

**DRAFT Minutes of the 58th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS**

Held via Teleconference on April 23, 2018

Voting Members

Present: Stavros Thomadakis (Chairman)
Michael Ashley
Brian Caswell
Brian Friedrich
Hironori Fukukawa
Kim Gibson
Liesbet Haustermans
Winifred Kiryabwire
Caroline Lee
Myriam Madden
Ian McPhee
Reyaz Mihular
Patricia Mulvaney
Jens Poll
Sylvie Soulier

Technical Advisors

Saadiya Adam (Mr. Mihular)
James Barbour (Mr. Ashley)
David Clark (Ms. Soulier)
Greg Driscoll (Ms. Lee)
Ellen Gorla (Mr. Caswell)
Selene Ho (Mr. Leung)
Sundeep Takwani (Ms. Kiryabwire)
Toshihiro Yasada (Mr. Fukukawa)

Apologies: Richard Fleck (Deputy Chair)
Alden Leung
Robert Juenemann

Denise Canavan (Ms. Haustermans)
Jens Engelhardt (Mr. Poll)
Josephine Haste (Mr. McPhee)
Gina Maldonado (Kim Gibson)
Andrew Pinkney (Ms. Mulvaney)

Non-Voting Observers

Present: Kristian Koktvedgaard, IESBA Consultative Advisory Group (CAG) Chair, Takuya Emoto, Japanese Financial Services Agency (FSA)

Public Interest Oversight Board (PIOB) Observer

Present: Aileen Pierce

IESBA Technical Staff

Present: Ken Siong (Technical Director), Diane Jules (Deputy Director), Geoffrey Kwan and John Morrow

1. Opening Remarks

Dr. Thomadakis welcomed all participants and public observers to the meeting. He noted that the objective of the teleconference was to consider the revisions to the Code relating to the offering and accepting of inducements with a view to approving the text of the proposed Sections 250,¹ 340,² 420³ and 906⁴ (inducements provisions) as a final pronouncement.

2. Inducements Provisions

Mr. Ashley introduced the topic, noting that the Part C Task Force had considered all comments received on a revised draft of Sections 250 and 420 that was circulated to IESBA participants in early April, 2018 in developing the final draft in **Agenda Item 1-B**. Mr. Ashley also highlighted a few additional minor editorial changes to the posted text which will be added by staff after the meeting.

PROPOSED SECTION 250

The Board was generally supportive of the revisions to the proposed Section 250.

Inducements with Intent to Improperly Influence Behavior

With respect to the prohibitions on inducements with intent to improperly influence the behavior of other individuals, an IESBA member was concerned about a potentially broad scope of application of these provisions as they could scope in behavior unrelated to the professional environment. Accordingly, the IESBA member suggested that the provisions refer explicitly to behavior in a professional environment, or professional behavior. Another IESBA member shared the same view. In response, Mr. Ashley noted that the introduction to Section 250 already limited the scope to the context of the accountant's professional activities. In addition, referring to professional behavior, being one of the Code's five fundamental principles, would not be appropriate as it might create the impression that the provisions are only focusing on this one fundamental principle. He added that the application material explained that all five fundamental principles are to be used as a frame of reference when considering what constitutes unethical behavior of a professional accountant, and if necessary by analogy, other individuals.

After further deliberation, the IESBA agreed that the rationale for scoping in other individuals should be clearly explained in the Basis for Conclusions.

In response to a query raised by an IESBA member about the nature of the examples set out in paragraph 250.10 A2, Mr. Ashley clarified that these examples were provided only as guidance to a professional accountant when dealing with circumstances where threats to compliance with the fundamental principles might still be created even if the prohibitions in paragraphs R250.7 or R250.8 have been met. He further noted that these examples were not intended to provide guidance for the other circumstances being addressed by the proposals, such as the offering or accepting of inducements with no improper intent. Dr. Thomadakis was of the view that the relationship between paragraphs 250.10 A1 and 250.10 A2 was clear.

¹ Part 2 – Professional Accountants in Business, Section 250, *Inducements, Including Gifts and Hospitality*

² Part 3 – Professional Accountants in Public Practice, Section 340, *Inducements, Including Gifts and Hospitality*

³ Part 4A – Independence for Audit and Review Engagements, Section 420, *Gifts and Hospitality*

⁴ Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements, Section 906, *Gifts and Hospitality*

Inducements with No Intent to Improperly Influence Behavior

A few IESBA members queried whether the application material relating to the offering and accepting of inducements without improper intent is sufficiently clear that the provisions are intended to cover not only those inducements that influence the behavior of the recipient, but also those that influence other individuals' behavior. It was suggested that a new example be added to explain the scope of the application material. In response, Mr. Ashley noted that the aim of the application material is to direct a professional accountant to apply the conceptual framework to address threats to compliance with the fundamental principles that might be created by the offering or accepting of an inducement where there is no improper intent. He added that the provision is in the context of the conceptual framework and, accordingly, it should be applied in the appropriate circumstances. After further deliberation, the Board agreed not to make any further revisions to the application material relating to the offering and accepting of inducements without improper intent but that clarification about its scope including the use of an example be made in the Basis for Conclusions.

PROPOSED SECTION 340

Mr. Ashley noted that revisions to Section 340 largely conformed to the changes in Section 250. The Board supported these revisions.

Prospective Clients

An IESBA member sought clarification about the Task Force's rationale in using the term "existing or prospective clients" in Section 340. In response, Mr. Ashley noted that the Task Force had reviewed each provision in the proposals where "client" was used and determined if it would be appropriate to replace "client" with the term "existing or prospective client." He explained that the term was used to replace "client" in the requirements but not in all the application material to avoid undue repetition or, as in the case of some of the examples, where it might not be appropriate or necessary in context.

PROPOSED AMENDMENTS TO INDEPENDENCE PROVISIONS

Mr. Ashley noted that no changes were made to Sections 420 and 906 since the March 2018 Board meeting other than minor editorial changes. No additional comments were made by IESBA members regarding these provisions.

3. Due Process

Mr. Siong advised the Board that up to and including this meeting, the Board had adhered to its stated due process in finalizing the text to the inducements provisions.

Mr. Ashley confirmed that all significant issues discussed by the Task Force had been brought to the Board's attention and that the Task Force did not believe there was a need for further consultation on, or field testing of, the proposals.

The IESBA members did not consider that there were matters raised by respondents to the [Exposure Draft](#), in addition to those summarized and reported by the Task Force, that should be discussed by the Board.

APPROVAL

The Board approved the inducements provisions as a final pronouncement with the affirmative votes of 15 out of 15 members present.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The Board assessed whether there was a need to re-expose the approved text. The Board agreed that the changes made to the Exposure Draft were in response to the comments received from respondents and did not represent substantial changes to the Exposure Draft. Therefore, the Board determined that re-exposure was not necessary.

EFFECTIVE DATE

Mr. Siong confirmed the Board's previous decision during the December 2017 meeting to align the effective date of the inducements provisions with that of the new [Code](#), which is June 15, 2019.

4. PIOB Observer's Remarks

Ms. Pierce was satisfied that the issues raised during the meeting had been duly deliberated by the Board. In acknowledging the Board's unanimous approval of the provisions, she suggested that the Board monitor if there were any issues with their implementation.

5. Next Meeting

The next Board meeting (via teleconference) is scheduled for May 4, 2018.

6. Closing Remarks

Dr. Thomadakis thanked Mr. Ashley, the Task Force and staff for their efforts and the Board participants for their contributions to the meeting. He then closed the meeting.