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submitted electronically through the IESBA website

Re.: Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code

Dear Ken,

We would like to thank you for the opportunity to provide the International Ethics Standards Board (IESBA) with our comments on the Exposure Draft "Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code" (hereinafter generally referred to as "the draft").

In the Appendix to this comment letter, we provide our responses to the questions posed to respondents in the Request for Specific Comments and the Request for General Comments of the Explanatory Memorandum.

However, in this letter we would like to make a number of important overall observations.

We welcome the Project that IESBA has commenced to reconsider the definitions of public interest entity and listed entity and to seek to widen the former definition. The Project is particularly important because there are a number of issues with the extant definitions and because the Project will have an important impact on the Non-Assurance Services and Fees Projects at IESBA and the further work of the IAASB.

While we agree with the general direction to develop principles as a basis for broadening the definition and to broaden the actual definition, we believe that there are **three important considerations** that IESBA needs to take into account when doing so. These considerations as set forth in this letter form the

basis for our responses, in the Appendix to this letter, to the questions posed to respondents in the Explanatory Memorandum.

1. The Roles of an International Standard Setter like IESBA and Implications

As noted in the Explanatory Memorandum, in some jurisdictions, including in the EU, laws define "public interest entity" for the purposes of particular independence and other requirements (e.g., quality control measures and auditor reporting requirements) also set forth in the law. Consequently, for the purposes of these requirements (and only these requirements), through the definition of "public interest entity" such legislation sets out which entities within its jurisdiction are subject to these requirements. In paragraph R100.3 of the Code, IESBA recognizes that its Code of Ethics cannot override national law or regulation. Hence, a definition of "public interest entity" set forth by IESBA and related requirements in the IESBA Code cannot: 1. detract from, or add to, the definition of public interest entity under the law, or 2. detract from, or add to, the independence or other requirements to which those public interest entities as defined in the law are subject under the law.

Nevertheless, **IESBA still has a number of important roles** as an international standard setter in this matter. **First**, the IESBA Code reflects an international consensus as to the basis for the principles-based determination of why the concept of public interest entities is important, which entities ought to be public interest entities, and what the additional independence and other ethical requirements for those entities ought to be. As a result, the definition and commensurate requirements in the Code will have a long-term effect on legal and regulatory requirements in many jurisdictions that may not even choose to adopt the Code. **Second**, in jurisdictions in which the Code is adopted in whole or in part (whether by means of a legal instrument or by other means, such as standards or a local Code), the IESBA Code may directly set forth which entities are public interest entities and their concomitant additional independence requirements. **Third**, firms of professional accountants (such as those in the Forum of Firms) may choose to apply the Code voluntarily – particularly for cases in which audits and reviews of financial statements include the involvement of professional accountants across jurisdictions and commonality of independence requirements is important. In this third role, reference to compliance with the Code is an important signal to stakeholders that certain common additional independence requirements have been fulfilled.

However, for the second and third roles, what really matters is that the Code actually represents a common standard across jurisdictions. Consequently, provisions in the Code that permit local jurisdictions (whether by law or regulation or national standards) to "refine" the definitions of the Code by reference to law or regulation or exclude entities based on other criteria, or permit firms to refine the application of the definition Code based on local law or regulation, lead to references to compliance with the Code no longer signaling to stakeholders that common independence requirements have been fulfilled, which undermines the role of the Code in setting a common standard that applies internationally, because compliance with the Code will mean different things in different jurisdictions. For this reason, we believe that having the Code permit refinements of the requirements of the Code by local standards setters through reference to local law or regulation or other criteria, or changing the application of the definition in the Code by firms regarding local law or regulation, represent an approach that is disadvantageous to stakeholder understanding of which entities are to be treated as PIEs under the Code and that therefore this approach is not in the public interest. Our responses to the questions posed in the Explanatory Memorandum reflect this view.

2. The tension between the Code and legislation or regulation

As the IESBA recognizes implicitly in its Explanatory Memorandum, there is a tension between IESBA setting requirements in the Code that exceed those in local legislation (which engenders the pressure for the provisions for "opt outs" and "adjustments", as well as for refinements as contemplated in the draft Code) and the desire to expand the definition of public interest entity in the public interest. In this context, it is important for IESBA to be cognizant of the consequences resulting from not expanding the definition of public interest entity enough vs. exceeding local legislation or regulation. Based upon the principles of what a public interest entity ought to be, the consequences of failing to expand the definition of public interest entities in a significant way would be IESBA not completely fulfilling its public interest mandate and the potential deterioration in the relevance of the Code in this respect. The consequences of IESBA exceeding the definitions of public interest entities enshrined in law or regulation in major jurisdictions, such as the EU, would likely be that adoption of the Code with respect to that definition (whether through the first or second role noted above) or its voluntary adoption through the third role noted above is adversely affected, which also detracts from the relevance of the Code.

Furthermore, the impact of any change in the Code of the definition of PIE in a particular jurisdiction cannot be separated from the independence requirements in the Code for such PIEs. There are a number of potential circumstances resulting from the combination of whether the definition of PIE in the Code is broader, equal to, or narrower than local legislation or regulation and whether the independence and other requirements in the Code for PIEs as defined in the Code are greater, equal to, or lesser than those in local legislation. The impact at an international level is therefore excruciatingly difficult to ascertain.

We therefore recognize that IESBA faces an issue for which there is no optimal solution or that may even be largely intractable. To resolve this issue, we believe that IESBA should consider the following principle when determining the scope of the definition of PIEs: **An expansion of the definition of PIE at an international level should err on the side of being too narrow rather than too broad.** The main reason for the application of this principle is the impact that independence and other requirements of the Code (particularly when they exceed local legislation) would have on PIEs defined as such under the Code that are not PIEs under local legislation or regulation. There is an asymmetry of consequences between exceeding law or regulation in this respect (needing to do more than the law requires) as opposed to the Code not exceeding law or regulation (fulfilling the Code without needing to do more than the law requires). The application of this principle would have the added benefit of reducing the pressure for “opt outs”, “adjustments” and refinements at a local level. We note that because the purpose of PIEs as described in 400.9 of the draft is to enhance confidence in audits through more specific independence requirements in the Code to address independence in appearance, but not actually increase the assurance obtained by auditors or necessarily independence of mind, since auditors of non-PIEs will not be any less independent than auditors of PIEs, there are no real consequences to the likelihood of audit failure due to the PIE provisions (i.e., a definition of PIE that is too narrow has virtually no consequences on the incidence of audit failure). For these reasons, we believe that the application of this principle would be in the public interest and therefore our responses to the questions posed in the Explanatory Memorandum reflect this principle.

3. The impact of the law or regulation provision

Paragraph R400.14 (f) of the draft proposes including in the definition of PIE “an entity specified as such by law or regulation to meet the objective set out in paragraph 400.9.” We would like to point out that there are two serious issues

with this category within the definition to entities being PIEs under the Code due to being PIEs under laws and regulations. The current provision in part (b) of the definition in the extant IESBA Code (that includes entities in the definition of PIEs that are so defined by law or regulation or entities for which law or regulation require the same independence requirements as for audits of listed entities) is subject to the same serious issues, which is why we do not regard R400.14 (f) to be an improvement. The serious issues are as follows:

First, the category in R400.14 (f) leads to the situation that when IESBA proposes changes to its independence and other requirements related to PIEs, it will not be aware of which entities worldwide will be impacted by the proposed changes. In addition, through this category, the set of entities affected by such changes may be considerably wider than IESBA or national legislators or regulators intended for those particular changes. This increases the risk that national legislators or regulators will need to introduce “opt outs”, “adjustments” or other refinements to prevent changes to the independence or other requirements for PIEs in the IESBA Code from affecting entities that legislators and regulators did not intend to be affected by those changes in the IESBA Code when the respective law or regulation was passed or issued. We refer to our view expressed in our first consideration above as to why national refinements to the definition in the IESBA Code are not in the public interest.

Second and more importantly, we would like to point out that when legislators and regulators define PIEs (even for the objective set forth in paragraph 400.9) that scope in entities beyond those set forth in the IESBA Code and then set forth independence and other requirements for such PIEs, both the definition and the requirements undergo a thorough local due process that results in those requirements for those entities. What the public interest is in terms of which entities beyond those specified in the IESBA Code should be subject to certain requirements has been determined at a local level by this due process. By scoping in such entities through the category in paragraph R400.14 (f) of the IESBA Code by means of what are known as “dynamic legal references” (which are constitutionally problematic in many jurisdictions), when professional accountants in public practice apply the Code voluntarily, or local legislation or regulation adopts the Code (beyond any other legal or regulatory provisions) by an additional reference to the Code alone (also a “dynamic legal reference”), any changes to the independence and other requirements of the Code will also be applied to such entities even though no local due process has been undertaken (and IESBA may not even be aware of such entities being affected, which means that the validity of international due process may also be affected). We also note that the dynamic legal reference in R400.14 (f) may also dissuade

some legislators or regulators from adopting the IESBA Code due to constitutional issues.

We are aware that the regulator stakeholders of IESBA are the main proponents of R400.14 (f). Consequently we surmise that these regulators are seeking to subvert their local due process so as to subject entities defined as PIEs in their jurisdiction but not defined as PIEs in the Code to additional independence and other requirements of the IESBA Code beyond those required by local law and regulation without needing to undertake a local due process (a regulatory "free lunch"). We do not believe this to be in the public interest – indeed, **the category in (f) as a dynamic legal reference actually subverts due process and hence the public interest at a local level and may impair due process at an international level. For these reasons, we believe that R400.14 (f) (and the related application material in 400.14 A1) needs to be deleted.**[1] We note that such a deletion would not prohibit firms from voluntarily applying the independence and other ethical requirements of the Code for PIEs as defined by the Code to PIEs only defined as such in their local jurisdiction, and application material in the Code can clarify this.

We would be pleased to provide you with further information if you have any additional questions about our response, and would be pleased to be able to discuss our views with you.

Yours truly,

Melanie Sack
Executive Director

Wolfgang Böhm
Technical Director, Assurance Standards
International Affairs

[1] We note that the proposed requirement in R400.14 (f) to the IESBA Code is fundamentally different from that in ISQM 1 paragraph 34 (f) (ii). The requirement in ISQM 1 only requires that firms establish policies and procedures in accordance with ISQM 2 to deal with those entities in which law or regulation requires an engagement quality review, since laws and regulations generally do not provide for detailed requirements of how a quality review is to be carried out. In contrast, R400.14 (f) would lead to detailed independence requirements set forth in the IESBA Code for PIEs as defined in the IESBA Code to become applicable to entities that are not defined as PIEs in the IESBA Code.

Appendix:

Responses to Questions Posed to Respondents

in the Explanatory Memorandum

Request for Specific Comments

Overarching Objective

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?

We support the statement of purpose as set forth in 400.9. We also support having an overarching objective as set out in the first sentence of paragraph 400.8. However, the question arises whether the reference to "significant public interest in the financial condition of these entities" in 400.8 is somewhat too broad. When we look at the categories of PIEs in R400.14, with the exception of (d) and (f) (see in the third consideration of the body of our letter our disagreement with (f)), all of the categories relate to entities that enter into financial obligations directly with the public. In our response to question 5, we explain why we do not believe that (d) and (f) should be included in the list of categories. In line with the principle set forth in the second consideration in our letter that IESBA should err on the side of a definition of PIE that is too narrow rather than too broad, we believe that the key distinguishing factor for PIEs ought to be that they enter into financial obligations directly with the public (as opposed to just "having" financial obligations to the public). The public can have a significant interest in the financial condition of all sorts of entities (particularly those in the public sector) indirectly or directly without having members of the public become active in relation to that interest. What matters is when members of the public need to make decisions about whether to enter into, or maintain, contracts with entities by which such entities incur financial obligations to those members of the public because the audited financial statements provide information that may influence those "investment" or "divestment" decisions.

For these reasons, we believe that the final phrase of the first sentence in 400.8 after the words “financial statements of public interest entities” should be changed to be an additional sentence that reads “Such requirements and application material reflect the significant public interest in the financial condition, and hence audited financial statements, of these entities due to the primary business of those entities being predicated upon the public making decisions about accepting or retaining financial obligations from those entities”. This change would imply that the first factor in the list of factors in this paragraph could be deleted.

2. Do you agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity? Accepting that this is a non-exhaustive list, are there key factors which you believe should be added?

If the definition of public interest entity (see our response to Question 4) and the basis for that definition as we propose for the first sentence and our proposed second sentence of paragraph 400.8 are clear, we are not convinced that further “factors” are needed to identify PIEs for the purpose of the IESBA Code. Application of further factors is needed only if there is a desire to retain the requirement in paragraph R400.16, which we believe is superfluous (see our response to Questions 9 and 10). Furthermore, the second factor in the list, that an entity is subject to regulatory supervision to provide confidence that it will meet its financial obligations, is far too broad because it does not necessarily relate to an interest of the public (it may just relate to the needs of government or a regulator). Likewise, the following two factors relating to size and the importance of an entity to the sector (including how replaceable it is in the event of financial failure) do not provide a basis for special treatment as a PIE, because financial obligations to the public at large may not necessarily be directly affected by the financial failure or the public need not make any “investment” or “divestment” decisions based upon the audited financial statements. The factor relating to the number and nature of stakeholders including investors, customers, creditors and employees is also far too broad because it would imply that every local or provincial/state government would be a PIE in its jurisdiction (the criterion for investors would be covered by the categories in the definitions anyways). The final factor listed – in particular in relation the potential systematic impact on the economy as a whole – is certainly relevant to the public, but it does not imply that the public actually needs to

make any decisions based upon the audited financial statements in relation to financial obligations to the public.

We therefore suggest that this list of factors be deleted. We also note that the wording introducing the factors is in present tense, which suggests a requirement and is therefore not in line with the clarity conventions. Either the list is guidance (which means that the word "may" should be used) or the list is a requirement (which means "shall" should be used).

Approach to Revising the PIE Definition

3. 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?**

  We support replacing the extant PIE definition with a short list of categories. However, we do not support the notion of "high-level" categories, which appears to imply that the categories are not clearly defined so that their boundaries are subject to more subjectivity. We believe that each of the categories should be clearly defined to serve consistent application at an international level. This means that the short titles of each of the categories may need to be expanded to reflect a clear definition of the characteristics desired to define that category, such as was at least partially done for "publicly traded entity".

- **Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?**

  As noted in the first consideration in the body of our comment letter, we do not believe it is in the public interest for relevant local bodies to refine the IESBA definition for local purposes as part of the adoption and implementation process because such departures from the IESBA definitions – even if permitted by the IESBA Code – undermine the very basis for international standards, which is to be able to refer to the IESBA Code to signal to stakeholders that a minimum standard as promulgated at an international level has been fulfilled. Consequently, we do not support such refinement of the IESBA definition at a local level. We note that the lack of a provision in the IESBA Code permitting such refinement would not prohibit local

legislators, regulators or standard setters from departing from the IESBA Code – it would only prevent them from claiming compliance with the IESBA Code, which is the entire point of having an international Code.

We also note that paragraph 400.15 A1, which includes the provision for refining the definition at a local level, is application material – not a requirement. By definition, application material cannot overturn a requirement (such as in R400.14) – particularly, when as we suggest the requirement in R400.14 were to use more definitive definitions.

PIE Definition

4. 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.

Based upon the definition of "publicly traded entity" in the Glossary and the description in paragraphs 37 and 38 of the Explanatory Memorandum, we are largely in favor of the new term as set forth in **R400.14(a)** and its definition in the **Glossary**. However, to aid consistent application and understanding, we strongly recommend that the definition in the Glossary be augmented within the Code through application material that reflects the considerations set forth in paragraphs 37 and 38 with the exception of the last bullet, which is covered in our response to Question 6 of the Explanatory Memorandum. As part of this consideration, we believe that, as application material, the description in the fourth bullet of paragraph 38 in the Explanatory Memorandum needs to be expanded to include cases where an entity has issued financial instruments that are transferable, but are publicly traded without the entity haven taken any action to have those instruments publicly. In these cases, neither the entity nor the audit firm may be aware that the entity's financial instruments may be publicly traded, and it therefore seems to us to be inappropriate for an entity to be treated as PIE even though it has not engaged in any action to have its instruments publicly traded.

5. Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?

Based upon our proposed changes to the overriding principle in the first sentence of paragraph 400.8, we agree with the categories set forth in **R500.14 (b) and (c)**. In line with the first consideration in our comment letter and our response to the second bullet of Question 3, and as a comment on the fourth bullet of paragraph 39 in the Explanatory Memorandum, if local jurisdictions seek to exclude certain types or sizes of entities that would otherwise fall within the categories in (b) and (c), they should do so but then not claim compliance with the IESBA Code. We also strongly recommend that content in the first three bullet points of paragraph 39 in the Explanatory Memorandum be included as application material to (b) and (c); if (e) is retained in the list of categories, this also applies to the content of paragraph 41 of the Explanatory Memorandum.

As noted in our response to Question 1, we do not support the inclusion of **category (d)**. While members of the public may have a significant interest in the financial condition, and hence the audited financial statements, of an entity whose function is to provide post-employment benefits, the significant public interest in the financial condition, and hence audited financial statements, of these entities **is not** due to the primary business of those entities being predicated upon the public making decisions about accepting or retaining financial obligations from those entities (i.e., in this case, whether or not to be a member of such pension plan). In most cases, other parties (employers, unions, governments, etc.) make these decisions on behalf of members of the public. The audited financial statements therefore serve the accountability of those making the decisions on behalf of the public towards the specific members of the public in the respective pension plans: the audited financial statements are not used by members of the public for “investment” or “divestment” decisions. However, in those cases where pension plans are provided directly to the public as an investment vehicle (as noted in the second bullet of paragraph 40 of the Explanatory Memorandum) much like categories (a), (b) and (c), we do see a case for including such pension plans, but then the wording of the category would need to read “An entity whose main function is to provide post-employment benefits to the public as a potential investment”.

In line with our third consideration as described in the body of our comment letter, we reject category (f) because it subverts local due process and hence the public interest at a local level and may impair due process at an international level. We note that deletion of category (f) would not prohibit firms from voluntarily applying the independence and other ethical requirements of the

Code for PIEs, as defined by the Code, to PIEs as defined in their local jurisdiction: the application material in the Code can clarify this.

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.

Based upon our proposal to change the principle and wording of the first sentence of paragraph 400.18, in our view, if the conditions of an ICO are such that the entities engaging in them meet the definition of a publicly traded entity such that the public has a significant interest in the financial condition of the entity, and hence its audited financial statements, when making the decision whether or not to “invest” or “divest” its interest in the coin, then an entity engaging in the ICO should be classified as a publicly traded entity. If the conditions of an ICO are such that the entity does not meet the definition of a publicly traded entity and the noted principle because the investing public is more concerned about the value of the coin regardless of the financial condition of the entity engaging in the ICO, we believe that ICOs should not be included under the definition of PIE.

Role of Local Bodies

7. 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?

As noted in our first consideration in the body of our comment letter and our response to Questions 1 and 3, we do not support proposed paragraph 400.14 A1 because high level categories lead to inconsistency in practice and the ability to refine the definitions at a local level undermines the very basis for international standards, which is to be able to refer to the IESBA Code to signal to stakeholders that a minimum standard as promulgated at an international level has been fulfilled. Consequently, we do not support such refinement of the IESBA definition at a local level and the role of relevant local bodies in this regard. We note that the lack of a provision in the IESBA Code permitting such refinement would not prohibit local legislators, regulators or standard setters

from departing from the IESBA Code – it would only prevent them from claiming compliance with the IESBA Code, which is the entire point of having an international Code. In addition, firms that voluntarily follow the Code (e.g., because of membership in the Forum of Firms) would not be prevented from doing so. We also note that paragraph 400.15 A1, which includes the provision for refining the definition at a local level, is application material – not a requirement. By definition, application material cannot overturn a requirement (such as in R400.14) – particularly, when as we suggest the requirement in R400.14 were to use more definitive definitions.

8. Please provide any feedback to the IESBA's proposed outreach and education support to relevant local bodies. In particular, what content and perspectives do you believe would be helpful from outreach and education perspectives?

Based on our first consideration in the body of our comment letter and our response to Questions 3 and 7, we believe that proposed outreach and education support would be less crucial if the IESBA Code uses clear definitions with additional application material, rather than high level categories that can be refined at a local level.

Role of Firms

9. Do you support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs?

We do not believe it to be necessary for firms to be subject to a requirement to determine if any additional entities should be treated as PIEs because we believe that the principle of what should be a PIE as we suggest in our proposed changes to paragraph 400.8 together with the clear definitions and application material that we propose for paragraph R400.14 would suffice to cover all of those entities that ought to be covered as PIEs. In other words, the principle and definition we propose would cover almost all instances in which the public has a significant interest in the financial condition of the entity, and hence its audited financial statements, when making decisions about whether or not to "invest" in or "divest" a financial obligation from the entity. We note that if firms believe that due to stakeholder requests or for risk management purposes, it may be advantageous to treat an entity as a PIE as defined by the IESBA Code and to apply the requirements of that Code, then firms are free to do so, but the Code should not be used as a basis for requirements that can be dealt with through

stakeholder requests and firm risk management. The requirement is therefore superfluous and can be deleted.

10. Please provide any comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1.

Based on our response to Questions 1 and 9, we believe that the list of factors in paragraph 400.16 A 1 is superfluous and can be deleted. We note that the wording introducing the factors is in present tense, which suggests a requirement and is therefore not in line with the clarity conventions. Either the list is guidance (which means that the word “may” should be used) or the list is a requirement (which means “shall” should be used).

Transparency Requirement for Firms

11. Do you support the proposal for firms to disclose if they treated an audit client as a PIE?

It is unclear to us what such disclosure is supposed to achieve. If, as we suggest, IESBA has a clear objective as to which entities ought to be PIEs (see our response to Question 1) and clearly defines PIEs as we suggest based on our response to Questions 1, 4 and 5, then what a PIE is under the Code is set forth in the Code and what the additional requirements are for PIEs would also be set forth in the Code. We are not convinced that stakeholders other than audit regulators will understand what the significance of a PIE is. Furthermore, since what a PIE is may differ between legislation or regulation and the IESBA Code, this would mean that such disclosure may also be confusing to stakeholders.

Disclosing that an entity that is not a PIE is being treated as a PIE would only add to such confusion. Further confusion would result because the definition of PIE under the Code may be different from local law or regulation, because the question arises whether the entity is being treated as a legal PIE, an IESBA PIE, or both.

What matters to stakeholders other than audit regulators is whether the auditor was independent as required by relevant ethical requirements – whatever these may be. This is already being asserted in the auditor’s report, and that is really all that stakeholders require because they do not generally read law, regulation and Codes in relation to PIEs.

12. Please share any views on possible mechanisms (including whether the auditor's report is an appropriate mechanism) to achieve such disclosure, including the advantages and disadvantages of each. Also see question 15(c) below.

As we do not support such disclosure, we are not in favor of including such disclosure in the auditor's report. We also believe that, for the reasons given in our response to Question 11, such disclosure in the auditor's report will be confusing. Furthermore, as the complexities increase (PIE under law or regulation is not the same as PIE under the Code, the requirements for PIEs under law or regulation are different from those under the Code, the treatment of group audits that are multijurisdictional, etc.) the disclosure in auditors' reports will become increasingly complex and too dense for readers of the auditor's report to understand.

Other Matters

13. For the purposes of this project, do you support the IESBA's conclusions not to:

(a) Review extant paragraph R400.20 with respect to extending the definition of "audit client" for listed entities to all PIEs and to review the issue through a separate future workstream?

We support IESBA's conclusion not to review extant paragraph R400.20. However, in line with our responses to Questions 3 and 7, the words "(including any modifications made by law or regulation)" would need to be deleted.

(b) Propose any amendments to Part 4B of the Code?

We support IESBA's conclusion not to propose any amendments to Part 4B of the Code given IESBA's reasoning in the Explanatory Memorandum.

14. Do you support the proposed effective date of December 15, 2024?

We support the proposed effective date of December 15, 2024.

Matters for IAASB consideration

15. To assist the IAASB in its deliberations, please provide your views on the following:

(a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQMs.

As noted in our response to Question 1, we support the overarching objective in paragraph 400.9, but believe that the objective in paragraph 400.8 is too broad. If the changes were to be made to 400.9 as we propose in our response to Question 1, then we believe that the IAASB could consider whether that objective can be used as a basis by the IAASB for setting differential requirements for audits of financial statements. However, we believe that the IAASB needs to consider the use of the definitions for the ISAs and ISQMs on a case-by-case basis.

(b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs.

We support the case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs because the IAASB needs to undertake its own due process to understand the nature and extent of the impact of such changes.

(**c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting PIR, do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report?**

We refer to our responses to Questions 11 and 12.

Request for General Comments

Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) **– The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.**

As we point out in our response to Question 1, if the overarching principle is whether there is a significant public interest in the financial condition, and hence audited financial statements, of these entities due to the primary business of entities being predicated upon the public making decisions about accepting or retaining financial obligations from those entities, then that principle needs to apply regardless of the size or complexity of the entity – what matters is the confidence of the public in the audited financial statements in cases where the public needs to make direct investment or divestment decisions. If a small entity chooses to issue transferable financial interests to the public and have them publicly traded, accepts deposits from the public, enters into insurance contracts with the public, etc., then it must bear the cost of doing business in that sector with the concomitant regulatory burdens.

Regulators and Audit Oversight Bodies **– The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.**

As we are not a regulator or audit oversight body, this question is not relevant to us.

Developing Nations **– Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.**

As we are not from a developing nation, this question is not relevant to us.

***Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals**

There may be potential translation issues, but we will not be able to identify them until we actually commence translation.