

13 May 2016

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, New York 10017  
USA

Dear Mr. Siong:

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

We are pleased to comment on the International Ethics Standards Board for Accountants (the Board) Exposure Draft *Limited Re-exposure of Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit Client*. We appreciate the Board's thoughtful consideration of our and others' previous comments on this topic and the opportunity to provide input on the remaining areas where there continues to be a lack of consensus amongst stakeholders.

We agree that there may be perception issues with respect to the current long association provisions of the Code and support the Board's efforts to respond to these concerns and to continuously challenge the robustness of the Code.

Four specific topics were identified on which the Board welcomed respondents' views and we have organized our response accordingly. Our comments are set out below.

**Request for Specific Comments**

***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 appropriate 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?**

Yes. We know there will be practical and resource challenges in some geographies or industries caused by the 5 year cooling off period for EQCR for listed PIEs but we believe the public interest benefits outweigh these and thus agree with proposed changes.

### ***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. As noted in the response to question 1 above, we believe this should be the approach for key audit partners that served only as an EQCR during the permitted seven year period, and thus we support the proposal set out in paragraph 290.150D which allows for the reduction of the cooling-off period from five to three years in certain circumstances. We believe this proposed provision appropriately acknowledges the existing jurisdictional diversity in approaches in this area while at the same time establishing a reasonable ethical standard in jurisdictions that have not yet implemented regulatory safeguards.

- 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 believe the conditions of an independent regulatory inspection regime; and either a time-on period shorter than seven years or mandatory firm rotation or re-tendering of the audit appointment at least every ten years are appropriate.

### ***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 agree with the approach taken in paragraphs 290.150A and 290.150B and believe this is an improvement from the original proposal that a KAP who served as an EP at any time during the seven-year time-on period be required to cool off for a period of five years which we consider too restrictive and inappropriate.

We would be pleased to discuss our comments with members of the International Ethics Standards Board or its staff. If you wish to do so, please contact Bob Franchini (+39-02-7221 2014) or Susan Nee (+1-305-510-0172).

Yours sincerely,

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