Definitions of Listed Entity and Public Interest Entity

Comments on ED Question 3

(Approach to Develop the IESBA Proposals)

ED Question 3

Do you support the broad approach adopted by the IESBA in developing its proposals for the PIE definition, including:

- Replacing the extant PIE definition with a list of high-level categories of PIEs?
- Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?

The respondents' comments are grouped into:

- Supportive comments for the broad approach
- Additional comments from respondents that supported the broad approach
- Comments from respondents that did not support the broad approach

Respondent	Comment
	Supportive comments for the broad approach
CPAB	We support the broad approach adopted by the IESBA in developing the PIE definition and the role of local bodies in refining the PIE categories taking into consideration local law and regulations governing certain types and entities. Adopting a broad definition will be key to ensuring that the updated definitions remain relevant in an environment where entities and stakeholders are changing rapidly… The local regulators are best positioned to understand the types of products available in their markets and to refine the categories accordingly.
IRBA	Yes, we support the approach followed. The approach considers the role of the Code, the role of local bodies and the role of firms. In South Africa, the IRBA Code plays a big role by elevating specific entities into the definition of a PIE, using a threshold approach, and thus eliminating some areas of judgement and local inconsistency. While a globally consistent definition would be beneficial, we acknowledge that there is no single definition that could likely fit all jurisdictions; therefore, we support the view that local bodies should further refine the definition of a PIE to suit the needs of their respective jurisdictions.

Respondent	Comment
UKFRC	The FRC supports the approach set out by IESBA in its proposals for defining a public interest entity. Significant international variation exists between different jurisdictions in terms of legislation, regulatory framework and market characteristics, and a single definition is unlikely to capture this variety. A broad approach to defining a public interest entity which considers the attributes that such an entity may possess as well as specific business activities is therefore welcome. Since what constitutes the public interest in a particular regulatory environment is potentially context dependent, we are also broadly supportive of the envisioned role for local jurisdictions in refining the definition as part of the local adoption and implementation process. Local bodies will be best placed to determine thresholds and specific criteria which determine whether an entity should be treated as a public interest entity.
BICA	We agree with the broad approach adopted as it is consistent with the principles based approach and therefore afford firms and local jurisdictions an opportunity to further define PIEs. The list provided also assists those jurisdictions which the Board noted that may not have relevant bodies to establish definitions further
CAANZ	We support the approach adopted in developing a list of high-level categories of PIEs, which also broadly aligns with the PIE definition in the jurisdictional ethical standards in Australia and New Zealand. We believe this approach is a step towards promoting global consistency in defining PIEs.
CPAC	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
FACPCE	The broad approach is supported, because there is a greater scope for jurisdictions to assess their entities. Support includes the replacement of the current definition of PIE with a list of high-level categories. We support the intervention of the relevant local bodies as part of the adoption and implementation process, and not the authority of the Firms in the definition of PIEs.
ICAEW	Given the significant international variations in legislation, regulation and market characteristics, we agree that a broad approach to a global PIE definition should be one of high-level categories with subsequent refinement. The power of local bodies to refine the IESBA definition is crucial to reflect territory-specific legal regimes and market context.
ICAG	***Comment (a)*** Yes, we support the broad approach (Approach 2) adopted by the IESBA in developing including the above two amendments. The reading points out that at a global level it will be difficult to adopt a Narrow definition that can be consistently applied by all jurisdictions without a significant amount of change. Also, the guidance points out that the principles-based nature of the Code dictates against a narrow approach. Finally, stakeholders appear to wish the Code speak to a broader range of entities in respect of which the additional PIE independence provisions should be applied. As rightly noted in the commentary to the ED, differences exist within various jurisdiction with regards to their inclusion or exclusion of a specific business entity as a PIE. The

Respondent	Comment
	proposed update that gives a high-level definition and allows local regulatory bodies to refine the Board's definition to suite their specific local context therefore seems appropriate. It also addresses limitations associated with the narrow approach. ***Comment (b)*** Yes, we agree with the refinement of IESBA definition by the relevant local bodies as part of the adoption and implementation process. It would be difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without modification and further refinement at a local level. In addition, firms are relevant local bodies and there might be situations, for e.g. where there are entities in whom their peculiar financial condition might not be important to the public, but, as the 6th factor indicates, the economic impact of the activities they coordinate might be relevant and therefore local firms could scope this in and capture these entities as PIEs.
INCP	Replacing the extant PIE definition with a list of high-level categories of PIEs? We agree that replacing the definition of PIE with a list of high-level categories will help to better identify other types of entities different from listed entities that should be considered to fall within the definition of Public Interest Entity. Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process? We agree that revising the current definition of public interest set out in the IESBA Code of Ethics facilitates the alignment with the definitions already included in some local legislations. For example, a list of entities that are considered to be public interest entities and go beyond listed entities has already been included in the standards currently in force in Colombia.
ISCA	IESBA's broad approach is a longer and more broadly defined list which local regulators and authorities can modify by tightening definitions, setting size criteria and adding or exempting particular entities. The broad approach is made up of: (a) Role of Code; (b) Role of Local Bodies; and (c) Role of Firms. We note that it would be challenging for IESBA to develop a single definition of PIE that could be applied widely across all jurisdictions without modifications. Accordingly, we support a global PIE definition that is principles-based such that local regulators and authorities are in the position to refine. Overall, we are supportive of the broad approach. However, on the "Role of Firms", please refer to our response in Question 9 and Question 10
CohnReznick	Yes. We are supportive of the abovementioned broad approach. Given the Code's global applicability, we believe such an approach should be the most beneficial to the public.

Respondent	Comment
MNP	We support the broad approach adopted by the IESBA in developing its proposals. We believe this approach will allow the relevant local bodies to apply the PIE definition and related requirements in a refined manner relevant for their local jurisdiction(s).
	Additional comments from respondents that supported the broad approach
CPAB	The local regulators are best positioned to understand the types of products available in their markets and to refine the categories accordingly. The change from listed entity to publicly traded entity increases the importance of the role of local bodies in ensuring the categories do not inadvertently exclude entities that were previously considered PIEs. However, we understand that there may be some implementation challenges and we encourage the IESBA to do further outreach with impacted stakeholders to ensure there are no unintended consequences related to the proposed changes. To support global consistency in the application of the standard there may be a need to reference specific types of entities in the standard. We do not support changes that would result in entities currently considered PIEs no longer being considered PIEs under the revised definition.
IRBA	The IESBA should be mindful that the proliferation of local amendments to the Code in respect of the definition of a PIE, and the encouragement of local amendments, will have the effect of: o Undermining the universal applicability and consistency of the Code. o Creating the means, and therefore the propensity, for local lawmakers and regulators to step into other areas of the Code, where they believe the IESBA's Code is not sufficiently robust, to customise the Code.
NASBA	We appreciate the reasons why IESBA chose to address the changes to the Code using a broad approach. While we agree in concept with the approach, we are concerned that allowing relevant local bodies to refine the global PIE definition by setting size criteria and adding or exempting certain entities will lead to significant inconsistencies between and within jurisdictions… The broad approach may work better in some jurisdictions than others. We will face challenges in the U.S., where multiple federal and state governmental, quasi-governmental, and private bodies oversee and regulate the accounting profession ("U.S. regulatory community"). The American Institute of Certified Public Accountants (AICPA), a private membership organization, establishes the *Code of Professional Conduct* (AICPA Code), which AICPA members agree to follow. However, membership in the AICPA is voluntary and the AICPA Code lacks the force of law. Many of the fifty-five (55) State Boards adopt or refer to the AICPA Code, but several states, including three with the largest CPA populations, do not. State Boards have the ultimate authority for regulating the CPAs and firms practicing in their states and may set laws and regulations deemed to be in the public interest that differ or go beyond the requirements of the AICPA Code. Multistate practice by CPAs and their firms is common. The U.S. regulatory community includes other federal and state agencies that largely operate independently to regulate auditors in the securities markets, banking and insurance industries, and auditors of certain employee benefit plans, among others. These laws and regulations are fairly understood by the U.S. auditing profession and the users of those audit reports. Although the

Respondent	Comment
	IESBA Code, like the AICPA Code, does not have the force of law, the AICPA policy is convergence. Adding another layer to the well-established U.S. system of laws, regulations, and professional standards likely will complicate an already complex, but functional regulatory system.
UKFRC	We do however have some concerns that the latitude granted to local bodies to exclude particular categories could potentially undermine the purpose of the Code, which is to ensure a consistent approach across all jurisdictions. At worst, it could result in regulatory arbitrage between jurisdictions. If this element of the proposals is adopted, IESBA should ensure that a post-implementation review is conducted at an early stage to identify any unintended or negative consequences arising from this approach.
GAO	We do not share the IESBA's confidence (noted in para. 55 of the explanatory memorandum) that the refined definition, as modified by local jurisdictions, will resolve the issue of different categories of PIE across jurisdictions. As noted in paragraph 27 of the explanatory memorandum, it is difficult to establish a concise definition that can be universally adapted at the global level. It is unclear how a broader definition that relevant local bodies are expected to refine will address the underlying problem of global adoption and a lack of consistency among jurisdictions. However, we agree that permitting local bodies to refine the IESBA PIE definition as part of the adoption and implementation process is appropriate. We believe that this will codify a process that is already in practice. In addition, local bodies can best adjust the categories to exclude entities that should not be treated as PIEs, even if they nominally belong to one of the high-level PIE categories.
APESB	APESB supports the broad approach adopted by the IESBA in developing its proposals for the PIE definition, which can be refined by relevant local bodies to ensure the provisions align with local laws and regulations and professional standards. However, we are concerned about how this approach will impact the integrity of the IESBA Code and ensure consistent application of a global definition across jurisdictions due to the reasons outlined below. *Issue: Impact on the integrity of the IESBA Code* While APESB appreciates the complexity of implementing reforms to the definition of a PIE that is suitable at both a global and local level, it is important to ensure that the approach to be applied does not alter or diminish the integrity of the IESBA Code. The proposed flexibility to allow local bodies, such as national standard setters and regulators, to exclude or significantly amend aspects of a global requirement, and the implication that laws and regulations can be considered but not necessarily complied with if they do not meet the objectives in the IESBA Code, could undermine the integrity of the IESBA Code and its provisions. While the broad approach suggested by the IESBA may be the most effective way to implement a global solution to the definition of PIE, it does not follow that the drafting of the provisions should mimic the levels within this approach. In particular, proposed paragraph 400.15 A1 appears to introduce application material providing direction for local bodies (regulators, NSS and professional bodies) rather than generally creating a professional obligation for professional accountants or firms.

Respondent	Comment
	Issue: Categories of PIEs and their consistent application across jurisdictions APESB strongly supports the introduction of broad categories of entities into the definition of a PIE. We note that broad categorisation is consistent with existing Australian guidance on entities likely to be PIEs. However, APESB has some concerns about specific proposed categories of entities. These concerns are outlined in APESB's response to question 5 below. Feedback received from Australian stakeholders indicated significant concerns about the approach adopted by the IESBA, creating inconsistencies across jurisdictions. The stakeholders noted that the propensity of local bodies to change or reduce the categories included in the definition of PIEs was a significant area of concern. However, it was also acknowledged that different regulatory frameworks in various jurisdictions will always mean some inconsistencies will occur. APESB believes that it is essential that the broad definition set out in the IESBA Code is applicable across all jurisdictions. *Recommendation:* APESB suggests the IESBA reconsider how the mechanism for allowing local bodies to adapt the global definition to be applicable in their jurisdiction be reviewed and revised. Refer to APESB's response to question 7 for further comments on the specific drafting recommendations relating to the refinement of the IESBA provisions by the relevant local bodies. The IESBA should also review its proposed references to laws and regulations to clarify that professional accountants and firms must follow laws and regulations regardless of whether it meets an objective of the Code.
ACCA	However, we have concerns about the appetite, capacity and ability of some relevant local bodies to undertake this refinement and develop a list of PIEs specific to their jurisdiction. We also have concerns about the scope of the refinement of the IESBA definition by relevant local bodies. We comment on this further within our response to Question 7 below. According to feedback received, there were also mixed views on the refinement of the IESBA definition by the relevant bodies. Some stakeholders agreed that this approach would be more useful for local regulators to be more specific and contextualise, while others highlighted the risk of significant divergence and the potential unintended consequences of having a wide range of definitions of PIE. Furthermore, concerns were raised about the multi-location audit implications, where the entity has been defined as PIE in one jurisdiction and not in another. This would create further implications for the principal auditor in practices.
CAANZ	Further refinement by national standards setters may be needed to avoid inadvertently scoping in entities that do not pertain to the public interest. As an example, the category of "An entity whose function is to provide post-employment benefits" could be amended to include the wording "serviced to the public" to address unintentionally capturing the privately held and individual/family retirement funds (self-managed superannuation funds) which exist in Australia but are not appropriately classified as PIEs. We recognise that no matter how well the definitions are framed at a global level, there will still be the need for these kinds of jurisdictional amendments and refinements. We suggest focused efforts are required by means of education and involvement

Respondent	Comment
	by the IESBA with local standard setters and regulators in harmonising the jurisdictional requirements where possible. The risk otherwise is that local amendments could result in inconsistent PIE definitions. this could for instance mean larger group audits where the parent and subsidiary are subject to different PIE requirements.
CAI	We are broadly supportive of the aims of the approach adopted by IESBA but we have a number of concerns as outlined in our responses below. These key concerns are: As set out in the consultation the role of local bodies is key to the success of the proposed approach. We consider that further guidance will be required for the local bodies in order to consistently apply the public interest categories and without their input we do not believe the proposals are workable. Therefore, we consider that further guidance should be included to assist local bodies in refining the categories to ensure that there is a consistent approach. We have concerns about situations that may arise if local bodies do not perform their role and how in these situations the categories should be interpreted. We consider that the Board needs to consider this matter further as inconsistent approaches in the event this occurs is undesirable. **• Replacing the extant PIE definition with a list of high-level categories of PIEs?** While we are in favour of a list of high-level categories of PIEs we believe that a number of clarifications are required to assist with the practical application of the definition and to ensure that definition is applied on a consistent basis if the integrity of the IESBA Code is to continue. As noted below, we have concerns that by deferring to regulators to provide the detailed definition it is likely that the definition of PIE will have very different meanings in different jurisdictions resulting in a patchwork of definitions. **• Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?** While we can understand the rationale for the approach our view would be that by deferring to regulators to provide the detailed definition it is likely that the definition of PIE will have very different meanings in different jurisdictions resulting in a patchwork of definitions. Noting the difficulties that engagement teams experience in applying the EU Regulation with its patchwork of rules and the real danger that people will apply the rules of their own jurisdiction when rules of another apply we would suggest that the list be more prescriptive and that the inclusion of the category “An entity specified as such by law or regulation to meet the objective set out in paragraph 400.9” provides sufficient latitude for local regulators to specify additional entities if they wish while ensuring the broader definition is consistent across the globe. Having different definitions in different jurisdictions would give rise to several practical issues in groups where there is more than one PIE.
CFC	We, generally, support all proposed changed to both definitions. We believe that the proposed change to Public Interest Entities will facilitate the consistence application of independence aspects though the audits, globally. We also support the

Respondent	Comment
	approach given to the roles of local bodies and firms to include additional entities or PIE definitions, also leaving rooms for such bodies, after proper consultation with other stakeholders, remove certain entities that should not be included in such categories and this could be made with the support of non-authoritative guidance to be issued by the IESBA. Non-authoritative guidance can play a relevant role for certain jurisdictions or firms that does not available all the resources need to make a proper assessment of such aspects.
CIIPA	Yes, subject to providing a definition of "public" and/or further guidance on what is intended by the "nature" of stakeholders as per comment in 2 above. Alternatively, further guidance should be provided on characteristics of entities that would not be considered public interest (although that approach could potentially result in entities being considered public interest if the guidance is not comprehensive). The lack of a proper definition will be problematic in the application of the revisions given the specificity provided by R400.14 and the Glossary definition of Public Interest Entity. A suitable definition for "public" could be "all the citizens of the state/country but which would not include groups of stakeholders whose access to the entity was subject to financial, qualitative and/or legal or regulatory restrictions specifically intended to limit such access from being available to all or the majority of citizens. Yes, subject to clarification that "refinement" means Local Bodies are able to add as well as exclude entities as considered appropriate by local bodies.
CPAA	It is unfortunate that different definitions are being used by the International Auditing and Assurance Standards Board (IAASB) and IESBA. While the IAASB is using the terms Listed Entity and Entities of Significant Public Interest (ESPI), the IESBA is using the term PIE. Moreover, the IAASB is working towards developing a separate auditing standard for Less Complex Entities (LCE); while the International Accounting Standards Board (IASB) uses the term Publicly Accountable to guide preparers with respect to the financial reporting framework they might use. It is argued by some that clear definitions (if indeed the definitions are clear) will assist preparers, auditors and users in understanding reporting and adulting requirements. However, the use of a range of different definitions adds complexity and complications. Once the LCE auditing standard is published there are potentially 48 different options that must be considered by reporting entities and auditors. Where the audit "lands" is important with respect to the regulatory requirements that must be adhered to by the reporting entity and the auditor, as well as the type of standards that must be used. To demonstrate the point, a reporting entity will potentially use (i) IFRS (if they are publicly accountable), (ii) IFRS for SMEs; or (iii) another relevant reporting framework. An auditor will have different requirements, including quality management requirements, with which to comply depending on whether the reporting entity is: (i) a listed entity or ESPI, or (ii) not; and also, whether it is: (i) an LCE; or (ii) not. Then of course, the requisite independence requirements will depend on whether the entity is; (i) a PIE; or (ii) not a PIE. As noted earlier in this submission, in some jurisdictions it is not possible for entities and auditors to be able to readily "switch" between these different options. Therefore, it is critical that international standard setters – i.e., the IASB, IAASB and IESBA in particular – work more closely together to ensure that there is greater consistency in definitions and requirements that impact the manner in which the

Respondent	Comment
	standards for reporting, auditing and auditor independence are implemented and used. Additionally, as the review of the governance arrangements for international standard setting (for auditing and ethics standards) continues, consideration needs to be given to how closer coordination can be achieved between the IAASB and the IESBA, and indeed whether audit-related ethics (i.e., essentially auditor independence requirements) are best promulgated by the same standard setting body that develops auditing standards… Member feedback suggests that the current definition is appropriate and can be effectively utilised when implementing a jurisdictional code of ethics. However, there was some support for the broader approach being proposed, if a revised definition was to be introduced. It is important for the IESBA to ensure that a principles-based approach to standard setting is maintained. There was support for an approach that permitted local regulatory or other authorities to refine the definition of PIEs and determine a definition that best suits local needs.
CPAC	We are supportive of the broad approach adopted by the IESBA, including high-level categories of PIEs and refinement of the IESBA definition by local bodies. However, we observe that this may result in inconsistent treatment across jurisdictions and a lack of comparability. We recommend that the IESBA National Standard Setters monitor the implementation/issues arising and that the IESBA should conduct a post-implementation review to report back on how different local bodies are adopting the revised definition of a PIE. We think that this would be valuable to achieve effective and consistent implementation, particularly in smaller, emerging jurisdictions or where local bodies are under-resourced or under-represented. We also recognize the importance of robust consultation with all stakeholder groups, including firms and governmental organizations in arriving at a local refined definition of a PIE and support the IESBA's efforts to encourage dialogue on the proposals.
EFAA	We support the broad approach adopted by the IESBA in developing its proposals for the PIE definition. We agree that it is difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without modification and further refinement at a local level. We support a broad approach (Option 2) as this is consistent with the IESBA's principles-based approach to standard-setting and allows local regulatory or other authorities to refine the definition of PIEs to best suit their local needs and circumstances. We are, however, unsure of the merits and practicality of the need to refine the list by excluding entities as we fear this may result in inconsistent practices internationally and have potential unintended consequences. For example, in a group audit, if the definition of PIE is different for the parent company in country A from that of the subsidiary (component) in country B then there will be confusion. We are keen for the IESBA to lead the way in the global convergence effort so would prefer the Code not invite jurisdictions to refine the list by excluding entities. Nevertheless, in the case of subsidiaries that are not publicly traded we recommend they be treated as non-PIEs even if the parent company is a publicly traded company.

Respondent	Comment
EXPERTsuisse	Nevertheless, we strongly believe that there is a need for local flexibility to ultimately define which entities to be designated as PIE, considering local particularities and different views on what is of public interest in certain jurisdictions. This cannot be determined on global level, neither by IESBA nor IAASB. Therefore, we strongly support the idea to give local bodies, such as regulators and standard-setters, the option to modify the global list, to tighten definitions, to set size criteria and to add or exempt entities in order to determine finally which entities fall under the PIE-category in the respective national context. As such, it would even be more appropriate to fully refrain from publishing a PIE list.
HKICPA	We acknowledge and agree that it would be difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without modification and further refinement at a local level. We have had mixed views on the proposed broad approach. Some stakeholders have expressed concerns that the approach will drive increased differences between jurisdictions. They are of the view that the extant provisions in the Code allow jurisdictions to add to the list of PIEs where necessary under local laws and regulations. Care should be taken in proposing changes to the extant Code. There are concerns that the approach will spill over to other sections of the Code and have unintended consequences. Further guidance on how local bodies should refine the list would be helpful. This would help stakeholders understand the rationale for the refinement and so as not to be seen to be applying the Code inconsistently.
ICAEW	Given the significant international variations in legislation, regulation and market characteristics, we agree that a broad approach to a global PIE definition should be one of high-level categories with subsequent refinement. The power of local bodies to refine the IESBA definition is crucial to reflect territory-specific legal regimes and market context. There needs to be a de minimis standard of adoption of the IESBA PIE definition for a jurisdiction to be able to claim that it has implemented the requirements of the Code in relation to PIEs. As the proposed provisions are drafted, a jurisdiction could choose to completely exempt one or more of the proposed categories of PIE from their local definition without needing to justify its exclusion. This would undermine the objective of enhancing the trust in the financial statements of PIE entities and could result in a lower minimum standard than currently exists. In any event it is important that there is transparency on whether an entity has been treated as a PIE for users of accounts. We also note that for large international firms the change in approach to definition of a PIE is likely to lead to additional complexity. At present there is some certainty from having a global minimum standard of PIE definition, given that most jurisdictions do not add to the IESBA requirement. The proposed changes would remove this comfort and would make it necessary to have knowledge of the PIE definition in each country, if as expected each jurisdiction's regulator exercises their right to refine the definition.
ICAJ	We are supportive of the broad approach adopted by the IESBA, as being more prescriptive may not eliminate the current challenges faced by different jurisdictions. Notwithstanding, there is a risk that local jurisdictions may adopt the broad

Respondent	Comment
	approach without amendment at the local level if there is thought to be insufficient guidance on how to adopt and a lack of appropriate resources to support implementation. The current challenges with the definition may therefore persist. Concerns may also arise around who is defined as the local body, as individual jurisdictions may have different legal bodies responsible for policy making, setting ethical standards and member oversight. Additionally, a collaborative effort with other key stakeholders such as regulatory bodies may be necessary to ensure the legal framework and the code are in sync. This could become difficult to coordinate and result in challenges in adoption and implementation.
ICAS	Yes – we support the broad approach proposed by IESBA to provide a high-level list of categories of PIEs which are then refined by relevant local bodies as part of the adoption and implementation process. Paragraph 51 of the Explanatory Memorandum states: "51. Proposed paragraph 400.15 A1 aims to clarify the high-level nature of the Code's PIE definition and the role of the local bodies. Given the broad nature of the expanded list of PIEs in the proposed paragraph R400.14, these categories need to be further refined as appropriate for use within a local jurisdiction in order that the right entities are captured as PIEs by the local Code. As such, it is imperative that the relevant local bodies proactively determine what further refinements to the IESBA's list of PIE categories are necessary as part of the adoption and implementation process." We note that in paragraph 51 of the Explanatory Memorandum above, IESBA discusses that the broad nature of the expanded list of PIEs means that the categories need to be further refined by relevant local bodies, however, in the proposed Code the list of high-level categories is noted at paragraph R400.14 while the need for the refinement of this list by relevant local bodies is discussed in paragraph 400.15 A1. We suggest that the content of paragraph 400.15 A1 would be better placed as application material to paragraph R400.14, rather than as application material to paragraph R400.15, as it is paragraph R400.14 and its application material that discuss which entities fall within the definition of a public interest entity and integral to this is the need for local jurisdictions to refine the list to ensure that the right entities are captured as PIEs by the local Code (or equivalent). Also, as IESBA has noted the necessity for the list in R400.14 to be further refined by local bodies, it might also be helpful to signpost the content of paragraph 400.15 A1 in paragraph R400.14. For example: "R400.14 For the purposes of this Part, a firm shall treat an entity as a public interest entity when it falls within any of the following categories (and subject to the refinement of this list by relevant local bodies as explained in paragraph 400.15 A1):
KICPA	The KICPA supports the broad approach adopted by the IESBA as it seeks international convergence while sticking to the Code's principles-based approach. We also understand that opinions were extensively sought and gathered on the validity of such approach as part of ED development process. However, the approach has drawbacks; as it gives the national standard setter a greater role to play, the likelihood of implementing the Code may reduce depending on institutional environments in each country and international convergence can also be undermined. In this regard, we hope that the IESBA will provides all the necessary guidance and make further efforts to coordinate with oversight bodies (including IOSCO) as part of outreach activities as they have great authority and role to play in developing criteria for defining PIEs

Respondent	Comment
MICPA	We agree in principle with the Board's approach in developing its proposals for the definition of PIEs by replacing the extant PIE definition with a list of high-level categories of PIES in the Code and with further refinements of the global list by the relevant local bodies. In addition, we would like to request the Board to provide a set of robust guiding principles and non-authoritative guidance to help the local bodies in their determination and identification of PIEs in the local markets to ensure consistency in implementation and adoption.
SAICA	SAICA and members of the working group are in support of the broad approach adopted by the IESBA in developing its proposals for the PIE definition by replacing the extant PIE definition with a list of high-level categories and allowing for further refinement by the relevant local bodies as part of the adoption and implementation process. This approach has already been adopted by South Africa with the local body (the IRBA) including a list of entities considered as PIEs. With the proposed change, global consistency can be achieved. It was noted that, although reference is made in proposed paragraph 400.15 A1 of the role of local bodies to refine the categories in proposed paragraph R400.14, SAICA's view is that this is better positioned as one of the categories listed in proposed paragraph R400.14.
TFAC	We support the broad approach. However, IESBA shall provide further requirements or guidance for local bodies to minimise inequality and diversity in practice among jurisdictions.
TURMOB	**• Replacing the extant PIE definition with a list of high-level categories of PIEs?** Yes. We support it. The categories in the Ethics Code should consider all kind of entities in term of nature, complexity and operating environment and areas. **• Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?** Yes. The refinement by local regulatory bodies might be needed to clarify to interpretati nationally as part of the adoption and implementation process. The definition of public interest entities in Turkey has been made in Statutory Decree No. 660 in line with EU's Audit Directive: "Public interest entities are publicly-held companies, banks, insurance, reassurance and pension companies, factoring companies, financing companies, financial lease companies, asset management companies, pension funds, issuers and other capital market institutions."
BDO	We support the inclusion of a list of high-level categories and agree that it is imperative to have a refinement process by relevant local bodies given the significant differences in local laws, regulations and markets. This will allow for customization

Respondent	Comment
	within local markets. We also believe there needs to be a mechanism to address situations where local bodies do not sufficiently execute their obligations to participate in and refine the entities within the proposed PIE definition categories. As a member of the Forum of Firms, each of our member firms are required to comply with the IESBA code. As noted above, where a local body in the jurisdiction does not refine the entities within the proposed PIE definition category this will result in unintended consequences of scoping in entities that do not have significant public interest.
Crowe	We support the broad approach adopted by the IESBA in developing its proposals for the PIE definition. We note that the intention of the IESBA is for relevant local bodies to refine the PIE definition as part of the adoption and implementation process. Relevant local bodies have to take into account their environments and priorities when adopting and implementing the definition. Whilst this enables flexibility and local understanding of, say, the status of entities traded on secondary markets, we encourage the IESBA to work with local bodies with the aim of achieving as much consistency of interpretation as possible. Differing local interpretations create challenges for networks in managing risk and challenges for professional accountants when providing services to cross-border businesses. There are good reasons for recognising and understanding the local environment, but interpretation has to consistently follow the overarching objective.
Moore	• Replacing the extant PIE definition with a list of high-level categories of PIEs? A broader definition is more helpful than the current PIE definition in the code. The high-level categories are a significant improvement on the extant definition that was somewhat restrictive. The definition is now more principles based. We understand the need to have a broad approach, or indeed a high-level category of PIE. There are currently existing inconsistencies across jurisdictions due to different PIE definitions and the absence of a universal definition. This is unavoidable due to the very different economies and legislative requirements between countries meaning that honing the definition at a local jurisdiction level will always be necessary. It is therefore unavoidable that each jurisdiction will have differential PIE definitions. However, the proposed approach will not only result in different definitions from jurisdiction to jurisdiction, but also potentially between firms within a jurisdiction due to the ability given to firms to amend the definition. We do not agree with firms arbitrating whether an entity is a PIE and consider that jurisdiction regulators should retain that responsibility. Whilst each firm must implement appropriate responses to the unique risks presented by a client and should be able to implement additional safeguards to address these threats, auditors do not need to re-define a client as a PIE in order to implement additional safeguards. Giving firms the ability to define what entities are PIEs, could lead to unintended consequences which could give rise to threats, for which we would highly recommend safeguards are considered and discussed. Examples of such consequences could include “definition shopping”, where entities “shop” for an auditor with the most beneficial approach for them to the definition of a PIE entity, therefore safeguards are needed. We have, in our introduction, given the

Respondent	Comment
	example of NFPs moving towards more entities being classed as PIEs due to the reliance on public funding. By contrast, some audit clients may be attracted to auditors who do not assess the client as a PIE, in order to reduce the costs of the audit. There will also be an impact on the definition of transnational audits that could potentially cause problems during the performance of such engagements. Although transnational audits are not defined by the IESBA, consideration should be given to the implications of this proposed amendments on the definition. Group audits and shared or joint audits are also an area of concern. In a group situation, the question may be raised as to which party decides whether the entity is a PIE, with potential negative impact if the group auditor's local definition differs from that of the component auditor. The potential for inconsistencies arising from jurisdictional rules exists currently and is cause for concern, however, we suggest that, in attempting to remedy these concerns, any unanticipated consequences are considered. • Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process? Yes, we concur that refinement by relevant local bodies is required as part of the adoption and implementation process. We agree that local bodies should determine the size, as this in particular cannot be determined in any other way than by that jurisdictional entities. It should be noted, however, that independence and conflict checking mandated within global networks of member firms will be complicated by the inconsistency in definitions between jurisdictions. Networks might therefore end up taking the conservative approach to include all entities considered a PIE in one of the jurisdictions. This could result in challenges in competitiveness.
PwC	We support the broad approach proposed; having a high-level list of categories of PIE as a starting point for local adoption and interpretation. However, we have concerns regarding the practicality of applying a model based on such a broad approach. For this to work effectively, the role of the local bodies is critical, and we have concerns about the implications where local bodies may not fulfil this role. Conceptually, we support a model whereby: • The Code includes a list of categories that should in principle be treated as a PIE (provided there is clarity on the key terms used). • Local bodies can add categories to this list (as indeed per the extant Code) but should be encouraged to limit modifications, provide transparency as to their rationale for any modifications they make, and to be circumspect in

Respondent	Comment
	creating additional categories for PIEs above and beyond those in the Code, to manage the amount of divergence between jurisdictions. • In refining the categories included in the Code, local bodies would provide specificity and reference points (e.g. in law, regulation or other relevant materials) so that it is transparent which entities should be treated as PIE, and which may for example result in excluding certain entities within a particular category by reference to size. • The role of firms would not extend beyond what is included in the extant application material which appropriately allows for those narrow circumstances where firms could encounter specific situations not envisaged by the Code or the local body and making a decision to treat the entity as a PIE may be in the public interest. However, where local bodies do not provide this guidance and refinement, we do not think the proposed model is workable. The cost of local interpretation could be significant both in terms of timing and resources and not all jurisdictions may be able to support this. This could also lead to significantly different outcomes in different jurisdictions with respect to what are fundamentally similar entities. The ability of local bodies to do this will also impact the timeline to adoption. A decision on this proposal should be based on further outreach conducted by IESBA that indicates support specifically by smaller jurisdictions that they are able to apply the proposed model and a commitment that they will make the appropriate local determinations. To this end, and to ensure consistency of understanding and application, we recommend that the effective date should be aligned to the date the local jurisdictions have issued authoritative refining guidance. We note that paragraph 50 of the EM states that "the second key component to the IESBA's approach **requires** (emphasis added) the relevant local bodies to refine the IESBA's PIE definition as part of the local adoption and implementation process" and as indicated in our response, we agree that this is critical to making the proposed model workable. However, we believe the Board should further consider the outcome if local bodies do not take this step and that the Board's finalisation of the proposals should consider this eventuality. We do not believe that the introduction to paragraph 400.14 A1, *"when terms other than public interest entity (such as listed entity) are applied to entities by law or regulation…",* makes sense given that "listed entity" or equivalent is proposed as a sub-set of PIE and is not an equivalent. We recommend that the words in brackets are deleted. To further assist local bodies, we recommend that key terms are further defined (i.e. take deposits, provide insurance, provide post-employment benefits, the public).
RSM	We agree with the broad approach to include a list of categories of PIEs that can then be refined by the relevant local bodies. Leaving the categories so broad, however, will inevitably lead to inconsistency internationally which might lead to confusion, particularly in group situations. As stated in our general comments, we think that the IESBA and the IAASB should work together to determine the subset of PIEs that should be subject to the differential requirements of both standards that currently apply to listed entities.

Respondent	Comment
	Comments from respondents that did not support broad approach
CEAOB, IAASA	We believe this initiative might facilitate the convergence between the concepts used in the European Union ("EU") regulations and in the Code. We thus encourage the IESBA to further align the proposed revised list of PIEs with the one used in the European Union… We agree with the principle that some further entities may be added to this minimum list of PIEs at national level to provide for specific scrutiny of the quality of their audit and/or regulation of the auditors of those entities. The EU definition also incorporates the possibility for national additions to the minimum list set out in the Audit Directive.
IOSCO	It is in the public interest that the IESBA clearly define which entities fall within the scope of a PIE. However, we believe a well-defined but narrow approach should be adopted as it will provide a "baseline" that establishes those entities that are consistently considered a PIE anywhere across the globe. We do not support a broad approach that results in jurisdictions being provided with the option of excluding categories of entities from the definition established by the Code. We recognize that the ultimate responsibility for the designations of what entities are defined as a PIE, for the most part, rests with legislators, regulators, oversight bodies, and/or national standard setters, which is why a well-defined baseline in the Code could incentivize these bodies to adopt the definition, and only add to the list, as needed. ***PIE definition*** Given our views above on retaining the term "listed entity", we believe that the IESBA should enhance the definition of a PIE by explicitly incorporating the term "public accountability" in the extant code as follows (***changes indicated in bold italics to the extant PIE definition)***: "(a) ***Public accountability, including*** a listed entity; or (b) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator." This would drive closer convergence to the International Financial Reporting Standards ("IFRS"). Enhancing consistency in the approaches between the Code and the accounting standards will benefit the financial reporting system by reducing complexity and possible confusion amongst auditors and issuers in jurisdictions that permit or require use of IFRS.
OAGA	We believe the categories are too much focused on finance entities. We note that this follows from the focus on financial condition. But there are many other entities that are of public interest, as noted in paragraph .43 of the explanatory memo and

Respondent	Comment
	as 400.8 suggests, yet these are not in the definition in R400.14. We believe that the factors in 400.8 should be included in R400.14 as these capture more completely what is in the public interest. The exposure draft does not explain why R400.14 is suddenly so restricted to finance entities from the broad considerations in 400.8. For example, an entity may have many employees and not be easily replaceable in the event of financial failure (criteria in 400.8), yet not be publicly traded nor a bank or insurance entity (the factors in R400.14). In our view such an entity may be as much or more a public interest entity than a bank or insurance company, because it would not be in the public interest to have many so employees exposed to the threat of unemployment. Similarly, an entity which is important to public safety (for example it manufacturers medicine or vaccines) that is not easily replaceable in the event of failure is likely also a public interest entity. We note that the definition would not automatically include a government in the definition of a public interest entity. It is counter-intuitive that the financial condition of a government would not be a matter of public interest. We are unsure if this means IESBA recognizes that the financial statements of a government are of an even "higher" public interest (though no additional differential requirements have been proposed for such audits), or that somehow an audit of a bank or insurance company's financial statements is more important than the audit of a government's financial statements. We suggest the factors in R400.14 be replaced with the factors in 400.8, broadened to reflect non-financial considerations as well.
SMPAG	The SMPAG agrees that it would be difficult, if not impossible, to develop a single definition of PIE at a global level that can be consistently applied by all jurisdictions without modification and further refinement at a local level. However, an approach that appears designed to require adaptation is not appropriate. In our opinion, if IESBA presupposes there will be a need to exempt certain entities, they ought not to be included, otherwise it will lead to inconsistent practices internationally and have potential unintended consequences. Overall, we believe the proposed approach places too much emphasis and expectation on the local bodies to refine the list of PIEs and make modifications. On balance, we believe that the PIE definition in the IESBA Code (the Code) should rather be too narrow (option 1) than too broad (option 2), otherwise the situation arises where PIEs at an international level are not PIEs under local legislation in several parts of the world and it will lead to inconsistent practices and global fragmentation resulting in confusion. There are concerns about the need to refine the list of PIEs by excluding entities and the resulting inconsistent practices this will lead to internationally and potential unintended consequences. For example, in a group audit, if the definition of PIE is different between the parent company in country A and subsidiary (component) in country B, it will be difficult in practical application and cause confusion… In addition, we are concerned that the broader definition is going to create more confusion in jurisdictions which currently have more narrow definitions of PIE (e.g., the European Union and US) and the practical implications and lack of clarity to what should be followed. We note R400.15 but are also concerned that the language "…shall have regard to law or regulation..." implies a choice. As we have commented previously on various occasions and most recently in our response to the IESBA's NAS project, we believe it is important for IESBA to clearly specify the entities to which the specific provisions of the Code shall apply,

Respondent	Comment
	otherwise some jurisdictions may include entities in their PIE definitions for which the IESBA provisions would be inappropriate or impractical.
AE	No, we do not support this approach. The Code should define a minimum list of PIE categories as a foundation to which local jurisdictions can add others depending on the local circumstances. The categories in the Code should include only systemically important entities: listed entities, banks and insurance companies (please see our response to Question 5 for more details)… Furthermore, the approach proposed by IESBA would scope in entities whose financial condition would not be of public interest, especially in jurisdictions where the regulations do not specify a PIE definition and lead to unnecessary complexity. Unless the definition applies only to entities for whom the IESBA determines that differences in auditor behaviour are warranted (e.g., the provisions of the IESBA Code relating to NAS and fees), expanding the PIE definition may also discourage smaller audit firms from auditing PIEs by forcing them to comply with additional and disproportionate rules of independence. Also, this approach deviates from normal standard setting by the IESBA which is setting minimum requirements which can be extended. This reversed approach would cause confusion and could potentially undermine trust in the profession. If the scope of the Code, which is adhered to by many audit firms, becomes significantly at variance with local legislation, there will be a lot of confusion globally for both audit firms and the users of financial statements. This will be even more confusing if national definitions and the Code's definitions introduce different requirements for the auditor.
AIPCA	PEEC does not support the approach used by the IESBA to include a broad PIE definition as a requirement in the code because PEEC believes the proposal will result in significant unintended consequences including complexity, confusion, and inconsistent practice. Because it is not feasible to develop a single global definition, a more practical approach would be to provide a PIE definition, using the proposed categories as guidance or examples (as opposed to required categories), and allowing the local bodies to refine the list as appropriate… PEEC believes this approach will allow for less complexity, confusion, and more consistent practices. Treating the categories as guidance or examples would help address the impact and potential implications on • jurisdictions that are already highly regulated, • smaller entities and firms, • jurisdictions where there are multiple local bodies, • firms practicing in jurisdictions where local bodies do not, or cannot, refine the categories, and • the time and resources necessary for any refinements to be codified and implemented.

Respondent	Comment
	Highly regulated jurisdictions For highly regulated jurisdictions, where regulators have established customized independence regulations for a category of PIE, requiring auditors to comply with alternative independence standards is counterintuitive and has the potential to result in confusion and inconsistent treatment. When a regulator of one of the PIE categories has established customized independence standards, that regulator is likely deeply familiar with the industry and its stakeholders and has taken that into consideration when customizing its regulations. In the United States, the securities, insurance, and banking regulators and the regulators of post-employment benefit plans have developed robust independence standards and as such, we currently have consistency in practice which will be degraded by this new approach. Highly regulated jurisdictions may also have additional initiatives (for example, inspections) that are designed to enhance confidence in audits and therefore, the financial statements. When appropriate, local bodies should be permitted to factor these initiatives into determining whether enhanced confidence in independence can be achieved through these initiatives or if additional independence requirements are needed. This is especially important when the IESBA requirements to enhance confidence in independence are not supported by empirical data and go beyond a regulator's independence requirements. **Small entities and firms** Small business is the cornerstone of the global economy and limitations not grounded by empirical evidence, will affect • a small firm's ability to compete in the PIE marketplace. • the cost small business clients must pay for services. Increased costs could result because the small business client must secure nonaudit services from an additional provider or because the small business client will have to pay higher audit fees due to the enhanced safeguards being implemented. **Multiple local bodies** For jurisdictions that have multiple local bodies, including a broad PIE definition as a requirement in the code exponentially increases the complexity and confusion and chances for inconsistent rules and practice to emerge. In the United States, not only is the AICPA a local body but various federal and state regulators (for example, state insurance regulators and boards of accountancy) are also local bodies. Some of these have already established independence standards to enhance confidence in audits.

Respondent	Comment
	Inaction by local bodies It is unclear whether firms that are subject to the IESBA requirements and practice in jurisdictions where the local body does not or cannot take action to refine the definition will have to apply the definition without refinement. Doing so would seem contrary to the objective outlined in the explanatory memorandum. **Refinement** If the current approach is not revised to consider the PIE categories as guidance or examples, PEEC believes the proposal should clarify that local bodies may eliminate or replace a category during their refinement process to ensure the categories included in their definition of PIE clearly articulate the entities that should be covered. For example, if a local body believes that the category "publicly traded entity" would be more clearly understood if it was replaced by three other categories, the proposal should allow for the local body to eliminate the category "publicly traded entity" and replace it with the categories that it believes will minimize complexity and confusion and drive consistent practice.
ASSIREVI	In fact – and as already mentioned in our response to question 2 above – it is our view that the current wording identifying PIE categories under paragraph R400.14 is too generic, as it refers to a wide range of entities that cannot always be determined ex ante with sufficient certainty… As already mentioned in the introduction to this document, it is worth highlighting that the inclusion of an entity in the PIE category determines significant impacts not only in terms of auditor independence rules, but also, more generally, with regard to the provisions related to the performance of the audit: see in this regard our response to question 15 below. Moreover, it is worth reminding that over the years PIEs have also been subject to regulatory provisions pertaining not only to the mere area of statutory audits. As an example, under EU regulation PIEs are requested to report on non-financial information. It is therefore the view of Assirevi that the objective underpinning the proposal to amend the Code should be pursued setting out very clearly defined categories of PIEs to which the rules of the Code of Ethics should apply. This would avoid the uncertainties and the lack of consistency that would result from the introduction of too broadly defined criteria, as explained above. Alternatively, Consequently, entities defined as PIEs at the individual country level would be subject to the independence rules of the country involved as well as to those identified in the Code of Ethics for this category of subjects. Finally, it is necessary to consider how entities falling into one or more of the PIE categories set by the Code should be treated in case the specific legislation of the country of origin does not define them as such.
CNCC	We strongly believe that beyond listed entities, the definition of PIES in the Code should include banks and insurance companies . It is a common feature all over the world to consider listed entities, banks and insurance companies as PIEs and it seems unquestionable that they should be included in the definition of PIEs in the Code. However, we have strong concerns about the approach taken by IESBA in the ED, which we believe may lead to:

Respondent	Comment
	o Less consistency in the definition of PIEs around the world, rather than more. o Increase the number of PIEs to a level which is unpracticable. o Instil in the Public's mind the idea that there are two different audits: the audits of PIEs and the others… **Keep the number of PIEs at a reasonable level** Although we support the intention of IESBA to extend the definition of PIEs beyond listed entities, we believe that it is very important that the number of PIEs remains reasonable in every jurisdiction and that it does not increase to a level where it would become totally impracticable and unmanageable. A PIE, should always have a large or very large number of shareholders, investors, stakeholders, users, etc. It is the "Public interest" which is at stake in a PIE, i.e., the interest of a large portion of the Public. The PIE definition should never lead to treat as a PIE an entity which is very local with a limited number of stakeholders. **Role of the local bodies** We have strong concerns about the approach taken by IESBA in its ED which consist in having a very wide definition of PIEs in the Code which is expected to be tailored by local regulators or local bodies to meet their local needs. This includes the possibility for the local bodies not to consider as PIEs for their local needs, some entities which are in the list of PIEs in the Code. We believe that it is not the role of an international Code to provide a wide list of potential PIEs from which the local authorities can "cherry pick" to meet their local needs. It would be a source of inconsistencies and confusion worldwide which could be very detrimental to the user's perception of the audits and understanding of the audit reports. On the contrary, we believe that the role of an international code, such as the IESBA Code is to provide a baseline, a common ground, to which everybody can adhere. The success of the approach taken in the ED is subject to the local bodies actually tailoring the code to their needs while the IESBA itself recognises that most local bodies might simply adopt the code as is, "a *situation which would undermine the IESBA's broader approach"…* In view of all these conditions which need to be met for the project to be successful, we believe that there is a high risk that the proposals in the ED result in less consistency in the PIE definition around the world rather than more. This is why we disagree with the approach taken by the ED. e believe that the PIE definition in the IESBA code should be a baseline, a common ground, to which everybody can adhere and that local bodies should only be allowed to add to this baseline and define or provide guidance on materiality.

Respondent	Comment
IDW	**Replacing the extant PIE definition with a list of high-level categories of PIEs?** We support replacing the extant PIE definition with a short list of categories. However, we do not support the notion of "high-level" categories, which appears to imply that the categories are not clearly defined so that their boundaries are subject to more subjectivity. We believe that each of the categories should be clearly defined to serve consistent application at an international level. This means that the short titles of each of the categories may need to be expanded to reflect a clear definition of the characteristics desired to define that category, such as was at least partially done for "publicly traded entity". **Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?** As noted in the first consideration in the body of our comment letter, we do not believe it is in the public interest for relevant local bodies to refine the IESBA definition for local purposes as part of the adoption and implementation process because such departures from the IESBA definitions – even if permitted by the IESBA Code – undermine the very basis for international standards, which is to be able to refer to the IESBA Code to signal to stakeholders that a minimum standard as promulgated at an international level has been fulfilled. Consequently, we do not support such refinement of the IESBA definition at a local level. We note that the lack of a provision in the IESBA Code permitting such refinement would not prohibit local legislators, regulators or standard setters from departing from the IESBA Code – it would only prevent them from claiming compliance with the IESBA Code, which is the entire point of having an international Code. We also note that paragraph 400.15 A1, which includes the provision for refining the definition at a local level, is application material – not a requirement. By definition, application material cannot overturn a requirement (such as in R400.14) – particularly, when as we suggest the requirement in R400.14 were to use more definitive definitions.
NBA	We repeat AE's call to IESBA to move away from the broad approach proposed. The Code of Ethics should define a minimum list of PIE categories as a baseline to which local juris-dictions can add others depending on the local circumstances.
NRF	No, we do not support this broad approach. The broad approach, with the fundamental interdependences between the role of the Code, the local bodies and the firms, is rather unusual, and we question its appropriateness in the Code. Not only does this model deviate from the bottom-up approach that is used throughout the current Code, it is also too uncertain if, and how, it will work in practice. Besides "publicly traded entities" (which we comment on below), we can appreciate that the different categories included in R400.14, generally speaking, could be described as PIEs. However, even though the expanded list of PIE categories is presented as a requirement for the firms, the list is not intended to be applied as such in its entirety. We have strong concerns as to what signals this approach sends. Having requirements that are not intended to be applied as such, dilutes their importance. We do support the IESBA exploring this area and providing guidance, but we believe this approach should be dealt with outside of the Code.

Respondent	Comment
	In order for this broad approach to work, the explanatory memorandum states that the local bodies need to actively refine the scope. Putting such critical expectations on a part, whose actions or non-actions – as opposed to professional accountants and accounting firms – are outside of the Code's remit, provides for very uncertain outcomes in terms of achieving convergence on a global level. For example, the consequences and outcomes will vary quite a lot between jurisdictions where the local bodies decide to actively refine the scope and where they do not. In jurisdictions where there does not exist any legal definitions, it would seem as if the broadly scoped categories in R400.14 would have to be applied in its entirety by the firms, even though that was never the intent. Also, when the local bodies refine the broad scope in R400.14, they should base their decisions on the list of factors in 400.8 that reflect the level/extent of public interest in the entity. Only such PIEs, that reflect significant public interest in the financial condition of these entities should then be included in the final scope. In addition to having an expanded list of PIE categories in R400.14 and an expectation on local bodies to refine this list, the firms should be required to consider further entities as being treated as PIEs. When doing so, the firms should not only consider the factors stated in 400.8 but also additional factors listed in 400.16 A1. The rationale for this model is difficult to comprehend and we doubt that this approach will lead to sufficient convergence on a global to justify such a complex model. With regard to the role of the firms, we also refer to our response to question 9. **NRF's proposed alternative** Instead of moving ahead with this approach, we propose that the IESBA maintains the current narrow approach when defining PIEs. However, we agree that the current definition that only include listed entities is too narrow to reflect PIEs even on a minimum level. In our view, also banks and insurance companies should be included. Having already concluded that achieving a concise definition on a global level is unrealistic, we still believe that any inconsistent application of these two terms will still be less than applying the proposed broad approach. In addition to including such a minimum level of certain entities, the PIE-definition should also include an explicit reference to legal definitions of PIEs (in an audit and independence context) and entities that local bodies have determined should be defined as PIEs, i.e., the role of local bodies should only be to add, and not to limit, the scope of the definition. We believe that this narrow approach of defining PIEs is clearer, easier to apply, and better reflects what is reasonable to expect from a global Code that primarily should be used as a self-regulatory tool for the accountancy profession. **Comments to specific paragraphs** If IESBA's proposed broad approach should be applied, we still question some of the drafting related to this approach. For example, according to R400.15 a firm "shall have regard to law or regulation…". This almost sounds as if compliance to law and regulation is optional for the firms.

Respondent	Comment
	Paragraph 400.15 A1 is intended to regulate the role of the local bodies in relation to the requirement in R400.14. As such, we think it should rather be application material to that paragraph than to R400.15. Also, paragraph 400.15 A1 states that "The Code therefore provides for those bodies responsible for setting ethics standards for professional accountants to refine these categories by, for example, making reference to local law and regulation governing certain types of entities." We wonder how this relates to legal or regulatory definitions in a jurisdiction. For example, does it mean that unless the local body actively states that a legal definition should be applied although it does not cover all categories/entities included in R400.14, the broader requirement in R400.14 should by default be applied for those categories/entities that fall outside the legal definition?
WPK	Setting up a single definition of PIE that could be universally adopted at a global level would in our view not be possible. Accordingly, as far as countries are concerned, which do not have a professional definition of PIE of their own, we agree with the IESBA approach taken both with regard to replacing the extant PIE definition with a list of high-level categories as well as to refining the IESBA definition by the relevant local bodies as part of the adoption and implementation process. Regarding jurisdictions which do have a robust definition, we do not agree with IESBA (please also see question 7). Jurisdictions, such as the European Union, which already have a robust legal definition of PIE, link sophisticated professional and technical requirements to this definition. IESBA cannot create definitions of PIE or impose obligations to audit firms or local bodies in this context that overrule national regulation. Accordingly, existent local definitions in such jurisdictions must be the single basis. We believe R400.15 and 400.15 A1 to be drafted in this sense. Nevertheless, R400.15 ('A firm shall have regard to law or regulation which provides more explicit definitions of the categories noted in R400.14 (a) to (e)') leaves room for interpretation, as it is not explicit enough: What does 'regard to law and regulation' mean - do law and regulation overrule IESBA? Why shall firms only regard law and regulation that contain more explicit 'definition of the categories' – what if law and regulation have more, less or modified categories? Shall firms then ask the local bodies in 400.15 A1? An unmistakable clarification is required that the definition of 'PIE' is ultimately based on national professional law/regulation, if available.
BKTI	We do not support the "top-down" approach taken in the proposals of substantially broadening the scope of the definition of a PIE in the IESBA Code, and then relying on relevant local bodies to exempt certain entities at a local level. It is an inappropriate approach to international standard setting and a consequence of this approach is that members of the Forum of Firms will not be able to benefit from any such exemptions. This will result in a significant number of entities being inappropriately scoped in as PIEs in many jurisdictions. This negates the assertion made by the IESBA that it is impractical to introduce size thresholds at a global level, by effectively scoping in qualifying entities of all sizes where they are audited by a member of the Forum of Firms.

Respondent	Comment
	We would prefer a "bottom-up" approach, whereby the definition of a PIE is deliberately kept fairly narrow at the IESBA level, with relevant local bodies left to expand the definition and scope in additional entities as appropriate to their jurisdiction. This would result in the IESBA definition representing a consistent level minimum playing field for inclusion as a PIE, with further entities scoped in at a jurisdictional level as considered appropriate by relevant local bodies.
DTTL	We also recognize the challenge that comes with trying to establish a definition that can be universally adopted when both the public interest and the factors that drive such a definition are predominantly defined at an entity or jurisdictional level. The fact that the current state is a patchwork of different PIE definitions around the world, even in the European Union legislation which starts with one common definition and allows for local adaptation by member states, demonstrates that, on balance, the definition of a PIE is more appropriately determined by local bodies at a jurisdictional level, and we applaud the local jurisdictions that have undertaken this process in recent years. Conversely, Deloitte Global considers that a broad PIE definition contained in a Requirements paragraph in the Code will have unintended consequences for entities that fall within that definition but where the extent of public interest would not be significant, for example, because of the size of the entity. While the Board is proposing that the definition be further refined by local bodies, using such a broad stroke does not address the disproportionate impact the requirements will have on the entities and the audits in jurisdictions where there is inaction by local bodies, or where it may take many years for jurisdictional changes to occur. There may be a view that there is no harm in disproportionately applying stricter PIE independence requirements to entities that do not have any significant public interest in their financial condition. However, a delayed action or a complete lack of action by a local body in a particular jurisdiction will mean the Forum of Firms will follow the Code, but other audit firms might only follow the local standards and regulations. This fragmentation and inconsistency in the application of the standards within the same jurisdiction is not in the public interest and might create confusion and harm the public trust in the profession. Given the concerns stated above, Deloitte Global prefers Approach 1 of providing a narrow definition such as in the current Code to which local bodies can add. Consequently, we also recommend that the effective date of any change to the PIE definition be the effective date of the local body's standard or regulatory setting, which addresses the risk of the disproportionate outcomes mentioned above… Deloitte Global does not support the broad approach adopted by the IESBA in developing its proposal for the PIE definition. This lack of support is driven by the reasons outlined in the introduction above, and in particular the atypical approach proposed by the Board in which the successful implementation of the standard is contingent on active engagement by the local bodies. This concern is supported by IFAC's publication International Standards: 2019 Global Standards Report which indicates only 48% of the jurisdictions have completely adopted the Code and 46% have only partially adopted it. Furthermore, given that only 57% of the jurisdictions directly refer to the Code and the remainder go through a convergence process or do not use the Code at all, this broad approach is particularly problematic.

Respondent	Comment
	Deloitte Global agrees that, for the purposes of the application of the provisions of the Code, a reasonable and informed third party would be likely to consider that most of the proposed high-level categories in the ED would ordinarily be defined as PIEs, especially entities whose main functions are to take deposits from and provide insurance to the public. However, as recognized by the Board, the definition as proposed has the potential to sweep in entities that are not in fact PIEs and create a disproportionate outcome if applied with no consideration of size and/or other criteria (for example if a local body does not exclude entities.) IESBA's vision is for the Code to be a foundation of strong ethical principles, values and standards to underpin trust in the global accountancy profession in a dynamic and uncertain world, and to enable the profession to act in the public interest. With this vision of the Code as a foundation in mind, Deloitte Global strongly believes that allowing local bodies to change or remove Code requirements will cause confusion and undermine trust in the profession. A better approach would be to provide a narrow definition as baseline guidance and allow the local bodies to add to the list as appropriate in the jurisdiction. We are of the view, as is the Board, that is it within purview of the local bodies to develop a PIE definition that best addresses the specifics at the local level. It has been clearly stated by the Board that in the event of lack of engagement of the local bodies, the standard would not fulfill its objectives, primarily because it would then scope in entities whose financial condition is not significant to the public interest. An approach that is so heavily dependent on the actions of third parties, which are beyond the control of the Board, raises significant risks that will be very difficult to rectify in the event the necessary engagement does not materialize.
EY	With the Board's proposed changes, we are concerned that while trying to enhance the definition of Public Interest Entity (PIE), the Code will create greater diversity in how entities are assessed as having an elevated degree of public interest and therefore classified as PIEs, which we do not believe is in the public interest. While we agree on the need to have a definition of PIE that goes beyond listed entities, we believe that the broad approach proposed by the Board risks inappropriately capturing too many entities as PIEs and may increase confusion among stakeholders as to why entities with similar characteristics are classified differently in various jurisdictions. In order to appropriately reduce the diversity in PIE classifications, we believe the Code, as a global standard, needs to take a more narrow, baseline approach to defining categories of entities that are to be treated as PIEs, which can be more readily and consistently implemented across many jurisdictions. This includes having a clearly defined category for publicly traded entities that continues to include entities that are captured by the extant definition by being listed on a recognized stock exchange. The approach should allow for and encourage local bodies and regulators to further supplement the Code's list of categories and capture additional entities that are deemed to have an elevated degree of public interest based on local considerations, while allowing for local jurisdictions to establish criteria within the narrow baseline of categories that would allow for entities to be excluded from the Code's categories (e.g., based on size or other criteria). .. No, we do not support the broad approach adopted by the IESBA in developing its proposals for the PIE definition. We believe that the proposed approach of including a broad range risks inappropriately capturing too many entities as PIEs and may increase confusion among stakeholders as to why entities with similar characteristics are classified differently in various

Respondent	Comment
	jurisdictions. We believe the Code should take a narrow, baseline approach by defining globally consistent categories of PIEs, as the extant Code currently does. As discussed more fully in our response to question seven, the Code should leave it to local jurisdictions to supplement, but not remove, categories of entities that are to be treated as PIEs in their specific jurisdiction. However, we, do believe that the Code should allow for local jurisdictions to establish criteria within the narrow baseline of categories that would allow for entities to be excluded from the Code's categories (e.g., based on size or other criteria). While local jurisdictions currently can and do define categories of entities that are to be treated as PIEs, which has shown to lead to diversity on a global basis, we do not believe it is in the public interest for a global standard, such as the Code, to include provisions that create even greater differences between jurisdictions in an increasingly globalized economy. As an example of a potential consequence of the proposed approach, we note that local refinement of the "publicly traded" category in the EU could result in a significant reduction in the number publicly traded entities categorized as PIEs as it is likely that many of the EU local bodies and regulators will limit this category to the "EU regulated markets". Currently, the profession, in line with the Code, treats all listed entities as PIEs, including the large number of entities listed on secondary markets that are not EU regulated markets. We also believe that a narrowly defined list of PIE categories provided by the Code, with the ability of local bodies and regulators to supplement the list, will allow for focused regulatory effort in each jurisdiction as the PIE designation would be based on the factors deemed relevant in the local markets to protecting the public interest. We agree with the Board's statement in paragraph 52 of the Explanatory Memorandum (EM) that determining the categories of entities that should be treated as PIEs is best placed with the local bodies and regulators. We believe local bodies and regulators have better insight into the factors within their jurisdictions that create the elevated degree of public interest, and they are best placed to understand the needs of the relevant stakeholders. As noted above, we believe the Code should provide a narrow list of categories of entities to be treated as PIEs on a globally consistent basis, and provide that firms must also treat as PIEs those additional categories of entities that have been specified as PIEs by law or regulation, as stated in proposed paragraph R400.14(f). As drafted, the proposals provide for local bodies and regulators to "refine" the categories of PIEs set forth in the proposed paragraph R400.14. To "refine" would mean to remove the unwanted or unnecessary elements. As such, we understand that the Board's intent is to allow local bodies and regulators to remove categories, and not only entities included in the categories, from being considered as PIEs. This is an approach never before seen within the Code, and we believe this has the potential of creating an unintended consequence, as more fully discussed in our response to question seven. In particular, local bodies and regulators may interpret this to mean that they may "refine" other aspects of the Code as part of their adoption. We strongly suggest that the Board needs to make it clear in the Code that although the Code provides for those bodies responsible for setting ethics standards to refine these categories, this ability to refine the Code's provisions only applies to this particular scoping purpose and does not extend to any other aspect of the Code. The Board should consider clarifying that if a local body or regulator takes no action to change its definition of public interest entities, including being silent on its view, the appropriate application for the firm would be to follow the jurisdiction's definition. For example, some jurisdictions would require legislative action to change their list of entities that are required to be treated as PIEs, and it may be that such jurisdictions do not see a need to make a change and thus, will take no action.

Respondent	Comment
	An additional unintended consequence under the Board's proposals is that if a local body or regulator excludes a particular category of PIEs and the audit firm therefore does not treat an entity within that category as a PIE, it appears the audit firm would be in breach of proposed paragraph R400.14 since it is proposed as a requirement for a firm to treat entities within these categories as PIEs. Including a narrow, baseline list of categories that local bodies and regulators could supplement, but not remove, categories of entities that are to be treated as PIEs, removes these unintended consequences.
GTIL	• **Replacing the extant PIE definition with a list of high-level categories of PIEs?** GTIL does not support replacing the extant PIE definition with a list of high-level categories of PIEs. While we understand the direction of setting a broad, global definition and suggesting regulators and national standard setters refine as necessary, we are concerned that this approach will create more inconsistency in application and result in unintended consequences. This is especially of concern in jurisdictions where they lack the resources and knowledge to make the necessary assessments and refinements to the definition of a PIE or in jurisdictions where they adopt and implement the IESBA provisions with little to any refinements. In these jurisdictions, the PIE definition could remain broadly applicable and lead to inconsistent and overapplication of the rules, scoping entities into the PIE requirements that do not have significant public interest. Therefore, we believe that the PIE definition being proposed by IESBA should not be as broadly defined and should be a baseline with certain qualifiers, to which regulators and national standard setters can adhere to and refine only by being allowed to add to, further define, or provide additional guidance as to the nature, size, structure, and threshold of entities that should be categorized as PIEs. • **Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?** GTIL supports refinement of the IESBA definition by relevant local bodies and standards setters as part of the adoption and implementation process. Refinement of the definition will help reduce inconsistencies and overapplication of the requirements, such as excluding entities whose financial condition is not significant to the public interest. However as stated above, we believe that the PIE definition being proposed by IESBA should not be as broadly defined (as currently proposed). The proposed definition should be a baseline to which regulators and national standard setters can adhere to and refine only by being allowed to add to, further define, or provide additional guidance as to the nature, size, structure, and threshold of entities that should be categorized as PIEs We are further concerned with the broad-based definition because the process of refining the IESBA's revised definition of PIE will require significant effort and time from the relevant local bodies and standard setters. Jurisdictions that adopt and implement the provisions with little to any refinements to the definition, will require the jurisdiction at a minimum, to include those categories set out in IESBA's final proposal. This could result in entities being categorized as a PIE whose financial condition may not have significant public interest, resulting in additional requirements and cost that may actually be

Respondent	Comment
	contrary to the public interest.
KPMG	We appreciate the Board's rationale for proposing the broad approach, given the views from stakeholder groups in the public interest, which require a response beyond the status quo of the legacy PIE definition and the current narrow list of categories. We do have concerns about global divergence given the lack of both a baseline which all jurisdictions apply and stringent expectations for potential refinements to the PIE definition, resulting in greater global disparity in independence requirements. We believe that global consistency, as far as is possible and appropriate, should be a key aim of IESBA in terms of driving increased public confidence in financial statements. The proposed approach, as drafted, might lead to reduced consistency across jurisdictions, as well as different approaches to any scope-outs of certain entities in jurisdictions that are otherwise similar, which would not be appropriate in accordance with the overarching objective (considering our suggested revisions) and could undermine the drive for global consistency. While we recognize the intended principles-based nature of this approach, we also have concerns as to whether local bodies in all jurisdictions will interpret and execute the expected refinements appropriately, without which the broad PIE categories will be incorporated into local standards and regulations in a manner that overextends the PIE requirements to entities where such requirements would be impractical, onerous or otherwise without merit. A more prescriptive approach to the refinements would reduce inconsistency and difficulty in application. To address these concerns, we recommend establishing a more explicit global baseline, linked to clearly articulated principles that underpin the overarching objective (considering our suggested revisions) and that consider the different definitions of PIE established across jurisdictions currently. Such principles would clearly describe the drivers behind each category of PIE, together with further accompanying guidance. This would best drive global consistency, while also helping to ensure that certain entities would not be inadvertently scoped into the PIE definition, which might lead to requirements that are unduly onerous for those clients.
Mazars	However, we do not agree with the proposed broad approach which delegates significant responsibility to local bodies and firms. In our view, an international code should provide clear and consistent guidelines to which all parties can adhere in all jurisdictions. Rather than providing a "high level" list, which can then be adjusted by local bodies to meet their specific local needs, which could mean excluding certain categories of entities. In the same way, we do not consider that it is necessary for firms to go beyond the Code and consider if other entities not falling into these categories should be treated as PIEs. As a firm, we have appropriate measures to manage risky clients without going through the identification of the audit client as a PIE… No, we do not support the approach outlined. We believe that an international code should provide clear guidelines to which all parties can adhere rather than providing a 'high level 'list which can be adjusted by local bodies to meet their specific local needs which could include excluding certain categories of entity from the PIE definition. The proposed approach is likely to lead to inconsistencies in application and confusion amongst users.