

**Definitions of Listed Entity and Public Interest Entity  
Comments on ED Question 2  
(List of Factors)**

**ED Question 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?*

Respondent	Comment
IRBA	<p>We agree with the proposed list of factors set out in paragraph 400.8.</p> <p>We recognise that “the size of the entity” may be interpreted differently from jurisdiction to jurisdiction. In South Africa, our IRBA Code prescribes thresholds to determine the size of an entity. An example would be funds as defined in the Pension Funds Act, 1956 (Act No. 24 of 1956), that hold or are otherwise responsible for safeguarding client assets in excess of ZAR10 billion (Ten billion South African Rands - approximately US\$ 700 million). Therefore, we are of the view that clarity should be given regarding the “size of an entity” through the use of staff guidance.</p> <p>We recommend that the IESBA considers developing staff guidance on how a jurisdiction can apply the factor of “size of an entity”. The staff guidance could include matters such as:</p> <ul style="list-style-type: none"> <li>• Thresholds that mirror other legislation.</li> <li>• Thresholds that capture a significant percentage of participants in an industry.</li> <li>• Thresholds that consider an appropriate indicator. For example, for a Collective Investment Vehicle, this would be the assets under management, and not the number of staff.</li> </ul> <p>The reference to an “entity’s primary business” has the potential to create further classification problems. An entity may not have a primary business if it is interpreted to be a segment greater than half of the entity. Alternatively, the segment that is the primary employer or user of capital of an entity may not be the primary revenue generator or contributor to earnings of that entity. This classification issue could then create confusion through contradictory messages, and the possibility that it may be determined that an entity has no primary business and therefore not being capable of being classified as a PIE.</p> <p>The proposal in paragraph 400.8 limits regulatory supervision to financial supervision as it relates to the entity’s financial</p>

Respondent	Comment
	obligations. As currently worded, it would not include a big mining company (without significant debt) that has legislated environmental obligations, that could very well be in the public interest.
NASBA	NASBA agrees with the proposed list of factors set out in paragraph 400.8 for determining the level of interest of public interest in an entity and does not have any other recommendations for key factors that should be added.
UKFRC	<p>The FRC supports the list of factors included in paragraph 400.8 for determining the level of public interest in an entity. The overall focus of the list is on the intrinsic attributes that lead to significant levels of public interest in an entity, rather than the activities that an entity may undertake. By doing so, it focuses on a principles-based approach to identify entities in which there is significant public interest. In our view, the factors that focus on size, replaceability, stakeholder interest and systemic importance of entities correctly locate public interest around the wider societal disbenefits that would arise from their financial failure. We do not believe that there are other key factors that need to be added to the list. In particular, we would not support the inclusion of considerations of audit complexity, since public interest in an entity's financial condition is independent from the underlying complexity of the entity.</p> <p>The list of factors could be improved by clarifying that size is a matter of context which relies on considering the entity within its operating environment and should not be regarded as an absolute measure.</p>
GAO	We believe that the proposed list of factors for determining the level of public interest in an entity is generally helpful. We suggest that the IESBA consider making the fifth bullet point either the third or final bullet of the list, as the current third, fourth, and sixth bullet points have a natural progression from one to the next.
OAGA	<p>We agree with the factors in 400.8, but we do not agree that the public interest should be limited to interest in the financial condition of the entity. If IESBA is going to create differential requirements, it should expand its perspective beyond financial interests only, and beyond financial statement audits.</p> <p>The proposal's main perspective is that of parties that have an interest in the financial condition of the entity. It is not clear why "importance to the sector and how easily replaceable the entity is" and "potential systematic impact on other sectors" is a public interest consideration linked to financial statement audit quality. We note that such a consideration may be an issue of public policy and of importance to regulators. However, we are unsure why this makes the entity's financial statement audit warrant special considerations under the Code. We are concerned this may widen the expectation gap that auditors, including legislative auditors, are performing a quasi-regulatory role as part of their financial statement audit, somehow ensuring the financial health of the entity.</p> <p>We note fifth bullet in 400.8 should also include other stakeholders such as suppliers and members of the public impacted by the entity.</p> <p>We note that in the sixth bullet the impact should not be limited to impact on the "economy as a whole" but instead on "society as a whole."</p>

Respondent	Comment
APESB	<p>APESB is not supportive of the list of factors set out in proposed paragraph 400.8 in its current form as a means of determining the level or extent of public interest in an entity due to the reasons outlined below.</p> <p><u>Issue: Mixed purpose and use of factors to determine PIEs</u></p> <p>APESB is of the view that the factors in proposed paragraph 400.8 are indicative of or are prevalent in entities that are PIEs. Rather than being used as a means of determining the <u>extent</u> of public interest, the factors should be repurposed to be a mechanism to assist in identifying PIEs, consistent with the operation of the extant Code over the last decade.</p> <p>APESB has noted that within the PIE Exposure Draft, the purpose of these factors is different between proposed paragraph 400.8 (where they indicate the extent of public interest) and proposed paragraph 400.16 A1 (where the factors are to be used to help firms identify PIEs). The use of these factors for two different purposes will create confusion and inconsistencies in practice.</p> <p>In addition, APESB has significant concerns about the treatment of these factors as introductory paragraphs. As firms are required to refer to these factors to assist them in determining which entities are to be treated as a PIE (refer to proposed paragraph R400.16), the factors are more significant than introductory material and, at a minimum, must be treated as application material. Refer to APESB’s response to question 1 for further details on this issue.</p> <p><u>Issue: Use of the term financial obligations</u></p> <p>APESB is concerned about using the phrase ‘taking on financial obligations to the public’ in the first factor in proposed paragraph 400.8. The use of this phrase lacks clarity and could be subject to different interpretations in different jurisdictions. APESB would prefer to see the extant phrase ‘holding of assets in a fiduciary capacity for a large number of stakeholders’ being retained.</p> <p>We believe this term is well understood in practice and fits in well with the primary intention to capture financial institutions, insurance providers and entities that administer pension funds.</p> <p><u>Recommendation</u></p> <p>To highlight these factors' importance and clarify their purpose, APESB recommends that these factors be moved into the requirements and application material relating to PIEs and should be considered application material that supports proposed paragraph R400.14. The reference to the extent of public interest should be replaced with guidance that the factors are indicative of an entity being a public interest entity.</p> <p>APESB also suggests retaining the extant reference to holding assets in a fiduciary capacity within the factors.</p>

Respondent	Comment
	<p>APESB's recommended approach to drafting these factors is set out below:</p> <p><i>400.14 A1 In recognising the entities in paragraph R400.14 as public interest entities, the following are important factors that indicate public interest in an entity:</i></p> <ul style="list-style-type: none"> <li>• <i>The nature of the business or activities, such as holding assets in a fiduciary capacity for a large number of stakeholders.</i></li> <li>• <i>Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.</i></li> <li>• <i>Size of the entity.</i></li> <li>• <i>The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.</i></li> <li>• <i>Number and nature of stakeholders including investors, customers, creditors and employees.</i></li> <li>• <i>The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.</i></li> </ul> <p>APESB does not have any further suggestions about additional factors that are relevant for identifying PIEs.</p>
NZAuASB	<p>At our virtual event, the majority of participants did not identify concerns with the factors as described, rather agreed that these confirmed what types of entities should be considered to be identified as a PIE.</p> <p>The NZAuASB also found the proposed list of factors useful and that the proposed revisions are in line with the current understanding of and approach to identifying PIEs in the extant New Zealand definition. We recommend that to the IESBA consider emphasising within the Code that the factors should be balanced against each other, rather than being considered in isolation, similar to the explanation in the explanatory memorandum.</p> <p>An example of where there is a need for clarity was highlighted in the new factor, as to whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations. In isolation this factor would imply that any entity that is subject to regulatory supervision is a PIE. The explanatory memorandum notes that these should not be read in isolation.</p>
SMPAG	<p>We generally support the concept of having the overarching objective but are concerned about the relationship between the proposed paragraphs 400.8 and 400.9 and the requirement in R400.14 and how the proposed structure will work in practice. We understand that the requirements in R400.14 are intended to be refined by local jurisdictions using 400.8 and 400.9.</p>

Respondent	Comment
	<p>However, these factors can be considered very broad, which could lead to challenges and inconsistency upon adoption and implementation...</p> <p>As indicated above, we are concerned about how the list of factors set out for determining the level of public interest in an entity interacts with R400.14 and whether these are helpful. If it is retained, we recommend that IESBA clarify that these are possible factors that it may be relevant to consider (rather than “will depend on...”, which implies this is always a requirement).</p> <p>The SMPAG provided observations on some of the specific factors:</p> <ul style="list-style-type: none"> <li>• The factor “<i>Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations</i>” could be misinterpreted, particularly upon translation, so we recommend it is further clarified.</li> <li>• The factor “<i>Number and nature of stakeholders including investors, customers, creditors and employees</i>” may be too broad, such that it will lead to inconsistency and be challenging for entities (especially SMEs) to consider and categorize. This may be a particular issue for jurisdictions that do not modify the IESBA Code at the local level.</li> </ul>
ACCA	<p>Overall, we find that the direction of the proposed list of factors for determining the level of public interest in an entity to be relevant, however, we have some concerns about specific factors:</p> <ul style="list-style-type: none"> <li>• The fourth factor set out in paragraph 400.8 suggests considering “how easily replaceable the entity is in the event of financial failure”. We have received feedback that the way the factor is phrased may cause confusion because what the point really means is how difficult (rather than ‘easy’) it is to replace the entity in the event of financial failure. Additionally, we note that it is important to consider the function served by the sector in which the entity operates. That is because, if the sector does not serve a critical public function then, whether the entity can be easily replaceable or not would not necessarily matter as there would be no significant public interest in the entity.</li> <li>• In regard to the factor referring to the “size of the entity”, while we agree that this should be left to the national regulators to define at the local level as it would be very challenging for the IESBA to devise size criteria that are acceptable internationally, we have received feedback seeking more specific non-authoritative guidance from the IESBA in order to promote a degree of consistency across different jurisdictions.</li> <li>• In terms of adding a new factor in the list set out in paragraph 400.8, some of our stakeholders suggested that the <b>geographical spread</b> should be considered as one of the key factors and should be added in the list of factors. We believe that for entities operating in jurisdictions with many remote communities, geographical spread might be an important factor to consider when defining PIE at the local level. Alternatively, it could be a factor to consider when determining how difficult it is to be replaced.</li> </ul>

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AE	<p>Yes, we agree with the proposed list and would like to highlight that EU legislation specifies the nature of the business, the size and the number of employees as indicative factors to consider when designating additional entities as PIE (see also our response to Question-3).</p> <p>However, there is a need to clarify the meaning of the term “financial condition” and what is meant by “taking on financial obligations to the public” in the Code as they are explained in the Explanatory Memorandum.</p>
ASSIREVI	<p>ASSIREVI agrees that the factors contained in paragraph 400.8 are relevant elements for the identification of entities as PIEs. However, these criteria merely identify defining principles while leaving wide margins of discretion in determining the entities to be identified as PIEs</p>
BICA	<p>We agree with factors provided and most importantly that it is not an exhaustive list. While some factors included may be subject to judgement e.g. importance of an entity to the sector or other sectors, local jurisdictions should be able to assist with further developing the criteria for consistency.</p>
CAANZ	<p>We generally support the proposed list of factors set out for determining the level of public interest in an entity and have outlined some specific comments identified through our outreach in regard to the factors described in paragraph 400.8.</p> <ul style="list-style-type: none"> <li>• The factor “<i>Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations</i>” could be misinterpreted if considered in isolation. This factor may capture low risk entities that are generally subject to regulatory supervision for compliance purposes, but which may not currently meet the criteria to be PIEs. We recommend clarifying in the International Code, in addition to mentioning in the explanatory memorandum, that these factors should not be read in isolation.</li> <li>• The factor “<i>The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure</i>” is subjective and could lead to inconsistency. What is “easily replaceable” should be further defined with examples.</li> <li>• The factor “<i>Number and nature of stakeholders including investors, customers, creditors and employees</i>” was considered too broad. Further guidance would be helpful to clarify whether some factors take precedence over others when determining whether an entity is a PIE.</li> </ul> <p>For these factors to promote consistency, we suggest the IEBSA provides clear emphasis on balancing these factors against each other when applying the proposed requirements and provide practical examples based on the most common types of PIEs in practice.</p>
CAI	<p>As above in Question 1 the role of the local bodies is crucial but there needs to be a sufficiently detailed framework for their actions.</p> <p>We consider that local regulators ought to have the options to include other factors as they feel necessary.</p>

Respondent	Comment
	<p>We also believe that the framework should require local regulators to make selections and select options before they adopt the standards and “off the shelf” should not be an option. This will mean that local debate and consultations will take place enabling input from all interested parties.</p>
CIIPA	<p>We agree with the factors noted but suggest adding more guidance around the “nature” of stakeholders in the penultimate bullet with a particular emphasis on providing clear thresholds to allow auditors to appropriately conclude whether a group of stakeholders should be considered “public”. This amendment, in conjunction with our recommendation under questions 3 and 4 to define ‘public’, will reduce the potential inconsistency in application and more importantly improper classification of entities as Public Interest Entities.</p> <p>For example, in the context of the R400.14 categories, certain types of entities whose function is to act as a collective investment vehicle will offer products and services that are only accessible to high net worth individuals/institutional investors where there is a high minimum initial investment (e.g. US\$100,000 or higher) and/or are only able to invested in by “qualified investors” (such as accredited investors as defined in SEC in Rule 501 of Regulation D, see <a href="https://www.investopedia.com/terms/a/accreditedinvestor.asp">https://www.investopedia.com/terms/a/accreditedinvestor.asp</a>). We do not believe that such entities where there is a high minimum initial investments/deposit requirement and/or are only available to high net worth individuals should generally be treated as Public Interest Entities, unless, they are systemically important or have been so designated by local law or regulation. However, ambiguity around thresholds for determining the nature of shareholders or the definition of “public” could result in inconsistency in application of the definition.</p> <p>400.8 - we recommend updating the criteria, bullet 2, as follows:</p> <p style="padding-left: 40px;">“Whether the entity is subject to regulatory supervision designed to provide [ADD: <b>public</b>] confidence that the entity will meet its financial obligations.”</p>
CNC	<p>In the first bullet point, we do not understand the sentence “taking on financial obligations to the public as part of an entity's primary business”.</p> <p>With respect to the second bullet, we consider that the existence of a regulator or a supervisory authority for a sector should not be a decisive factor to qualify as a PIE but more of an indication that the entity could qualify as a PIE.</p> <p>Overall, we find that some of those factors, as presently drafted, may be subject to interpretations and even misunderstanding and that the difficulties in trying to define what is meant in the different bullet points/factors would be reflected in future difficulties to interpret the Code.</p>
CPAA	<p>The list of factors is generally supported.</p> <p>With respect to the factor, “Size of the entity”, it might be appropriate for IESBA to provide further guidance by adding a phrase that indicates the <u>relative</u> size of the stakeholder base/group might be an important consideration. With this in mind, we suggest the following:</p>

Respondent	Comment
	<ul style="list-style-type: none"> <li>Size of the entity, including the relative size of its stakeholder base and those affected by its operation.</li> </ul> <p>Given the increasing international attention being given to the financial impacts associated with climate change and other sustainability risks, financial reporting (and an entity’s financial condition) is being inexorably linked to sustainability, climate change and environmental issues. Arguably, financial statement audits will increasingly need to consider such issues, and hence consideration should be given to including sustainability, climate change and environmental exposures and risks as a factor for determining the level of public interest in an entity.</p>
CPAC	<p>We agree with the list of factors set out in paragraph 400.8 for determining the level of public interest in an entity, however we think that the IESBA should consider providing additional guidance highlighting the most common determinants for some of the factors, such as size, the importance of the entity to its sector, and the entity’s potential for systemic impact.</p> <p>We are supportive of the IESBA’s objective of moving toward greater convergence of jurisdictional approaches to identifying PIEs and we think that principles-based, rather than prescriptive or rules-based, application guidance will be very helpful in this regard. We also agree with the IESBA’s view that it is not possible to achieve consistency with regard to the specific types of entities that are determined to be of public interest across all jurisdictions, however we think there is benefit to application guidance and sharing of best practices in applying the factors to refine the definition of a PIE. This would encourage convergence around a common approach to refining the definition.</p> <p>We would also recommend that the IESBA consider the addition of “members” to the list of stakeholders identified in the fifth bullet because many not-for-profit organizations and credit unions identify their stakeholders as such.</p>
FACPCE	<p>According to the proposed list, we suggest adding national entities that, in relation to Foreign States, sell goods, provide services or in any other way become contractors or suppliers of such States. Non-complex entities or SMEs, which were not required by regulation, should not be included in the lists prepared, preserving them from the rigorous independence requirements of the Code.</p>
	<p>We generally agreed with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. However, we have a concern about how the list of factors interact with R400.14 and R400.16. Our local SMPs also share their observation that certain factors are inconsistent and too wide, for example:</p> <ul style="list-style-type: none"> <li>In “...The importance of the entity to the sector in which it operates...”, the word “sector” is not defined and it would be difficult to assess the “importance” of the entity without further context e.g. by market share.</li> <li>In “...entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligation...”, the regulatory supervision could be very wide in scope. It would be useful to give examples of regulatory supervision e.g. reporting on capital adequacy, liquidity</li> </ul>

Respondent	Comment
	<ul style="list-style-type: none"> <li>• For the “<i>Size of the entity</i>”, it would be helpful to provide further guidance by explaining the size of the entity is relative to what stakeholder base (e.g. sector or public as a whole) or base on the revenue or assets of the entity.</li> <li>• While certain factors consider the financial obligation to the public as a whole, some other factors extend to a specific sector, nature of stakeholders (e.g. customers and employees), or even to other sectors. It may increase the judgement exercised at the firm level, and increase the inconsistency among firms, jurisdictions and at the global level.</li> </ul> <p>We also note that the term “significant public interest” in 400.8- the word “significant” is judgemental and as currently drafted, it may create a confusion as to whether the IESBA is trying to define “Significant Public Interest Entity” or PIE in the proposal.</p> <p>We would also recommend the IESBA to re-consider the location of the list of factors currently included in 400.8. Given that these factors are to be considered by local bodies and firms, we consider that including them in the introduction section might not be too appropriate. They should be elevated to the same level as the factors to be considered by firms in 400.16A1.</p>
ICAEW	<p>The factors listed in 400.8 are an appropriate list to consider when determining the level of public interest in an entity. We would note however that the final factor – the potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity – is subjective and difficult to evaluate. We would also question whether the list of factors in 400.8 would more logically sit later in section 400, specifically following the new requirement in R400.16. This would mean that all the factors to consider would be situated together, rather than users of the code needing to refer to both 400.8 and the additional list in 400.16 A1, which could prove confusing, subject to our comments below.</p> <p>Greater clarity would also be welcome on whether the factors listed in 400.8 and 400.16 A1 have more than one purpose: - specifically whether the factors in 400.8 are solely criteria for a local standard setter to consider in refining its jurisdictional definition of a PIE; and those in 400.16 A1 are solely for firms to use in considering whether they should treat an entity as a PIE; or instead whether both local standard setters and firms should consider both lists of factors for their differing purposes.</p> <p>We note that the text in R400.14 is drafted as ‘a firm shall treat an entity as a public interest entity....’ rather than text requiring the local standard setter to use the list in that section as the starting point for determining the appropriate PIE definition in their jurisdiction. Perhaps the proposed sections 400.8 onwards should be split into those sections with requirements for local standard setters, and those sections containing requirements for firms, and clearly setting out which material applies to who.</p>
ICAG	<p>Yes, we agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. We think the proposed list of factors are satisfactory. This list is non-exhaustive and we expect that unique situations will arise that will add on to this. The proposed factors on their own may not amount to significant public interest in the financial condition of an entity. We suggest that local regulatory bodies should be given specific authority to determine the extent of applicability of the list in the context of their local jurisdiction. There is however the need to set a specific minimum</p>

Respondent	Comment
	level so that some level of global uniformity is achieved. There may also have to be considerations of whether two or more entities operating separately may amount to significant public interest when evaluated together instead of individually.
ICAJ	We believe that the list of factors outlined are considered to be comprehensive and we have identified no additional factors at this time. Also, the inclusion of too many factors could render the overarching objective to be too prescriptive or rigid, which would be contrary to its purpose.
ICAS	<p>We agree with the proposed list of factors set out in paragraph 400.8 (other than the suggested clarifications noted in 1. Above).</p> <p>We also suggest that the sentence in paragraph 24 of the Explanatory Memorandum could be added for clarity: “Each of these proposed factors on its own may not amount to significant public interest in the financial condition of an entity and should not be considered in isolation.”</p>
ICPAU	We agree with the list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. Since the list is not conclusive, we believe that the proposal intends to give guidance and local bodies will not be constrained in considering other factors in evaluating whether an entity should be treated as a public interest or not. We however, note that in the supplementary material the IESBA’s seems to harbor intentions of including NGOs in the list under paragraph 400.8, we believe that this may not be necessary as such organizations may equally be considered by following the general criteria as set out in the proposed paragraph 400.8.
IDW	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.

Respondent	Comment
	<p>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).</p>
<p>INCP</p>	<p>We agree with the factors set out in paragraph 400.8. However, consideration should be given to explicitly adding “listed entities” to this list of factors.</p> <p>Furthermore, we believe precision is needed in definitions of each factor in order to both make the translation process easier and avoid misinterpretations; in particular, we are referring to this:</p> <p>“Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.”</p> <p>In some jurisdictions, this factor could be misinterpreted by construing it as entities declared insolvent by a supervisor or regulators.</p> <p>The importance of the entity in its sector: In reference to this factor, we consider it important to define the variables determining that importance: revenue amounts, management of public funds, societal impact, job creation, etc.</p> <p>Regarding the number and nature of stakeholders, including investors, customers, creditors, and employees, most jurisdictions consider only the number of employees and we suggest reducing options. I would suggest the same approach to reduce possibilities.</p> <p>For practical purposes and better understanding, we believe that included in most local legislations may be a list of examples of types of entities that might be considered as PIEs.</p>
<p>JICPA</p>	<p>We agree with the exception of the following.</p> <ul style="list-style-type: none"> <li>▪ In the first example “such as taking on financial obligations to the public as part of an entity’s primary business” in paragraph 400.8, the terms “financial obligations” and “to the public” are used. These could be subject to differing interpretations, such as whether or not “financial obligations” is limited to cases in which banks, insurance companies, etc., take on obligations to repay, and whether or not it applies in cases of simple fundraising by issuing shares, or whether or not “to the public” applies in the case of a fund that focuses on a small number of investors, which is not included in the current PIE definition in Japan. Accordingly, we believe it is necessary to give a more concrete indications of the meaning and scope of such terms in separate guidance, or in a FAQ.</li> <li>▪ In the first example “such as taking on financial obligations to the public as part of an entity’s primary business” in paragraph 400.8, the term “primary business” is used, but the term “main function” is used in paragraph R400.14. If this distinction is being made intentionally, we believe that the difference between “primary business” and “main</li> </ul>

Respondent	Comment
	function” should be clarified. If both are being used to express the same meaning, then the terms should be made consistent.
KICPA	The KICPA agrees with the proposed list of factors. However, we are of view that some of them, such as the size of entity, reinforce the importance of other factors in terms of the public interest, rather than indicating the level of public interest per se. We hope that this is be noted either in the Code or in additional non-authoritative guidance to be issued.
MIA	<p>We are generally in agreement with the proposed list of factors set out for determining the level of public interest in an entity. Specifically, for the factors such as “Size of the entity” and “Number and nature of stakeholders including investors, customers, creditors and employees”, we believe the local bodies may be stepping in to set the appropriate criteria, taking into consideration the local environment.</p> <p>IESBA should also consider whether there is a further need to define “financial obligations” within the context of para 400.8.</p>
MICPA	<p>We would like to highlight the following concerns for the IESBA’s consideration:</p> <p>Bullet Point #5: We recommend to add on ‘beneficiaries’ that serves as a reminder to the users of the Code, though this is a non-exhaustive list.</p> <p>Bullet Point #6: A typically larger entity, say a financial institution though likely to be important to its stakeholders but it’s failure may not have a systemic impact to the market or economy. In contrast, an entity which may be smaller in size and operations but could have a systemic impact to the market or economy. In view of this, we suggest the Board to provide greater clarity in this area as to which criteria will prevail, i.e. Bullet Point #3: size of the entity or Bullet Point #6: potential systemic impact.</p>
NBAAT	We do agree with the proposed list, however, we recommend another key factor on whether an entity is dealing with the provision of essential and strategic good and services should be one of the factor to determine the level of public interest in an entity.
NBA	In principal yes, but the factors mentioned could cover more companies as intended. In addition, PIEs should also be companies which have a significant impact on the public in general (we refer to our answer to question 1). This might be covered by the last bullet of paragraph 400.8, but this still refers to the economy as a whole (and not a specific country or a region).
NRF	<p>Also, the list of factors in 400.8 is very confusing and it is unclear how it should be applied and by whom.</p> <p>According to the explanatory memorandum: “paragraph 400.8 is only application material which sets up the context for the overarching objective in paragraph 400.9 and the list of PIE categories in paragraph R400.14”. Entities that reflect significant public interest are entities defined as such by local bodies having refined the categories of entities listed in R400.14. They are also entities that are outside the scope of PIEs listed in R400.14, but entities that the firms believe should be treated as PIEs according to R400.16. Trying to deal with both limitations and additions to a requirement in the same paragraph is confusing.</p>

Respondent	Comment
	<p>Since the enhanced independence requirements in the Code is only intended to be applied on the entities covered in 400.8, it is unclear why this paragraph is only application material, while the content in R400.14, that is not intended to define those entities on which the enhanced independence requirements should be applied, is a requirement.</p> <p>With regard to firms complying with the requirement in R400.16, they are supposed to also consider additional factors to those listed in 400.8. This makes us question the value of having this general list of factors.</p> <p>We do not support adding any further factors to list. Rather we suggest that the IESBA reconsider the necessity and clarity with having this list, including the placement of the list with regard to how it is intended to be applied and by whom.</p>
SAICA	<p>...When reading the proposed list of factors as contained in proposed paragraph 400.8 of the Code, it is not clear if the proposed factors should be considered in isolation or as a collective in determining the extent of public interest in the financial condition of an entity. Paragraph 24 of the explanatory memorandum of the Exposure Draft states that as it could be that each of the proposed factors on its own may not amount to significant public interest in the financial condition of an entity and that the factors should not be considered in isolation. SAICA suggests that this explanation be included as part of the application material to the list of factors provided to further clarify the intention in considering the list of factors...</p> <p>SAICA and members of the working group agree with the proposed list of factors set out in proposed paragraph 400.8 for determining the level of public interest in an entity.</p> <p>SAICA believes that the list of factors included in proposed paragraph 400.8 of the Code are comprehensive. SAICA is, however of the view that the overarching objective and the resultant categories are strongly focused on the qualitative impact of the financial condition of the entity, with little focus on the importance of the nature of the service provided by the entity within its jurisdiction and the potential public interest impact of lack of service delivery.</p> <p>SAICA recognises that some of the terms relating to subjective measurements, namely “size” and “number and nature of stakeholders”, may be interpreted and applied differently across jurisdictions and therefore appreciate the principles-based approach followed. It is SAICA’s view that the important role that local bodies have to play in refining these measures to ensure consistent application is achieved in the local jurisdiction needs to be emphasised.</p>
SAIPA	<p>We agree with the list of factors set out in paragraph 400.08 for determining the level of public interest in an entity.</p> <p>The nature of the business and or activities is a key factor to considered specifically for businesses taking on financial obligations to the public as part of their primary business.</p> <p>We agreed that companies falling with regulatory supervisions should be a factor of consideration.</p> <p>We understand that the size of the business might have in effect that the entity is either too small to be included as a PIE or too big to not be included. This is a key factor to consider as smaller entities might be scoped in under some of the other factors.</p>

Respondent	Comment
	<p>We agree that consideration should be given to how important the entity is to the sector. The harder it is to replace an entity, the more likely it will have a higher level of public interest.</p> <p>The nature and number of the stakeholders should also be considered.</p> <p>We agree that the potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity is an important factor.</p> <p>We agree and understand that the factors listed are important but that it's a non-exhaustive list, we do not believe there is any additional key factors that should be added to the list.</p> <p>We further want to acknowledge that in the supplementary material we noted that the Board did consider including the Not for profit organizations and we agree that these types of organisations should be considered taking into account the other factors listed in 400.8 and a separate reference to such are not required.</p>
TFAC	<p>We agree with the proposed list of factors. We suggest the Board determine further criteria for implementation.</p>
TURMOB	<p>Yes. As the definition of PIE has been come more principle-based, it allows for flexibility and interpretation as to categorization of entity as PIE or not.</p> <p>But there is a need to give information detailly about what is meant by“taking on financial obligations to the public as part of an entity’s primary business”</p>
BDO	<p>We believe the proposed list of factors is a fair list of the types of factors which may be considered in assessing public interest. A factor which we believe the Board should consider for inclusion would be “sustainability”. We believe that there may be attributes about the nature of an entity’s operations and the manner in which it conducts those operations and their resulting impact on climate and society which may cause for heightened public interest.</p> <p>We propose the factors included in 400.8 should also be included in 400.16 A1 to simplify the reader’s navigation.</p>
BKTl	<p>We broadly agree that the proposed list of factors may be relevant in determining the level of public interest in an entity. However:</p> <ul style="list-style-type: none"> <li>• The inclusion of the number of customers and creditors appears unnecessary.</li> <li>• There may be other factors that may give reason to treat an entity as a PIE. We recommend that this is emphasised by amending paragraph 400.8 to say, “The extent of public interest will depend on factors including, but not limited to:” (changes highlighted in red type).</li> </ul>
CohnReznick	<p>Yes. We do agree with the proposed list of factors set out in paragraph 400.8. To avoid one factor being inappropriately weighted, particularly given concerns in individual jurisdictions, we recommend the following wording, adapted from</p>

Respondent	Comment						
	<p>paragraph 24 of the exposure draft, be added: “Each of these factors on its own may not amount to significant public interest in the financial condition of an entity and should not be considered in isolation.</p>						
<p>DTTL</p>	<p>Most of the proposed factors reflect the considerations that a reasonable and informed third party would be likely to conclude should be taken into account when determining the extent of public interest in the financial condition of an entity - in particular the factors referring to the size and the nature of the entity as well as whether it is subject to regulatory supervision.</p> <p>However, Deloitte Global believes that the factors included in the fourth and sixth bullet points are not sufficiently well-defined nor clearly linked to the Board’s overarching objective. It would not be practical or reasonable to assess the importance of an entity to a sector based on how easily an entity could be replaced, especially if there is no public financial information available, and it would be difficult to expect a consistent assessment unless additional guidance (or indeed a separate set of factors to consider when making that assessment) is provided. Likewise, the potential systemic impact on the economy arising from an entity’s financial failure is hard to gauge. As these two considerations appear to reflect public policy and competition concerns but would not necessarily translate into public interest in the entity’s financial condition, we recommend they be deleted.</p> <p>Finally, with respect to the fifth bullet point, Deloitte Global does not consider the number or nature of customers or creditors to be relevant criteria.</p>						
<p>EY</p>	<p>es, we generally agree with the proposed list of factors set out in proposed paragraph 400.8. However, we have the following suggested edits for the Board to consider.</p> <table border="1" data-bbox="430 911 1654 1406"> <thead> <tr> <th data-bbox="430 911 1081 963">Suggested Edits</th> <th data-bbox="1081 911 1654 963">Rational</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 963 1081 1247"> <p>Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting <del>significant an elevated degree of</del> public interest in the financial condition of these entities.</p> </td> <td data-bbox="1081 963 1654 1247"> <p>The word “significant” does not appear appropriate in this context as it is overly subjective, and stakeholders of any audited entity might have a “significant interest” in its financial condition. However, there is an elevated (i.e., incrementally significant) degree of public interest with regard to a PIE.</p> </td> </tr> <tr> <td data-bbox="430 1247 1081 1406"> <p>The <del>extent degree</del> of public interest will <del>depend on be influenced by any number of</del> factors <del>including that could include, for example: . . .</del>”</p> </td> <td data-bbox="1081 1247 1654 1406"> <p>The characteristics in the bullet points that follow should not come across as all-inclusive or as a checklist.</p> </td> </tr> </tbody> </table>	Suggested Edits	Rational	<p>Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting <del>significant an elevated degree of</del> public interest in the financial condition of these entities.</p>	<p>The word “significant” does not appear appropriate in this context as it is overly subjective, and stakeholders of any audited entity might have a “significant interest” in its financial condition. However, there is an elevated (i.e., incrementally significant) degree of public interest with regard to a PIE.</p>	<p>The <del>extent degree</del> of public interest will <del>depend on be influenced by any number of</del> factors <del>including that could include, for example: . . .</del>”</p>	<p>The characteristics in the bullet points that follow should not come across as all-inclusive or as a checklist.</p>
Suggested Edits	Rational						
<p>Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting <del>significant an elevated degree of</del> public interest in the financial condition of these entities.</p>	<p>The word “significant” does not appear appropriate in this context as it is overly subjective, and stakeholders of any audited entity might have a “significant interest” in its financial condition. However, there is an elevated (i.e., incrementally significant) degree of public interest with regard to a PIE.</p>						
<p>The <del>extent degree</del> of public interest will <del>depend on be influenced by any number of</del> factors <del>including that could include, for example: . . .</del>”</p>	<p>The characteristics in the bullet points that follow should not come across as all-inclusive or as a checklist.</p>						

Respondent	Comment	
	<ul style="list-style-type: none"> <li>• Whether the entity is subject to regulatory supervision <u>that is</u> designed to provide confidence that the entity will meet its financial obligations.</li> <li>•</li> </ul>	
	<ul style="list-style-type: none"> <li>• <u>Whether the size of the entity warrants public interest, or is of limited size as to not warrant public interest.</u></li> </ul>	<p>To make it clear that it is also possible for a local body or regulator to determine that it is appropriate to refine the list of categories of PIEs in proposed paragraph R400.14 by excluding entities that are small.</p>
	<ul style="list-style-type: none"> <li>• The importance of the entity to the sector in which it operates including how easily <u>the public interest purpose the entity serves can be replaced</u> <del>it is</del> in the event of <u>the entity's</u> financial failure.</li> </ul>	<p>To place the emphasis on the public interest purpose being served, rather than the entity itself, should the entity fail financially.</p>
	<ul style="list-style-type: none"> <li>• Number and/or nature of stakeholders including investors, customers, creditors and employees.</li> </ul>	<p>To make it clear that the number of stakeholders and the nature of the stakeholders could be a factor either in combination or individually.</p>
KPMG	<p>The list of factors in paragraph 400.8 appears to sufficiently capture globally applicable factors for determining the level of public interest in the financial condition of an entity or category of entities. Given the role of local bodies and firms, the factors can be used to refine or extend the PIE definition categories as deemed necessary in each jurisdiction. Acknowledging the Board's point in the Explanatory Memorandum that each of these factors on its own may not amount to significant public interest in the financial condition of an entity and should not be considered in isolation, it is likewise relevant that there is not a minimum number of factors that would have to be applicable to an entity for the entity to be considered a PIE. Likewise, the determination should not be made at a point in time and then never reconsidered. A reevaluation of the determination of the treatment of these entities as PIEs may need to take place whenever facts and circumstances within the jurisdiction change. We suggest that these points be captured by the Board in application material in the standard or as non-authoritative material at a minimum.</p>	

Respondent	Comment
	<p>We suggest the Board consider the need to include an element of scale on which to evaluate certain factors, particularly as these factors are applied by firms in connection with the requirement in R400.16. In particular, the fourth and sixth factors raise the question of whether importance to the entity’s sector and systemic impact on other sectors and the economy as a whole should be evaluated at a local or national level. Similarly, for the third and fifth factors, we suggest that there should be a comparative scaling element to evaluate these factors.</p> <p>Related to the second factor that the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations, we note this seems to present the potential challenge of trying to ascertain what the regulatory supervision is designed to do. It would seem likely that local bodies and firms may find it speculative in some cases to determine whether an entity is regulated due to a sector or industry specific function or to provide confidence that the entity will meet its financial obligations. The Board should consider addressing this point, but also emphasize, as noted earlier, that the list of factors are guidance and not all factors will exist in relation to every entity or category of entities that should be treated as a PIE. It would also be beneficial for the description of this factor to provide further detail regarding the forms of regulatory supervision that an entity may be subject to that would suggest the entity could be a PIE, such as prudential regulation and other examples.</p> <p>In regard to the fourth factor, we have some concern that this factor focuses on how easily or otherwise an entity may be “replaced” in the event of failure, with the implication being that if it is easily replaced, it is not likely to be a PIE. While certain entities may collapse and be replaced with relative ease, the financial consequences of the failure of the entity in question may have significant implications in the marketplace and for the public at large. If this factor is intending to capture the essence of the concept of “too big to fail,” we suggest that this be included with the sixth factor, which also appears to address this concept. If this factor is intending to address activities themselves, which may be highly specialized and, therefore, the entity undertaking these activities cannot be easily replaced, we suggest this be included with the first factor, which refers to the nature of the business or activities.</p>
Mazar	<p>IESBA has concluded, after consideration, that it is not necessary to define ‘financial condition’ which is a key driver in determining the extent of public interest in an entity but will instead rely on the judgement of users of the code. Without a definition, and as the term is not used elsewhere in accounting or auditing standards, there is a possibility that interpretation of the term will differ among users. Also, the term “taking on financial obligations to the public as part of an entity’s primary business” used in para 400.8, is not entirely clear to us.</p> <p>One of the factors to be considered when determining the extent of public interest in an entity is whether the entity is subject to regulatory supervision. We consider that while there are regulators in many sectors of the economy, e.g. telecoms/energy etc, this should not mean that the entities which they regulate are always considered to be PIEs.</p>
MNP	<p>We agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity. However, we recommend including the term “members” to the list of potential stakeholders within the fifth bullet of paragraph</p>

Respondent	Comment
	<p>400.8. This term is often used to describe stakeholders of certain entities which may meet the definition of a PIE, such as deposit-taking institutions.</p> <p><i>Size of the Entity Factor</i></p> <p>We wish to emphasize that the size of the entity factor included within paragraph 400.8 of the IESBA’s ED should be a key factor adopted by local regulators in further refining the revised PIE definition. From a Canadian perspective, we have a significant number of less sophisticated small and mid-sized public companies, private companies, public sector entities and not-for-profit organizations who, therefore, place increased reliance on their professional service providers to act as a trusted advisor in both the provision of assurance and non-assurance services. While, it may be feasible for larger entities to engage a separate professional service provider for non-assurance services, we believe it could be onerous for many small and mid-sized entities to do the same. We note that the CPA Canada Harmonized Rule of Professional Conduct already contemplates the differentiation in size of entities as a factor for determining the significance of independence threats and level of safeguards required to be applied. Specifically, paragraph 42 to Rule 204.1 to 204.3 acknowledges that:</p> <ul style="list-style-type: none"> <li>• The size and structure of the firm and the nature of the assurance client and engagement will affect the type and degree of the threats to independence with smaller clients often relying on firms to provide a broad range of accounting and business advice; and</li> <li>• Independence will generally not be impaired provided such services are not specifically prohibited by Rule 204.4 and the provided safeguards are applied. In many circumstances, explaining the result of the service and obtaining client approval and acceptance for the result of the service will be an appropriate safeguard for smaller entities.</li> </ul> <p>We believe that for small and mid-sized entities that the existing language in the CPA Canada Harmonized Rule of Professional Conduct referred to above continues to be relevant and that potential independence threats arising from the provision of non-assurance services can be appropriately mitigated through the application of safeguards such as, the use of separate engagement teams.</p> <p>Furthermore, with respect to public companies, the local Canadian bodies currently define a PIE as a publicly traded company with market capitalization and/or total assets that equal or exceed \$10 million. Canada is unique in that we have a large number of small public company clients for which we believe it would be onerous to treat them as PIE. Therefore, in line with our views noted above, we support retaining the differentiation between reporting issuer and non-reporting issuer publicly traded entities within the Canadian independence requirements.</p> <p><i>Geographic Location Factor</i></p> <p>Finally, we believe the geographic location of the entity should be added as an additional factor to paragraph 400.8 of the IESBA’s ED. Although this factor may often be connected to the size of the entity factor, we believe it is a key factor which local regulators should consider in refining the PIE definition for their jurisdictions. There are various clients who operate in small remote rural markets in which they have limited access to professional service providers, specifically those who provide</p>

Respondent	Comment
	<p>specialized services other than assurance and tax services. Therefore, if these entities are scoped into the PIE definition, it would be more challenging for them to access necessary non-assurance services at a feasible cost. For example, Indigenous clients who reside in remote areas that, if scoped into the PIE definition, may face onerous costs if required to engage another professional advisor to perform non-assurance services.</p>
Moore	<p>Yes. We agree with the factors identified.</p> <p>The proposed standard should make it clear that the list of factors should be considered in combination, rather than being considered in isolation. An example of a factor that could easily mislead if considered in isolation rather than in combination with the rest of the factors is the point regarding the replaceability of an entity in the event of financial failure. We acknowledge that the additional guidance mentions this approach, however it should also be reflected and made very clear in the standard itself.</p> <p>We further have the following comments regarding specific factors:</p> <ul style="list-style-type: none"> <li>• Size of the entity - this is a difficult concept to define without using any numerical calculations. As an example, some jurisdictions mandate the use of a Public Interest (PI) Score based on the revenue, number of employees, debt, etc. that gives an indication of the size of the entity. We are not suggesting that the IESBA should provide quantifications or determine size. This needs to rest with the local jurisdiction.</li> <li>• Importance of the entity to the sector in which it operates, including how easily replaceable it is in the event of financial failure - if defined too broadly, this could result in the scoping in of entities with little or no public interest. This definition is subjective and could lead to inconsistencies when being applied.</li> </ul>
PwC	<p>We believe that some of the factors listed in 400.8 are subjective and their application may differ, for example from industry to industry and depending on the relevance of the factor over time (e.g. changes in size). However, we believe that they are broad factors that are relevant for consideration by local bodies in evaluating whether an entity (or class of entities) should be treated as of public interest.</p> <p>We believe that these factors listed for consideration are broadly drawn, and this increases the relevance of our comments on the role of local bodies and the role of firms, included in response to questions 3 and 7-9 below.</p> <p>400.15 A1 states that entities should not be included merely because of their size, yet it is given significant prominence as one of the factors in 400.8. Given that the other factors included in 400.8 would likely already capture entities of a certain size, we recommend that consideration is given to clarifying that “size” should not be considered in isolation from the other factors referenced in 400.15 A1. Perhaps as stated in paragraph 24 of the EM, it should be noted in 400.8 that each of the proposed factors on their own may not amount to significant public interest in the financial condition of the entity and should not be considered in isolation.</p>

Respondent	Comment
	<p>In addition, we suggest the following revisions:</p> <ul style="list-style-type: none"> <li>○ “Whether the entity is subject to regulatory supervision designed to provide <u>public</u> confidence that the entity will meet its financial obligations”</li> <li>○ Combine 2 of the factors as follows: “The importance of the entity to the sector in which it operates, including how easily replaceable it is in the event of financial failure <u>and</u> the potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity”</li> <li>○ Replace “how easily replaceable it is” with “whether there are other comparable market participants”.</li> </ul> <p>We would welcome more specific guidance on the interpretation of an “entity subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations”, and specifically around what is meant by “financial obligations”. Entities may have obligations for non-financial service provisions that can only be met through a position of financial stability but which of themselves are not financial obligations.</p>
RSM	<p>We agree with the proposed list of factors for determining the level of public interest in an entity, but note that in many jurisdictions, many entities included in the definition of public interest entities are subject to regulatory supervision by regulatory bodies that have the authority and responsibility to establish auditing and independence standards with respect to audits of those entities.</p>