may consider whether an appropriate disclosure mechanism would be to provide a general statement publicly concerning to which audited entities they have applied the independence requirements for PIEs. This could be done through, for example, a firm’s transparency report or the website of the firm.

**Q21. Paragraph R400.26 provides an exception to the transparency requirement in paragraph R400.25 if the disclosure will result in disclosing confidential future plans of the entity. If disclosing the fact that additional independence requirements for PIEs have been applied to the audit of the entity will disclose the entity’s plan to go public or its merger or acquisition plan, will this serve as an exception to the transparency requirement?**

**A.** The IESBA acknowledged the importance of the fundamental principle of confidentiality and the challenges that firms may face if disclosure pursuant to paragraph R400.25 would lead to the disclosure of material confidential plans of the entity. Accordingly, the IESBA determined to provide the exception in paragraph R400.26 to the transparency requirement.

If disclosure by a firm under paragraph R400.25 will result in disclosing the entity’s plan to go public or its merger or acquisition plan and such information has not been made known to the public, the firm may apply the exception in paragraph R400.26.

1. International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*

2. ISQM 1, paragraph A63

3. ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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Along with the [International Auditing and Assurance Standards Board](#) (IAASB), the IESBA is part of the [International Foundation for Ethics and Audit](#) (IFEA). The [Public Interest Oversight Board](#) (PIOB) oversees IESBA and IAASB activities and the public interest responsiveness of the standards.

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