

April 28, 2021

Submitted electronically

International Ethics Standards Board for Accountants

Dear Board Members:

The Canadian Public Accountability Board (CPAB) is pleased to submit our response to the International Ethics Standards Board for Accountants (IESBA) Exposure Draft on Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code (Code). We are supportive of the IESBA's objective to review, in coordination with the International Auditing and Assurance Standards Board, the definitions of the terms listed entity and PIE in the Code to ensure they remain relevant and fit for purpose.

CPAB is Canada's public company audit regulator responsible for overseeing firms that audit entities that are considered Canadian reporting issuers under local regulation. As such, we have limited our responses to the matters that address the broader objective of the Exposure Draft.

Responses to specific questions:

Question 1:

Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs for which the audits are subject to additional requirements under the Code?

Yes.

Questions 3, 4 and 7:

Do you support the broad approach adopted by the IESBA in developing its proposals for the PIE definition, including:

- *Replacing the extant PIE definition with a list of high-level categories of PIEs?*
- *Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?*

Do you support the proposals for the new term "publicly traded entity" as set out in subparagraph R400.14(a) and the Glossary, replacing the term "listed entity"? Please provide explanatory comments on the definition and its description in this ED.

Do you support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies?

We support the broad approach adopted by the IESBA in developing the PIE definition and the role of local bodies in refining the PIE categories taking into consideration local law and regulations governing certain types and entities. Adopting a broad definition will be key to ensuring that the updated definitions remain relevant in an environment where entities and stakeholders are changing rapidly.

The local regulators are best positioned to understand the types of products available in their markets and to refine the categories accordingly. The change from listed entity to publicly traded entity increases the importance of the role of local bodies in ensuring the categories do not inadvertently exclude entities that were previously considered PIEs. However, we understand that there may be some implementation challenges and we encourage the IESBA to do further outreach with impacted stakeholders to ensure there are no unintended consequences related to the proposed changes. To support global consistency in the application of the standard there may be a need to reference specific types of entities in the standard.

We do not support changes that would result in entities currently considered PIEs no longer being considered PIEs under the revised definition.

Question 6:

Please provide your views on whether, bearing in mind the overarching objective, entities raising funds through less conventional forms of capital raising such as an initial coin offering (ICO) should be captured as a further PIE category in the IESBA Code. Please provide your views on how these could be defined for the purposes of the Code recognizing that local bodies would be expected to further refine the definition as appropriate.

As noted in the consultation paper, many entities that raise funds through ICOs fall within the new definition of publicly traded entity because their offerings are considered to be securities. However, ICOs that are not considered securities offerings may still meet the proposed overarching objective described on p. 8 of the exposure draft. We have not developed a fulsome view of what characteristics (i.e., size test, etc.) should be specified in the PIE definition to capture those entities. Stakeholder outreach may be necessary to evaluate whether this can be effectively captured with a further PIE category without casting the net too broadly.

CPAB believes that a principle-based approach with the ability to refine PIE categories locally will contribute to enhancing public confidence in the audits of those financial statements and protecting the public interest. If you have any questions about our response or wish to discuss any of our observations in more detail, please contact me (carol.paradine@cpab-ccrc.ca) or Stacy Hammett (stacy.hammett@cpab-ccrc.ca).

Yours truly,



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