

Definitions of Listed Entity and Public Interest Entity Issues and Task Force Proposals

INTRODUCTION

1. In January 2021, the IESBA released the Exposure Draft, [*Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*](#) (PIE ED) for comment. The proposed revisions set out in this ED, amongst other matters:
 - Introduced an overarching objective for additional independence requirements for entities that are PIEs.
 - Provided guidance on factors for consideration when determining the level of public interest in an entity.
 - Expanded the extant definition of PIE to a list of mandatory categories of entities that should be treated as PIEs, subject to refinement by the relevant local bodies responsible for standard setting as part of the adoption and implementation process.
 - Replaced the term “listed entity” with one of the new PIE categories, “publicly traded entity.”
 - Elevated the extant application material that encourages firms to determine whether to treat additional entities as PIEs to a requirement and included enhanced guidance on factors for consideration by firms.
2. The IESBA received a total of 69 comment letters in response to the ED (see Appendix of [Agenda Item 2-A](#) of the September 2021 IESBA meeting for a list of the respondents).
3. At its June 2021 meeting, the IESBA provided strategic input to the Task Force’s preliminary views on how to address the significant comments from respondents to the PIE ED.
4. In September 2021, the IESBA discussed the Task Force’s full analysis of the significant comments from respondents to the PIE ED and its proposed revisions to the text, taking into account the joint IAASB-IESBA CAG discussions of the same month (Refer to Agenda Item 1-C and 1-E for the draft meeting minutes).
5. The Task Force Chair provided a high-level summary of the Task Force’s proposals to the IAASB at its October 2021 teleconference. Amongst other matters, IAASB members provided feedback to the Task Force’s proposed definition of publicly traded entity, the remaining PIE categories and the role of firms, particularly with regards to the transparency requirement.
6. Following careful consideration of the comments received from the IESBA and CAG in September 2021 as well those from other stakeholders and the IAASB, the Task Force is proposing the following key revisions to the September 2021 posted version with a view to seeking approval of the proposed text by the IESBA at its November-December 2021 meeting:

Paragraphs in Agenda 2-B	Task Force Proposals
R400.18	<ul style="list-style-type: none"> More clearly explain that firms are required to apply the more explicit local definitions for the mandatory PIE categories by replacing “have regard to” with “take into account.”
400.18 A1	<ul style="list-style-type: none"> Replace “credit unions or mutual insurers” with a more generic description of an example of a type of entity that a relevant local body might determine to exempt from the local PIE definition (“an entity with mutual ownership”).
400.18 A2	<ul style="list-style-type: none"> Strengthen the language about the role of relevant local bodies to add new categories and include examples of potential additional categories such as pension funds and collective investment vehicles (CIVs).
400.19 A1	<ul style="list-style-type: none"> Clarify that a firm is only treating other entities as PIEs for the purposes of the additional independence requirements.
R400.20 – R400.21	<ul style="list-style-type: none"> Clarify that the disclosure should be done “in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders”. Include an exception to the disclosure if it will result in disclosing confidential future plans of the entity.

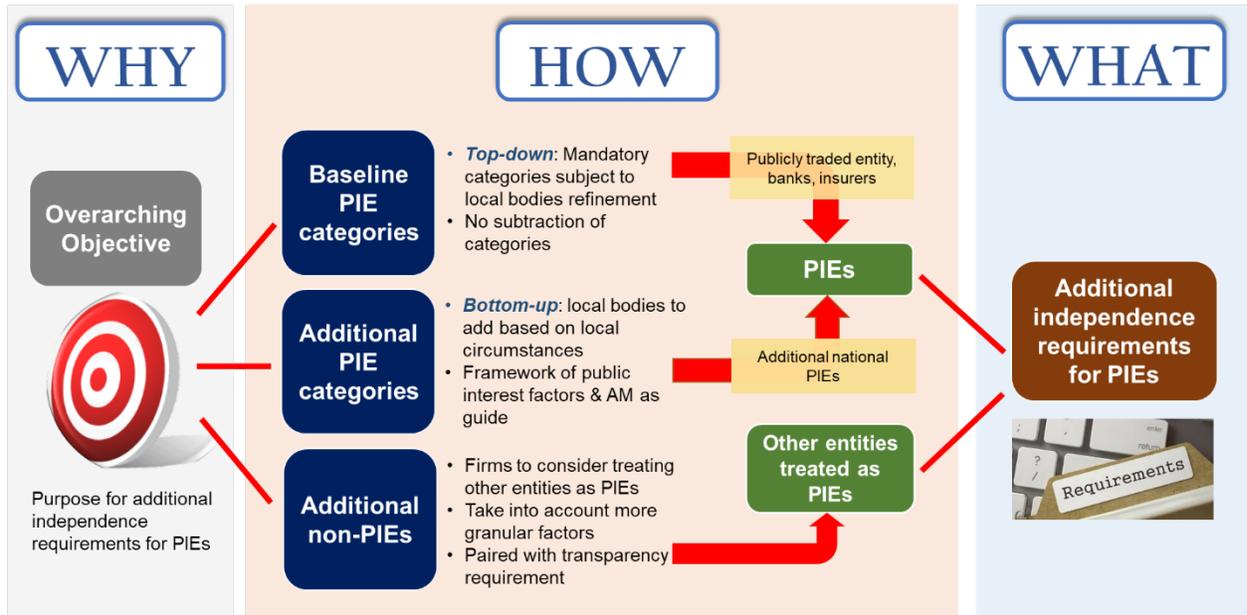
INFORMATION GATHERING ACTIVITIES SINCE SEPTEMBER 2021

- In Q4 2021, representatives from the Task Force and IESBA provided updates on the PIE project and received feedback to the Task Force’s September 2021 proposals at the following meetings:
 - The IESBA Chairman and the Task Force Chair attended the October 2021 PIOB meeting to discuss the PIOB’s concern about the Task Force’s proposal to delete the categories set out in paragraphs R400.14.(d) and (e) of the ED (“post-employment benefits” (“PEBs”) and CIVs”). Staff also provided an update on the Task Force’s further thinking at the quarterly IESBA-PIOB technical staff meeting in November 2021.
 - The Task Force Chair and other IESBA representatives attended a meeting with representatives of IOSCO’s Committee on Issuer Accounting, Audit and Disclosure (Committee 1) (IOSCO meeting) to provide an update on the Task Force’s proposals, including the proposed definition of a publicly traded entity and the incorporation of “listed entity” into the descriptive material attached to that definition.
 - In Q4 2021, IESBA representatives also sought AICPA representatives’ views on the category of pension funds. IESBA representatives also provided updates to the IFAC Small and Medium Practices Advisory Group (SMPAG), Forum of Firms (FoF) as well as participants at the joint IAASB-IESBA National Standards Setters (NSS) meeting.
- The Task Force has considered the feedback raised during these meetings in developing its revised proposals in **Agenda Item 2-B**. Key comments raised and the Task Force’s response are highlighted below as appropriate.

OUTSTANDING ISSUES AND TASK FORCE RESPONSES

Overall Framework

9. In September 2021, the IESBA and both the IESBA CAG and IAASB CAG (joint CAGs) continued to express support for the proposed overall framework for the development of the PIE definition, taking into account the Task Force' proposed key changes.
10. This proposed framework includes the following key elements:
 - An overarching objective that explains the need for additional independence requirements for entities that are defined as PIEs.
 - A top-down list of mandatory high-level PIE categories subject to local refinement.
 - A bottom-up list of additional PIE categories to be added by the relevant local bodies to the local definitions.
 - Consideration by firms to treat additional entities as PIEs with a transparency requirement.



October 2021 IOSCO Meeting

11. At the October 2021 IOSCO meeting, IOSCO representatives were briefed on the IESBA's direction of travel. IOSCO representatives acknowledged the challenge of developing a global definition and agreed that IESBA's revised proposal was a clear improvement from the extant definition. The key comments raised by IOSCO representatives relate to IESBA's proposed overall framework and operating model for the definition.
12. A few IOSCO representatives queried if the IESBA could have set a higher bar such as by including all banks and credit unions in its proposed PIE definition. There was also a concern that the definition might be too broadly defined and therefore lead to inconsistencies across jurisdictions. In response, IESBA representatives clarified that:
 - It would not be possible to set a baseline definition at a global level that can be adopted without refinement at local level given the highly contextual nature of a PIE. It was pointed out that the

role of determining the jurisdictional definition ultimately rests with the relevant local bodies and that different approaches already exist across jurisdictions.

- Whilst it is the responsibility of international standard setters to set a high bar for national bodies to work towards, the international standards must not be so high that they risk not being adopted by jurisdictions given that the designation of more entities as PIEs is not a cost-free option.
 - The IESBA's proposed framework, which includes an expanded list of factors, will influence and guide relevant local bodies on how their local PIE definitions should be specified, which therefore will promote global consistency in approach.
13. In response to a query about how the new definition would impact the IAASB standards, Mr. Willie Botha, IAASB Technical Director, clarified that the current differential requirements in the IAASB Standards apply only to listed entities and noted that the IAASB's possible narrow-scope project on listed entity and PIE would, on a case-by-case basis, consider whether the scope of the differential requirements in the IAASB Standards need to be expanded from listed entities to PIEs. Mr. Botha also noted that there has been close coordination between the two standard-setting boards.

Task Force Responses

14. The Task Force does not propose any further changes to the overall framework and the IESBA's approach to developing the PIE definition. In particular, the Task Force was of the view that:
- The top-down list of mandatory PIE categories should be defined at a high-level and without further criteria.
 - Relevant local bodies such as national standard setters (NSS) should be allowed to refine the PIE categories and encouraged to consider other categories as part of their adoption process.
15. In reaching the above views, the Task Force has taken into account the support received from the IESBA and joint CAGs in September 2021. With regards to the IOSCO representatives' comments, the Task Force concluded as follows:
- The extant definition has only one mandatory specific category, which is listed entity, and thus allows for great diversity of entities which should be PIEs across jurisdictions. Instead, the IESBA's proposed list of PIEs includes three specific categories and therefore should create a greater level of uniformity across the globe regarding the types of entities that should be PIEs.
 - The proposed PIE list is raising the bar substantially at a global level by bringing in those jurisdictions that only have listed entities as PIEs three specific PIE categories. Whilst there are a number of jurisdictions such as those in the European Union (EU) that have already expanded their list of PIEs for independence purposes, there are still many jurisdictions that may only have listed entities as PIEs. For these jurisdictions, the local PIE list will be substantially strengthened as they adopt the IESBA PIE definition. As recognized by the IOSCO representatives, the IESBA's proposed list of mandatory PIEs is a significant improvement from the extant Code.
 - As highlighted by IESBA representatives during the IOSCO meeting, the IESBA did not consider it possible to develop a list of proposed PIE categories defined in such a way that would not require local refinements given the differences in local context. For instance, whilst some jurisdictions might wish to include their entire population of credit unions under paragraph

R400.17(b), others (such as many EU member states) have determined otherwise. To ensure global operability of the PIE definition, the Code should not fix any categories that are highly dependent on local contexts.

- It is ultimately the role of local bodies to determine which entities should be PIEs whereas the IESBA's role rests more with setting the appropriate additional independence requirements for PIEs, such as those that address the provision of non-assurance services and long association. In this regard, the Task Force observed that such a need for flexibility to refine the PIE definition can be demonstrated even for the established category of listed entity. For instance, whilst a listed entity does not have any additional criteria in many jurisdictions, only entities that cross a monetary threshold of \$10,000,000 in market capitalization or total assets are classified as listed entities for purposes of stricter independence requirements in Canada.
- The importance of local context and variations is also supported by IOSCO in its comment letter to the PIE ED in which it stated that local bodies also need to have the ability to add entities to the IESBA's list of PIEs, often times reflecting one or more aspects of national standard setting or legal frameworks.

Matter for IESBA Consideration

1. Do IESBA members agree with the Task Force's proposal as stated in paragraph 14, including not to make any further changes to the overall framework and the IESBA's approach to developing the PIE definition?

Overarching Objective

16. At its September 2021 meeting, the Board was generally supportive of the Task Force's proposed revisions to the overarching objective set out in paragraphs 400.8 and 400.10 as well as its proposal to move the list of factors to paragraph 400.9. Amongst other matters, the following comments were raised by IESBA members:
 - An IESBA member asked how the overarching objective set out in paragraph 400.8 relates to those "non-PIEs" to which firms have determined to apply the independence requirements for the audits of PIEs in accordance with paragraph 400.17 A1. The Task Force Chair agreed that the Task Force would review paragraph 400.17 A1 with a view to clarifying that there was not a separate category of "non-PIE" PIEs, but rather firms may determine that certain additional entities should in fact be treated as PIEs for independence purposes.
 - An IESBA member queried whether the Task Force's proposed refinement to paragraph 400.8 sufficiently explains the term "financial condition" as some might perceive "financial well-being" as simply a synonym. In response, the Task Force Chair pointed out that the proposed refinement should further reinforce the concept to some stakeholders and that the Task Force intends to include further explanations in the Basis for Conclusions.
17. At their September 2021 meeting, the joint CAGs generally supported the Task Force's proposed revisions to the overarching objective.
18. At its October 2021 meeting, the IAASB continued to support using paragraph 400.8 as a common overarching objective for use by both the IAASB and IESBA in establishing differential requirements in their standards. The IAASB also recognized that IESBA has undertaken its own due process in

this regard and therefore broadly supported IESBA's direction. Some IAASB members queried if the focus of the public interest in paragraph 400.8 should be expanded beyond financial condition to non-financial information whilst others queried if the term "financial condition" and the proposed explanation in the paragraph 400.8 are sufficiently clear. In response, the Task Force Chair reiterated that:

- "Financial condition" is used in the IESBA's proposal instead of a reference to a broader public interest because Part 4A of the Code deals with audits and reviews of financial statements.
- The IESBA had considered using terms such as "financial statements" in the early stage of the project but concluded that the public interest should be broadened to the financial condition of an entity.
- Further explanation would be provided in the Basis for Conclusions.

Task Force Responses

19. The Task Force proposes that:
- No further changes be made to the proposed paragraphs 400.8 to 400.10.
 - Appropriate explanation of the term "financial condition" be provided in the Basis for Conclusions in the context of the overarching objective in paragraph 400.8.
 - "Public utilities" be included as an example of a category that can be added by relevant local bodies in proposed paragraph 400.18 A2 of **Agenda Item 2-B**.
20. In reaching the above views, the Task Force took into account the strong support already received from stakeholders. With regards to the public interest focus on financial matters instead of a broader focus on non-financial information, the Task Force reiterates the IESBA view as set out in the PIE ED that there may be significant public interest in other aspects of an entity, such as the quality of the services it provides or the nature of the data it holds. However, given that Part 4A of the Code deals with audits and reviews of financial statements, the IESBA concluded that such other public interests should not form part of the overarching objective for additional independence requirements for the auditors of PIEs.
21. In recognizing the growing impact on the economy as a whole of entities and industries that are not from the capital markets such as public utilities, the Task Force agreed to add such entities as an example of a PIE category that can be added by the relevant local bodies in proposed paragraph 400.18 A2 of **Agenda Item 2-B**.

Matter for IESBA Consideration

2. Do IESBA members agree with the Task Force's proposal set out in paragraph 19, including not to make any further changes to the overarching objectives set out in proposed paragraphs 400.8 to 400.10 of **Agenda Item 2-B**?

Publicly Traded Entity

22. The joint CAGs in September 2021 expressed support for the Task Force's proposed revisions to the term "publicly traded entity" in paragraph R400.15 (a). Further, CAG representatives expressed the view that "financial instruments" should not be further defined in the Code.

23. At its September 2021 meeting, the IESBA also generally supported the Task Force’s proposed revisions to the term “publicly traded entity” and agreed that the term “financial instruments” does not need to be defined in the Code. Amongst other matters, the following comments were raised by IESBA participants:
- Whether the proposed phrase “traded through a publicly accessible market mechanism” is sufficiently clear. In response, the Task Force Chair pointed out that it will depend on the specific circumstances such as whether a potential party needs to seek out a bilateral trade via the assistance of a broker or whether there is a public market for the financial instruments to be traded.
 - Whether the word “example” in the description relating to listed entity that is attached to the definition of a publicly traded entity should be replaced with “category.”
24. At its October 2021 meeting, the IAASB acknowledged the issues with the term “listed entity” that led IESBA to consider a new term in the first instance. IAASB members also provided further feedback, including the following:
- It was queried whether the proposed phrase “traded through a publicly accessible market mechanism” is sufficiently clear given that in certain jurisdictions trading on second-tier markets or over-the-counter trading platforms may be limited to a small group.
 - There were suggestions to replace “a stock exchange” with “an exchange” to avoid implying that it only includes exchanges that are associated with stocks; and to retain the word “example” in the description of listed entity instead of replacing it with “category.”
 - A few questioned if the example of listed entity is necessary but acknowledged IOSCO’s preference for retaining an explicit reference to the concept of listed entity in relation to the definition of a publicly traded entity.
 - There was a question about whether the Task Force had considered potential inconsistency across jurisdictions in the application of “financial instruments” without a definition. It was suggested that guidance on the meaning of “financial instrument” be provided in non-authoritative implementation support material.
25. At the October 2021 IOSCO meeting, IOSCO representatives did not raise any concerns about the Task Force’s proposed explicit recognition of “listed entity” as an example of a publicly traded entity.

Task Force Responses

26. The Task Force proposes that no further revisions be made to the definition of publicly traded entity, including the description of listed entity as an example.
27. In reaching the above view, the Task Force has concluded as follows:
- There was general support from the IESBA and many stakeholders, including the joint CAGs, not to define the term “financial instruments” in the Code. The Task Force agreed that additional guidance on the term outside the Code would be helpful.
 - The phrase “traded through a publicly accessible market mechanism, including through listing on a stock exchange” makes it clear that the trading needs to be through a facilitated trading platform such as a stock exchange and that it is not intended to capture entities for which the only way to trade their financial instruments is through privately negotiated agreements. Similar

to the definition of the other two mandatory PIE categories set out in proposed paragraph R400.17, the proposed definition of publicly traded entity is high-level and intended to scope in a broad range of entities. Any further refinement should be conducted by the relevant local bodies as appropriate depending on their specific contexts, such as by reference to specific regulated or other exchanges. Whilst some jurisdictions might determine to refine the definition to link it more specifically to a regulated market or their primary stock exchange, others might consider that the financial condition of entities trading via second-tier markets or over-the-counter platforms are also of significant public interest.

- Being responsive to IOSCO’s views about incorporating the concept of listed entity into the definition of publicly traded entity, the Task Force proposed to add the phrase “including through listing on a stock exchange.” Accordingly, the Task Force does not consider it appropriate to replace “a stock exchange” with “an exchange” as the former term is used in the extant definition of “listed entity.”
- The Task Force had considered expanding the description of “listed entity” as an example of publicly traded entity. Following deliberation, the Task Force determined that the description as proposed for the September 2021 IESBA meeting is sufficient as ultimately the definition of publicly traded entity will be subject to refinement at the local level. The Task Force also agreed not to replace “example” with “category” in the description of listed entity as an example of publicly traded entity as the use of “category” might give rise to questions as to what other categories there are under the “publicly traded entity” definition.

Matter for IESBA Consideration

3. Do IESBA members agree with the Task Force’s proposal as stated in paragraph 26, including not to make any further revisions to the definition of publicly traded entity as well as the description of listed entity as an example?

Other PIE Categories

PIOB Comments

28. In its August 2021 [public interest issues](#) on the PIE project, the PIOB raised a concern regarding the Task Force’s proposal to remove PEBs and CIVs from the PIE categories in the ED (paragraphs R400.14 (d) and (e) of the PIE ED). The PIOB took the view that the proposed removal is not consistent with the qualitative characteristics of a PIE as set out in the list of factors in proposed paragraph 400.9. The PIOB observed that even when small in size, these entities can generate significant interest in their financial condition given that they exercise fiduciary responsibilities for the general public or a limited group of investors and pensioners. The PIOB further commented that these entities can have a significant systemic impact in the economy due to the nature of their business and are in many jurisdictions regulated or subject to supervision. In addition, the PIOB reaffirmed the importance of considering the expected role of local regulatory bodies to further refine the PIE definition at the local level.
29. At its September 2021 meeting, the IESBA also considered the Task Force’s rationale and strongly supported the Task Force’s proposal to remove PEBs and CIVs from the PIE categories.

30. Following the September 2021 IESBA meeting, IESBA representatives further discussed the matter with PIOB representatives during the quarterly IESBA-PIOB technical staff meeting and the October 2021 PIOB meeting. Whilst acknowledging the rationale explained by IESBA representatives in these meetings, PIOB representatives reiterated their view about the potential public interest impact of some pension funds and CIVs and, therefore, the importance of scoping in the right entities under these two categories. In this regard, the PIOB asked the Task Force to elaborate on its rationale and proposed solutions on how to address the PIOB's concern at the November-December 2021 IESBA meeting.
31. In November 2021, the PIOB updated its public interest issues on the PIE project, and added the following comment:
- “The PIOB encourages the IESBA to better understand the categories of pension plans and collective investment vehicles and determine whether, and to what extent, they meet the characteristics of PIEs such that they merit retention in the list of categories. Further, it would be helpful to carry out an assessment of the risks associated with their exclusion from the list and any mitigating safeguards, as well as an evaluation of implementability challenges. The analysis should be supported by data that provides robust evidence to make a decision having due regard for the public interest.”*

Further Feedback from Stakeholders and IAASB

32. At the joint IAASB-IESBA CAG meeting, CAG representatives overwhelmingly supported the Task Force's overall approach to developing and finalizing the PIE definition, including its proposal to remove PEBs and CIVs from the mandatory list. No CAG representatives, including those representing the investor, capital market and regulatory communities, expressed the need to retain the two categories in the mandatory list. In particular, CAG representatives noted that:
- The Task Force Chair's comment about the number of PIEs in a jurisdiction needing to be manageable aligns with the views of some within the international audit oversight community.
 - The Task Force's proposal is responsive to respondents' comments.
 - It is important to give local bodies the necessary flexibility to set the PIE definition at the local level.
33. At the October 2021 IAASB meeting, whilst acknowledging that the IESBA has followed due process, IAASB members provided the following input as considerations for the IESBA:
- The IAASB broadly supported removing PEBs and CIVs but suggested including application material to support local bodies in determining whether entities in categories (d) and (e) in the ED should be added to the definition of PIE at the local level.
 - The inclusion of category (d) in the revised post-exposure PIE definition may not be appropriate, given that the PIE definition should be self-contained and not refer to definitions elsewhere.
 - Some application material supporting the PIE definition in the proposed revisions to the Code appears to create implicit requirements.
34. At the October 2021 IOSCO meeting, the IOSCO representatives suggested that the proposal include an encouragement for jurisdictions to consider adding other categories to mitigate concerns about

removing PEBs and CIVs from the mandatory list. In response, IESBA representatives confirmed that (a) the Task Force was looking at adding new application material to lead relevant local bodies to consider including other categories in their PIE definitions, and (b) the IESBA will be looking at commissioning a range of implementation support material.

35. At the October 2021 joint IAASB-IESBA NSS meeting, there was also general support from participants for removing PEBs and CIVs from the list of mandatory PIE categories. Whilst acknowledging the Task Force's proposal to remove the two categories and its rationale for doing so, two NSS participants whose jurisdictions have already included these categories in the local PIE definitions noted that the proposed removal might lead some stakeholders in their jurisdictions to question the need to include those categories in their local definitions. In response, IESBA representatives drew the NSS participants' attention to proposed paragraph R400.15(d) and clarified that not including a category in the mandatory list does not mean excluding it from the local PIE definition, but rather that a local body can add it to its definition taking into account the factors in paragraph 400.9.
36. At meetings with the IFAC SMPAG and FoF in October and November, participants were also supportive of the Task Force's proposal to remove PEBs and CIVs from the list of mandatory PIE categories.

Task Force Responses

37. The Task Force proposes that:
- No further revisions be made to the categories set out in proposed paragraph R400.17 (b), (c) and (d) of **Agenda Item 2-B**.
 - The proposed categories in paragraphs R400.14 (d) and (e) of the PIE ED with respect to PEBs and CIVs not be included in the mandatory list of PIE categories.
 - A package of actions be pursued by the IESBA to address the concern raised by the PIOB (see paragraph 51 below).
38. The Task Force acknowledges that there are PEBs and CIVs across a number of jurisdictions that would likely be considered as PIEs in those jurisdictions, taking into consideration the list of factors set out in proposed paragraph 400.9. Equally, however, the Task Force remains of the view that large numbers of them would not. Based on the Task Force's experience and examples cited by respondents to the PIE ED, these would include a considerable number of (generally smaller) CIVs such as those that are used for tax purposes (for example in the UK and France) and smaller pension funds that are not likely to draw significant public interest. Therefore, the core question becomes which is the most appropriate way of capturing those PEBs and CIVs which would objectively be regarded as PIEs through the IESBA's proposed framework that are not already captured within the new proposed term "publicly traded entity", i.e., whether these categories should be included in the top-down list so they are automatically adopted subject to any refinement made by the relevant local bodies or whether they should be added to the bottom-up list by those local bodies.
39. To further support its rationale and in response to the PIOB's comments, in Q4 the Task Force sought informal high-level input from professional accountancy organizations (PAOs) and NSS from over 45 jurisdictions, including the majority of G20 jurisdictions, regarding their local definitions of PIE. Based on the information received (refer to Appendix), the following can be observed:

- All jurisdictions have included listed entity or equivalent entities as PIEs.
 - Just under 90% of jurisdictions have also included deposit-taking institutions and insurance companies in their local definitions.
 - Around 60% have included at least some pension funds and approximately 35% have included CIVs in their local definitions. Some jurisdictions have also included fund managers/trustees, investment companies and asset managers as PIEs. Also, jurisdictions have not in general included other post-employment benefit plans such as medical insurance.
40. Based on this information, it is clear that deposit-taking institutions and insurance companies are widely accepted as PIEs. However, the same cannot be said for PEBs and CIVs. This evidence lends support to the Task Force's view that some jurisdictions will likely not amend their PIE definitions to include PEBs and CIVs in their local definitions even if the IESBA were to include them in the mandatory list. In contrast, the evidence lends support to the bottom-up approach as some jurisdictions (such as Australia, Colombia and South Africa) have made the appropriate determinations to include them in their local definitions.
41. The reasons for not including PEBs and CIVs as PIEs may vary from jurisdiction to jurisdiction. For instance:
- In the US, the U.S Department of Labor (DOL) is responsible for regulating private retirement plans and conducts inspections and releases studies on its findings. It is the Task Force's understanding that the DOL has so far found little evidence for need of additional independence requirements for certain segments of the retirement plans such as the larger ones. Further, the Task Force understood that the DOL is reluctant to impose more independence rules that would make these plans more expensive and thus result in some employers abandoning the plans altogether.
 - In Singapore, whilst the local PIE definition has included a range of financial institutions, it has not included pension funds. The Task Force understood that as the national pension scheme, the Central Provident Fund (CPF), is a government-operated scheme administered by the CPF Board, a statutory board operating under the Ministry of Manpower of the Singapore Government, there is no need to treat it as a PIE.
 - In France, the Ministries of Justice and Finance will only adopt the definition of PIE in the EU Directive and it is not possible for the French PAOs to add their own definition as only the legal definition can be enforced.
 - In its comment letter to the PIE ED, the Institute of Chartered Accountants in England and Wales (ICAEW) pointed out that in jurisdictions where the pension scheme accounts only show the scheme's assets (and not its liabilities) and are therefore effectively stewardship accounts, rather than indicating the financial condition of the scheme, the local regulator may determine that there is no public interest in the scheme accounts.
42. Given this context, a key risk of including PEBs and CIVs in the mandatory top-down list is that local bodies (a) do not meet the IESBA's expectation that they refine the definition in a timely manner, (b) do no refinement at all, or (c) remove these categories entirely from their local definitions, undermining the whole essence of a mandatory list. Whilst the responses to the PIE ED indicate that local PAOs and NSS, including those in smaller and developing jurisdictions, should be able to refine the PIE definitions in the top-down list as part of their adoption process, the risk remains real as the

model is a novel approach for the Code and is yet to be tested. In particular, the approach in those jurisdictions where the definition of PIE is not determined at all by PAOs or NSS, but rather by legislative bodies or non-accounting regulators who also set their own specific independence requirements (for example in the US or much of the EU) remains to be seen. As a result, in those jurisdictions where the Code's definition would not have been appropriately refined, too many entities would be scoped in when there is no significant public interest in their financial condition. The Task Force believes that pension schemes and CIVs that are restricted to only a small number of pensioners or investors will not generally have a significant level of public interest in them despite the impact these entities are likely to have on their particular stakeholders in the event of financial failure.

43. Whilst the risk of local bodies not appropriately refining the PIE categories also exists for banks and insurance companies, the Task Force is of the view that the structure, type and size of both PEBs and CIVs vary much more considerably.
44. The much larger variety of PEBs and CIVs in many jurisdictions can present a significant implementation issue for the FoF if these categories are included in the mandatory list. Whilst FoF members are committed to complying with the Code for transnational audits (which will not in general apply to PEBs or CIVs), it is the Task Force's understanding that a significant number of them have established internal global policies that also align with the Code in order to achieve consistency of practices across their networks. Accordingly, if PEBs and CIVs were included in the mandatory list, any delayed action or inaction by a relevant local body in a particular jurisdiction would lead to the unintended consequence that FoF members in that jurisdiction would follow the Code by treating PEBs and CIVs as PIEs whilst other audit firms would not be required to do so in accordance with the local standards and regulations. The resulting risk for the Code is that the FoF withdraws or otherwise limits or qualifies its commitment to adopting the Code. Such an outcome would clearly not be in the public interest.
45. The Task Force is of the view that the IESBA's proposed framework is an achievable way of expanding the global mandatory list of PIEs and therefore setting the bar much higher than the extant definition. Whilst the extant Code has only one specific mandatory category, the IESBA's proposal will push many jurisdictions that currently only align with the extant Code to an expanded PIE list with three specific mandatory categories. In addition, by including additional application material such as the expanded list of factors in proposed paragraph 400.9, the proposed framework will also help to influence and guide the relevant local bodies to include additional PIE categories in their local definitions. However, as noted above, the IESBA's proposed model remains an untried one and the potential for unintended consequences cannot be ruled out. Therefore, given the high-level nature of the proposed PIE categories in the mandatory list, it is important to keep that list to those categories of PIEs that are generally accepted across jurisdictions.
46. With regards to the public interest benefits of including these two proposed categories as PIEs from an auditor independence perspective, the Task Force noted that the key applicable requirements are likely to be primarily those relating to partner rotation under the long association provisions in Section 540 of the Code. This is because the two proposed categories in the PIE ED were intended to cover only the funds themselves and did not extend to the relevant trustees, managers or advisors. As the range of non-assurance services (NAS) (and specifically those prohibited for PIEs) that can be provided to these funds is much more limited compared with an operating entity, the IESBA's newly enhanced NAS and Fees standards will not be as relevant to the audits of funds in these two categories. With regards to the partner rotation requirements, the Task Force also noted that if these

two categories were adopted without appropriate refinement, this may place significant stress on the resources of firms, particularly smaller firms. The potential consequences could be greater audit market concentration as smaller firms leave those markets, adverse impacts on audit quality, and increased audit and governance costs for smaller PEBs and CIVs.

47. With regards to any further research regarding PEBs and CIVs, the Task Force is of the view that this should be conducted in conjunction with more holistic research on the role of trustees, managers and advisors. The Task Force noted in particular that whilst the trustees and managers generally have fiduciary duties to their clients for the funds they govern or manage, they are not caught as related entities under the Code. The Task Force believes that such holistic research should be undertaken as part of a separate initiative. In this regard, the Task Force noted that IESBA's 2014-2018 Strategy Work Plan (SWP) had identified the topic of CIVs as a possible new work stream during that cycle with a focus on reviewing the application of the "related entity" definition in the Code to CIVs when firms audit the underlying funds, the sponsor/advisor of the funds, or both. The SWP further highlighted the importance of appropriate research in this area. The Task Force is of the view that a holistic project as described above will also send a strong signal to IESBA stakeholders about the importance of these entities from a public interest perspective. However, the Task Force strongly believes it would not be in the public interest to defer finalization of the PIE project pending completion of such research given the potential adverse consequence such a delay would have on realizing the full impact of the revised NAS and Fees provisions on the wider population of PIEs.
48. The Task Force does acknowledge that removing PEBs and CIVs from the proposed mandatory list of PIE categories increases the risk that relevant local bodies do not properly assess the extent to which such entities should be included in their local definitions. However, as mentioned above, the Task Force believes that such risk is reduced by the fact that some jurisdictions have already explicitly considered and determined to include such categories in their PIE definitions (e.g., South Africa and New Zealand) whereas others have equally after due consideration determined not to do so (e.g., many EU member states).
49. The Task Force also believes that the risk of local bodies not properly considering inclusion of PEBs and CIVs as PIEs in their local definitions may be managed by:
 - Prominently highlighting in application material these categories as being ones local bodies could add to their definitions (see paragraph 51).
 - Providing implementation support to the relevant local bodies.
 - Conducting the necessary post-implementation review (PIR) and updates from NSS to determine if further action is required by IESBA.
50. In view of the above, and in light of the strong support received from the joint CAGs in September 2021 and support from the IAASB, NSS and other stakeholders in Q4, the Task Force reaffirms its belief that on balance the most appropriate way of capturing PEBs and CIVs as PIEs under the IESBA's proposed framework is to allow them to be added by the relevant local bodies to their local definitions.
51. The Task Force also proposes the following package of actions as a comprehensive way to ensure PEBs and CIVs (and indeed other relevant entities) are appropriately captured in local definitions. These actions can be broadly divided into 4 groups: *change, support, review and update*.

Change

- (a) Replace credit unions and mutual insurers as examples of exclusions under paragraph 400.18 A1 of **Agenda Item 2-B** to address an NSS concern that these examples might cause stakeholders in certain jurisdictions to question why they should be included in their extant local definitions.
- (b) Add new application material to the proposed text that will draw the attention of the relevant local bodies to other types of entities, including pension funds and CIVs, as potential PIE categories to be added to their local definitions. In this regard, the Task Force is proposing the following revisions in proposed paragraph 400.18 A2 of **Agenda Item 2-B**:
 - Convey a stronger message that local bodies are anticipated to include additional categories in the bottom-up list.
 - Include explicit examples of other categories that may be considered by the relevant local bodies, including pension funds and CIVs.

Support

- (c) Include a comprehensive discussion on PEBs and CIVs in the Basis for Conclusions.
- (d) Emphasize the importance of these two categories in the additional guidance material and subsequent outreach.

Review

- (e) Conduct a PIR on the adoption and implementation of the PIE definition at the local level. As part of the PIR, the Task Force recommends that the IESBA review amongst other matters the effectiveness of the IESBA's framework for developing the PIE definition. The PIR should also seek input from jurisdictions if and how PEBs or CIVs (or other entities) have been added to the local definitions, including lessons learnt from the relevant local bodies. The IESBA would then be able to consider the information received and determine if further revisions to the Code, such as creating new PIE categories or any other actions, are necessary in light of the input received.
- (f) Consider pursuing a holistic review of PEBs and CIVs and their relationships with trustees, managers and advisors as part of the IESBA's next strategy and work plan. Amongst other matters, such review will revisit the definition of "related entity" in the Code.
- (g) Include as a standing item on the IESBA-NSS meeting agenda to receive updates on adoption and implementation of the PIE definition.

Update

- (h) In light of the outcome of the PIR and the holistic review, consider if the Code requires further revision.

Matter for IESBA Consideration

4. Do IESBA members agree with:
- The Task Force’s proposal as stated in paragraph 37, including not to add PEBs or CIVs to the list of mandatory PIEs in proposed paragraph R400.17 of **Agenda Item 2-B**?
 - The Task Force’s recommendations regarding the package of actions to address the PIOB’s concerns as stated in paragraph 51?

Encouragement for Firms to Treat Other Entities as PIEs

52. At its September 2021 meeting, the IESBA was generally supportive of the Task Force’s proposal to revert the proposed new requirement for firms to determine if additional entities should be treated as PIEs to application material as an encouragement for firms. A few IESBA members pointed out that the proposed paragraph 400.17 A1 may create the perception that there is a third class of entities, in addition to PIEs and non-PIEs, for the purposes of Part 4A.
53. The joint CAG did not raise any concerns about the Task Force’s proposals during its September 2021 meeting. The PIOB Observer at the joint CAG meeting expressed a concern that the Task Force’s proposals regarding the role of firms might be perceived as an attempt to appease the firms. At the September 2021 IESBA meeting, the IESBA CAG Chair expressed the view that he did not consider there was any cause for such concern and that the Task Force’s proposal was a reasonable attempt to address the comments raised by respondents to the ED.

Task Force Responses

54. The Task Force agreed to refine proposed paragraph 400.19 A1 of **Agenda Item 2-B** in order to clarify that a firm is treating other entities as PIEs for the purposes of the additional independence requirements; in that respect they are in the same “PIE” category as those determined by legislation, regulation or professional standards.

Matter for IESBA Consideration

5. Do IESBA members agree with the Task Force’s proposal to refine paragraph 400.19 A1 of **Agenda Item 2-B** as stated in paragraph 54?

Transparency Requirement

55. At its September 2021, the IESBA agreed to retain the Task Force’s proposed requirement in paragraph R400.18 for firms to disclose if independence requirements for PIEs have been applied to the audit of an entity other than a PIE. Amongst other matters, the following comments were raised by IESBA members:
- It was queried whether disclosure in the auditor’s report would be sufficient in circumstances where the auditor’s report has limited distribution. It was further suggested that additional explanation in the Basis for Conclusions to address these circumstances may be appropriate. In response, the Task Force Chair suggested that it would be rare that if there is significant public interest in an entity’s financial condition, the auditor’s report for the entity would not be widely distributed.

- Issues with confidentiality might arise in situations where an auditor is in possession of material private or commercially sensitive information about an audit client's plans to be publicly listed. It was queried how the auditor should deal with perceptions or speculation of the client going for an initial public offering (IPO) as a result of such a disclosure. It was further noted that compliance with the proposed transparency requirement may be in conflict with restrictions on disclosure under these circumstances. It was also suggested that the confidentiality issues may be more relevant in relation to mergers or acquisitions of companies given that an entity issuing an IPO is not yet trading in public markets. In response, the Task Force Chair expressed the view that such instances might be rare but agreed that the Task Force would consider this point, including whether to provide additional explanation in the Basis for Conclusions.
 - Acknowledging the future work of the IAASB to explore whether the auditor's report is a suitable location for disclosing that a firm has applied the independence requirements for PIEs, a question was raised about the need to provide guidance for firms in the interim regarding the appropriate disclosure mechanisms that would achieve the requirement in the Code. In response, the Task Force Chair noted that it may not be appropriate to include examples of other disclosure mechanisms in the Code at this time given that the IAASB is yet to consider the issue. A suggestion was to explain this timing issue in the Basis for Conclusions and to indicate that the IESBA will consider the need for any further action once the IAASB has finalized its work and deliberations on this matter.
56. The joint CAG was generally supportive of the Task Force's proposals during its September 2021 meeting with some CAG representatives viewing the auditor's report as the cleanest and easiest way to make the disclosure. A few CAG representatives also queried whether firms should also disclose if independence requirements for non-PIEs have been applied. In response, the Task Force Chair responded that there is not the same need for stakeholders to know if non-PIE independence requirements have been applied as long as the auditor was independent.
57. At the October 2021 IAASB meeting, the IAASB remained supportive of exploring transparency in the auditor's report, but emphasized the need for the IAASB to follow its own due process. With regards to the transparency requirement, the IAASB members raised the following further comments:
- It was queried how the disclosure of whether an auditor has complied with PIE independence requirements would further benefit users. However, it was pointed out that there was broad support from the joint CAGs for such disclosure.
 - It was noted that there might be circumstances where the auditor's report is not public. If jurisdictions specify additional categories of PIEs, it was felt that this might give rise to practical challenges, including whether disclosure in the auditor's report in such instances would still meet compliance with the Code's requirement. Some IAASB members suggested that the IESBA consider adding a precondition that the financial statements of PIEs be made public in order to achieve the transparency requirement in paragraph R400.18 of the Code.
 - It was queried how the proposed transparency requirement could be complied with in the event that the IAASB determines as part of its own due process that disclosure in the auditor's report is not an appropriate avenue.
 - The transparency requirement may discourage some auditors to apply PIE independence requirements to their non-PIE audit clients, taking in account also potential issues with confidentiality in some instances.

- There was a view that proposed paragraph R400.18 may require further clarification to avoid the interpretation that firms can comply with the requirement by simply providing a general statement publicly about which entities they have applied the independence requirements for PIEs in relation to the audit.
- Given the difference in timing between the two Boards' progress on the issue, there was a suggestion for IESBA to defer finalizing this aspect of the PIE project until IAASB has had an opportunity to complete its own due process.

Task Force Responses

58. The Task Force proposes that:

- Clarification be made to paragraph **R400.20 of Agenda Item 2-B** that the disclosure should be made in “a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders.”
- An exemption to the transparency requirement be provided if making the disclosure would result in disclosing confidential future plans of the entity.

59. The Task Force agreed that further guidance about acceptable forms of disclosure could be helpful, particularly as the IAASB is yet to explore if disclosure in the auditor's report is appropriate as part of its narrow-scope maintenance of standards project.¹ However, the Task Force did not consider it appropriate to include examples of other disclosure mechanisms in the Code at this time given that the IAASB is yet to consider the issue. Instead, the Task Force concluded that a better approach is to provide clarification in the proposed text that the disclosure should be made “in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders.” The Task Force notes that the phrase “in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders” is already used in paragraph 410.31 A3 of the Fees pronouncement relating to public disclosure of fee-related information. It is of the view that the proposed refinement will provide some helpful guidance to firms when considering the appropriate mechanism. On the other hand, the Task Force acknowledges that some might query why the points about timing and accessibility are being included as part of the proposed transparency requirement here when they are only addressed in the application material in the Fees provisions. The Task Force welcomes the Board's view on this matter. The Task Force also agreed to explain the timing issue in the Basis for Conclusions and to indicate that the IESBA will consider the need for any further action once the IAASB has finalized its work and deliberations on this matter.

60. The Task Force also considered the queries raised about how the transparency requirement can be complied with by a firm if the auditor's report is not made available to the public. In this regard, the Task Force considered the option of limiting the disclosure requirement to only those stakeholders who have access to the auditor's report on the basis that it would be of no benefit to those who do not have such access to know if additional independence requirements have been applied. The Task Force appreciates, however, that this may be seen to be concluding on the appropriate means of disclosure before the IAASB has considered the matter. On balance, therefore, the Task Force has

¹ A narrow scope maintenance of standards project is undertaken in accordance with Category III of the IAASB Framework for Activities and is intended to achieve a limited number of targeted changes to either a single standard or across multiple standards. To proceed with a narrow scope maintenance of standards project, the IAASB follows its due process and working procedures.

concluded that the proposed refinement to require firms to make the disclosure in “a manner deemed appropriate” is sufficient given that the IAASB is yet to consider this matter. In this regard, the Task Force reiterates the Board’s support for the IAASB to consider the matter under the IAASB’s own due process. Following the conclusion of the IAASB’s deliberations on the matter, the IESBA can consider whether further guidance or possibly “conforming” amendments to the Code would be desirable.

61. With regards to the concerns that a firm might inadvertently disclose confidential information particularly about an audit client’s future plans such as an IPO or a merger and acquisition, the Task Force noted that the extant Code already contains provisions that would in part address such concerns. The Code provides that:
- If there are laws and regulations that preclude a professional accountant from complying any part of the Code, those laws and regulations prevail.
 - A professional accountant is encouraged to consult with a professional or regulatory body if the result of applying a specific requirement of the Code would be disproportionate or not in the public interest.
62. In addition to the Code’s existing provisions, the Task Force concluded that a firm also should not be required to comply with the requirement in paragraph R400.20 of **Agenda Item 2-B** if doing so would mean disclosing confidential future plans of an audit client, whether such disclosure would be in breach of local laws and regulations or not. The Task Force is of the view that, in such instances, the fundamental principle of confidentiality prevails.
63. With regards to the question of timing, refer to the discussion below on effective date.

Matter for IESBA Consideration

6. Do IESBA members agree with the Task Force’s proposal, as stated in paragraph 58, to refine the transparency requirement in proposed paragraphs R400.20 of **Agenda Item 2-B** and to add a new exception (paragraph R400.21)?

Effective Date

64. At its September 2021 meeting, the IESBA agreed to postpone the discussion on effective date until the Board can take into more information about the timing of the IAASB’s narrow-scope project.
65. Key comments to the question on the effective date of December 15, 2024 in the PIE ED were highlighted in the September 2021 IESBA agenda paper (Agenda Item 2-A):
- A majority of the respondents that responded to the question in the PIE ED on effective date supported the IESBA’s proposed effective date of December 15, 2024. A significant number of respondents also suggested that the effective date be extended.
 - Respondents suggested that the proposed effective date should be extended for the following reasons, most of which were also highlighted by those that were supportive of the proposed effective date:

- The amount of work that will be required of local bodies, which will involve extensive engagements, guidance and outreach.²
- The potential increase in the number of PIEs being scoped in under the revised definition.³
- Smaller audit firms needing a longer period to implement the necessary revisions to their systems, processes and controls and to assess and manage the impact on their business due to greater service restrictions to their audit clients.⁴
- A longer timeline to allow the IAASB to deliberate the proposals fully and consult on any proposed amendments to its standards.⁵
- In some jurisdictions, the existence of more than one regulator who may need to consider the new provisions.⁶

66. Suggested alternatives include:

- An alternative date of mid to late 2025⁷ or December 2025.⁸
- The effective date be aligned with the local body’s effective date.⁹
- Transitional arrangements and provisions be provided, given potential significant challenges for firms, particularly with the requirements addressing partner rotation and the number of entities that may be scoped in under the new provisions.¹⁰
- A suggestion that the IESBA consider extending the effective date if appropriate progress is not being made by local bodies.¹¹

67. At its October 2021 meeting, the IAASB considered various options proposed by the IAASB PIE Working Group with regards to the timeline of its proposed narrow scope maintenance of standards project on listed entity and PIE. The initial thinking for the timeline of the IAASB’s proposed project was as follows:

Project Proposal	Exposure Draft	Comment Period Closes	Final Approval
March 2022	September 2022	End of 2022	September 2023 ¹²

² **Regulators/ MG:** IOSCO; **PAOs/ NSS:** AICPA, CAI, ICAG, ICPAU, MICPA; **Firms:** DTTL, KPMG, PwC

³ **PAOs/ NSS:** AE, CNCC

⁴ **Firms:** PwC

⁵ **Firms:** PwC; RSM

⁶ **Firms:** BDO

⁷ **PAOs/ NSS:** AE

⁸ **PAOs/ NSS:** ICPAU; **Firms:** RSM

⁹ **PAOs/ NSS:** AICPA; **Firms:** DTTL, PwC

¹⁰ **PAOs/ NSS:** AICPA, CAI, MICPA; **Firms:** BKTI, KPMG

¹¹ **Firms:** KPMG

¹² PIOB approval anticipated for December 2023.

68. Upon deliberation, a majority of the IAASB members supported keeping the project as a single package, but bifurcating the project into two tracks, i.e., a faster track that prioritizes enhancing transparency about independence in the auditor's report with an effective date that aligns with IESBA's, and a slower track to address the remaining public interest issues with a later effective date. As part of the IAASB's deliberations, as noted above, some IAASB members asked if the IESBA would delay finalization of the proposed transparency requirement until the IAASB has completed its work to determine whether the auditor's report is a suitable location for the disclosure. In this regard, it was acknowledged that the IESBA must also respond to the public interest need to complete the project in a timely manner. The Task Force Chair also noted that the IESBA may be more open to delaying the effective date than delaying that part of the IESBA proposal given that the transparency requirement is a key component of the revised provisions.

Task Force Responses

69. The Task Force proposes that:
- The effective date of December 2024 as proposed in the PIE ED be retained.
 - No transitional arrangements and provisions be provided.
 - The IESBA reconsider the effective date of the transparency requirement set out in proposed paragraph R400.18 if necessary as the IAASB narrow-scope PIE project progresses.
70. In reaching the above views, the Task Force has formed the following conclusions:
- The finalization of the IESBA's NAS and Fees projects ahead of the PIE project allows some time for firms to develop experience with the application of the revised NAS and Fees provisions for PIEs based on the extant PIE definition before the new definition becomes effective. However, It is equally important that the PIE project be finalized and the revised provisions become effective without undue delay. As pointed out in the PIE project proposal, as the NAS and Fee projects progressed, it became apparent that the timing of the PIE project needed to be accelerated so that the PIE-related revisions in the Code arising from those two projects achieve the inter-related objectives of balance and proportionality. As such, the PIE project was brought forward to commence in Q4 2019 instead of Q1 2021.
 - The effective date in the Code should not be aligned with a local body's effective date as this would worsen the issue of inconsistency in PIE definitions at a point in time; however, local jurisdictions and firms should be encouraged to adopt the revised provisions earlier.
 - Transitional arrangements and provisions are not necessary. In this regard, the Task Force noted that there are already provisions in the Code that deal with the situation where a client becomes a PIE.
 - As the IAASB agreed to address the matters relating to disclosure in the auditor's report as a priority, and taking into account the initial timeline of the IAASB's narrow-scope project, there is reasonable time for firms to implement any additional requirement on disclosure in the auditor's report. In light of the support already received from the IESBA and stakeholders, it is not necessary to defer the finalization of transparency requirement. However, the Task Force acknowledges that the IAASB is yet to commence its narrow-scope project and therefore, the IESBA should be sufficiently agile in allowing for possible review of the effective date for the

transparency disclosure requirement if this aspect of the IAASB project is delayed as well as in making any conforming changes or issuing additional guidance as needed.

Matter for IESBA Consideration

7. Do IESBA members agree with the Task Force’s proposal as stated in paragraph 69, including to retain the effective date of December 15, 2024 as proposed in the ED?

Due Process Matters

Significant Matters Raised by Respondents

71. It is the Task Force’s view that all significant matters raised by the respondents to the PIE ED, including those from a Monitoring Group member, have been carefully considered by the Task Force. The Task Force’s analysis of the significant matters identified and its proposals have also been presented in public agenda papers for the Board’s deliberation. In the Task Force’s view, there are no significant matters raised by the respondents that have not been brought to the Board’s attention.

Need for Further Consultation

72. The Task Force believes that all significant matters have been duly deliberated by the Board. During its September 2021 meeting, the joint CAG did not raise any concerns about the Task Force’s analysis of the significant matters raised by respondents to the ED or the Task Force’s related proposals. The Task Force has also had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including IOSCO, the FoF, the IFAC SMPAG and NSS. Finally, this project has benefited from close coordination with the IAASB.
73. On the basis of the above, the Task Force does not believe there is a need for further consultation with stakeholders.

Consideration of the Need for Re-Exposure

74. The key revisions to the ED are as follows (See Agenda Item 2-C):

Paragraph	Key Revisions to the ED
400.8 – 400.10	<ul style="list-style-type: none"> • Clarified the term “financial condition” in paragraph 400.8. • Moved the list of factors in evaluating the extent of public interest to a new paragraph (paragraph 400.9). • Addressed concerns about perception of two levels of independence by: <ul style="list-style-type: none"> ○ Removing reference to “enhancing confidence in the audit of those financial statements.” ○ Clarifying that the PIE independence requirements are to meet stakeholders’ heightened expectations regarding the independence of PIE auditors because of significant public interest in the financial condition of PIEs (para. 400.10).

Paragraph	Key Revisions to the ED
R400.17 – 400.17 A1	<ul style="list-style-type: none"> Removed the proposed PIE categories relating to PEBs and CIVs (paragraph R400.014 (d) and (e) of the ED) from the list of mandatory PIE categories.
R400.18 – 400.18 A2	<ul style="list-style-type: none"> Removed the reference to “local bodies to exclude entities” but instead provided examples of how local bodies can more explicitly define the PIE categories. Clarified that local bodies can add more categories to their local PIE definition and provided examples of potential additional PIE categories such as pension funds and CIVs.
400.19 A1	<ul style="list-style-type: none"> Reverted the proposed firm requirement to determine if additional entities should be treated as PIEs to application material. Revised the encouragement to firms to determine if PIE independence requirements should be applied to other entities instead of whether they should be treated as PIEs.
R400.20 – R400.21	<ul style="list-style-type: none"> Revised the requirement to disclose whether a firm has applied the independence requirements for PIEs in performing an audit engagement Clarified that the disclosure should be done in a manner deemed appropriate taking into account the timing and accessibility of the information to stakeholders, and allowed for an exception to address a specific confidentiality issue.
Definition of “Publicly traded entity”	<ul style="list-style-type: none"> Clarified the concept of “publicly traded.” Incorporated the concept of “listed entity” into the definition and added a description of a listed entity defined by relevant securities law and regulation as an example of publicly traded entity.

75. In light of the above, the Task Force considers the changes reflected in the final proposed text post-exposure respond to the feedback received from respondents to the PIE ED and do not fundamentally or substantively change the proposals in the PIE ED. Accordingly, the Task Force is of the view that re-exposure is not warranted.

Matter for IESBA Consideration

8. Do IESBA members agree that the changes to the ED do not warrant re-exposure?

Appendix

List of Public Interest Entity (or Equivalent) Definitions by Jurisdiction¹³

Country	Region	Listed entity	Banks/ Credit union	Insurance company	Pension funds	Pension fund manager/ Trustee	CIVs/ Mutual funds	Fund manager / Investment company/ Asset managers	Others
Australia	Asia-Pacific	x	x	x	x	x	x		x
Austria	Europe	x	x	x					
Belgium	Europe	x	x	x					x
Brazil	Latin-America	x							
Bulgaria	Europe	x	x	x	x		x	x	x
Canada	North America	x					x		
China	Asia-Pacific	x							
Columbia	Latin-America	x	x	x	x	x	x	x	x
Croatia	Europe	x	x	x	x	x	x	x	x
Cyprus	Europe	x	x	x					x
Czech Republic	Europe	x	x	x	x		x		
Denmark	Europe	x	x	x					
Estonia	Europe	x	x	x					
Finland	Europe	x	x	x					
France	Europe	x	x	x	x				x
Germany	Europe	x	x	x					
Greece	Europe	x	x	x					
Hong Kong SAR	Asia-Pacific	x							
Hungary	Europe	x	x	x				x	x
Iceland	Europe	x	x	x					x
India	Asia-Pacific	x	x	x					
Indonesia	Asia-Pacific	x	x	x	x				x
Italy	Europe	x	x	x	x		x	x	x
Japan	Asia-Pacific	x	x	x					
Korea	Asia-Pacific	x							
Latvia	Europe	x	x	x	x		x		x
Lithuania	Europe	x	x	x	x	x	x	x	
Luxembourg	Europe	x	x	x					
Malaysia	Asia-Pacific	x	x	x		x		x	x
Malta	Europe	x	x	x					
Mexico	Latin-America	x	x	x	x	x	x	x	x
Netherlands	Europe	x	x	x	x				x
New Zealand	Asia-Pacific	x	x	x	x		x		x

¹³ The table is based on information received from an informal information gathering activity conducted by IESBA staff in Q4, 2021.

Definitions of Listed Entity and PIE – Significant Issues and TF Responses
 IESBA Meeting (November-December 2021)

Country	Region	Listed entity	Banks/ Credit union	Insurance company	Pension funds	Pension fund manager/ Trustee	CIVs/ Mutual funds	Fund manager / Investment company/ Asset managers	Others
Norway	Europe	x	x	x					
Poland	Europe	x	x	x	x		x	x	x
Portugal	Europe	x	x	x	x				x
Romania	Europe	x	x	x	x		x	x	x
Singapore	Asia-Pacific	x	x	x				x	x
Slovakia	Europe	x	x	x	x	x		x	x
Slovenia	Europe	x	x	x	x				
South Africa	Africa	x	x	x	x	x	x	x	x
Spain	Europe	x	x	x	x	x	x	x	x
Sweden	Europe	x	x	x	x				
Thailand	Asia-Pacific	x	x	x	x		x	x	x
Turkey	Europe	x	x	x	x	x	x	x	x
UK	Europe	x	x	x	x				x
US	North America	x							
Total number		47	41	41	24	10	17	16	26