KPMG IFRG Limited
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0)20 76948089
sylvia.smith@kpmgifrg.com

Ken Siong
Technical Director
International Ethics Standards Board for
Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, NY, 10017
United States of America

Our ref

Contact Sylvia Smith

8 May 2016

Dear Mr Siong

Exposure Draft: Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client

We appreciate the opportunity to comment on the above Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA or the Board). We have consulted with, and this letter represents the views of, the KPMG network.

Our responses to the specific questions posed in the Exposure Draft are set out in the appendix to this letter.

Please contact Sylvia Smith +44 (0)20 7694 8089 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited

Appendix 1: Response to Specific Questions

Cooling-Off Period for the EQCR on the Audit of a PIE

1 Do respondents agree that the IESBA's proposal in paragraphs 290.150A and 290.150B regarding the cooling off-period for the EQCR for audits of PIEs (i.e. five years with respect to listed entities and three years with respect to PIEs other than listed entities) reflects an overall balance in the public interest between:

a) Addressing the need for a robust safeguard to ensure a "fresh look" given the important role of the EQCR on the audit engagement and the EQCR's familiarity with the audit issues; and

b) Having regard to the practical consequences of implementation given the large numbers of small entities defined as PIEs around the world and the generally more limited availability of individuals able to serve in an EQCR role?

If not, what alternative proposal might better address the need for this balance?

We believe that the cooling-off period increase to five years for the EQCR of listed PIEs is not commensurate with the risks associated with the EQCR role. The EQCR is an important role on an audit engagement, however, the familiarity threat associated with the role is not as great as that of the EP as interactions with the client are not as frequent and very limited.

In addition, having a longer cooling-off period to that of EQCRs on non-listed PIEs adds another layer of complexity to manage rotation periods given the generally more limited availability of individuals able to serve in an EQCR role. This extended timeframe may result in the loss of expertise, in particular to highly specialised sectors or industries, e.g. financial services.

We are of the view that the cooling-off period for the EQCR should be consistently applied as three years for both listed and non-listed PIEs. A three year period is sufficient to address familiarity risks associated with the EQCR role.

Jurisdictional Safeguards

2 Do respondents support the proposal to allow for a reduction in the cooling-off period for EPs and EQCRs on audits of PIEs to three years under the conditions specified in paragraph 290.150D?

Yes, we support the proposal to reduce the cooling-off period as specified in the conditions in paragraph 290.150D.

3 If so, do respondents agree with the conditions specified in subparagraphs 290.150D (a) and (b)? If not, why not, and what other conditions, if any, should be specified?

Yes, we agree with the conditions specified related to the applicability of jurisdictional safeguards.

Service in a Combination of Roles during the Seven-year Time-on Period

4 Do respondents agree with the proposed principle "for either (a) four or more years or (b) at least two out of the last three years" to be used in determining whether the longer cooling-off period applies when a partner has served in a combination of roles, including that of EP or EQCR, during the seven-year time-on period (Paragraphs 290.150A and 290.150B)?

Yes, we support this proposed principle related to determining a longer cooling-off period for a partner serving in a combination of roles during the seven-year time-on period.