

**Definitions of Listed Entity and Public Interest Entity
Comments on ED Question 2
(Publicly Traded Entity)**

ED Question 4

Do you support the proposals for the new term “publicly traded entity” as set out in subparagraph R400.14(a) and the Glossary, replacing the term “listed entity”? Please provide explanatory comments on the definition and its description in this ED.

The respondents' comments are grouped into:

- Supportive comment
- Comments from respondents that supported the new term
- Additional comments on clarify of the definition
- Comments from respondents that did not support the new term

Respondent	Comment
	Supportive comment
NASBA	We support the proposal for the new term “publicly traded entity” replacing the term “listed entity.” The glossary states the definition of a publicly traded entity as an entity that issues financial instruments that are transferrable and publicly traded. This definition seems reasonable and allows for inclusion of those securities not listed on a formal exchange but traded through other networks or markets.
FRC	The proposed definition encompasses trading in financial instruments issued by an entity which is not just limited to regulated exchanges, but also covers recognised exchanges and over-the-counter trading. The definition also scopes out those entities where in substance it is not possible to trade in the financial instruments issued by that entity, such as when listing is a structural requirement, or where the consent of another party is required to trade in those instruments. This aligns with the guidance provided by the FRC on what constitutes a listed entity for the purposes of our own Ethical Standard.
ICAEW	A broader definition is welcome to avoid a lack of clarity around definitions of a regulated exchange, and the classification of securities and debt in different jurisdictions

Respondent	Comment
ICAG	<p>Yes, we support the new term “publicly traded entity” replacing the term “listed entity”. The proposed revision is appropriate since some entities as the new term “Publicly traded entity” largely addresses the concerns in paragraph 37. Thus it now scopes in more entities as it is not confined to shares, stock or debt traded only in formal exchanges, and also includes second tier markets or over the counter trading platforms. The new term also provides clarity on the confusion created by the term “recognized stock exchange” in the definition of listed entity. We note that the proposed new term scopes in more entities as it is not confined to shares, stock or debt traded only in formal exchanges but also encompasses those in second-tier markets or over-the- counter trading platforms. The new term also aims to remove the confusion created by the term “recognized stock exchange” in the extant definition of listed entity</p>
INCP	<p>We agree. We believe it is an improvement in the current code, thus adapting it to the changes and complexities of today’s businesses around the world. The new term “publicly traded entity” includes a higher number of companies covered by the previous definition of “listed entity,” which only encompassed those entities whose shares or debt were quoted or listed on a stock exchange.</p>
Crowe	<p>We support the proposals for the new term “publicly traded entity”. This definition is clearer than “listed entity” as the term “listed” was open to interpretation depending upon listing arrangements in individual countries.</p>
GTIL	<p>GTIL supports the proposals for the new term “publicly traded entity” as set out in subparagraph R400.14(a) and the Glossary, replacing the term “listed entity”. We believe the proposed definition:</p> <ul style="list-style-type: none"> • appropriately scopes in entities trading on second-tier markets, eliminating confusion between “regulated” versus “recognized” stock exchange, • uses the term “financial instruments” which captures the various assets that can be traded beyond shares, stock, or debt, and • uses the term “publicly traded” instead of “publicly listed”, which addresses whether a financial instrument is freely transferable, as some financial instruments are only listed and are not intended to be traded. Certain jurisdictions would not consider an entity as listed if their shares, stock, or debt were not freely transferable or could not be traded freely by the public or the entity, creating a disparity between the requirements in the Code and the requirements in the local jurisdiction.
MNP	<p>We support the proposals for the new term “publicly traded entity” to replace the term “listed entity”. The term “publicly traded entity” is a widely used term in Canada; therefore, we do not anticipate any significant concerns with its adoption. In addition, we believe the revised term reduces the uncertainty of whether an entity meets the definition by expanding the scope to encompass entities that issue various different types of financial instruments. The change in term also addresses the question of whether secondary markets are considered a recognized stock exchange.</p>
RSM	<p>We support the proposals for the new term “public traded entity” as this would exclude entities subject to the extant definition of listed entity which do not attract significant public interest in their financial condition, for example, entities</p>

Respondent	Comment
	whose financial instruments are listed but which are not available for public trading.
	Comments from respondents that supported the new term
CEAOB, IAASA	<p>The definition of a “publicly traded entity” proposed in the ED should be further aligned with that of the equivalent category set out in article 2.13 (a) of the Directive 2006/43/EC (amended by Directive 2014/56/EU) (“Audit Directive”). The revised definition should therefore refer to entities with transferable securities listed on a regulated market governed by law.</p> <p>The definition of a publicly traded entity proposed in the ED is not sufficiently clear. Further explanation should be developed with clear examples to ensure that there is a shared understanding of the proposal. Explanations provided in the explanatory memorandum may be a good starting point for such an additional guidance</p>
SMPAG	<p>We are concerned that an unintended consequence of moving more entities under the PIE umbrella with the need to apply more stringent independence requirements – mainly to address perceptions rather than factual independence issues – could be a perception that the other independence requirements are less important.</p> <p>As outlined earlier, there are strong views that the international standard setters – IESBA, IAASB and IASB should all have a common definition. We note the initial coordination between the IAASB and IESBA and the IAASB proposal to take a case-by-case approach to review the use of “listed entity” in the IAASB standards. In practice, it is problematic that differences exist between the definitions and expressions used and we strongly encourage the International Standard Setting Board’s to work together to eliminate the differences and harmonize the definitions, where appropriate. We are concerned that should the IAASB retain the use of listed entity (which may be appropriate) this will lead to more confusion with the Code and less harmonization, which is the opposite of the project’s intention. In addition, the term listed entity remains in the Code (e.g., 400.14 A1), so consideration may be needed on whether a definition in the glossary is still required.</p>
ASSIREVI	<p>Assirevi understands the need to clarify the perimeter of companies subject to the PIE rules – a need underlying the proposal from the IESBA to replace the term “listed entities” with the term “publicly traded entity”.</p> <p>According to Assirevi, however, the definition of “publicly traded entity” should include only those entities active on a “regulated market”, in line with the provisions of EU legislation.</p> <p>Entities active on a “recognized stock exchange” are normally subject to different and less strict rules compared to those applicable to companies admitted to a “regulated stock exchange”. This choice, adopted in most jurisdictions, aims at creating an alternative to the admission to trading of financial instruments on regulated markets, allowing for less onerous requirements and less complex rules when these instruments are listed on unregulated markets.</p> <p>Consequently, Assirevi believes it would not be appropriate to consider entities listed on “recognized stock exchanges” in the same way as those whose securities are traded on “regulated stock exchanges”, which would happen by simply</p>

Respondent	Comment
	replacing the term “listed entities” with the term “publicly traded entity”. Indeed, this would mean not taking into account the significant differences existing among the rules governing those markets, as specifically enacted by local legislators.
NZAuASB	The NZAuASB encourages the IAASB and the IESBA to work closely together to ensure that any new “term” can be defined and applied consistently across both the auditing standards and the ethical standards.
ACCA	Although we are supportive of the new term, we do note that due to its broad nature it does create complexities for local bodies when considering its refinement. We therefore believe that the IESBA's close engagement and support of local bodies as they look into implementation and localisation would be key in promoting consistent understanding globally.
AE	In addition, we would like to emphasize that such replacement should not lead to any inconsistency between the Code and the IAASB standards. Therefore, IESBA should not pursue the replacement unless it is also agreed and adopted by the IAASB.
CAANZ	<p>The IAASB’s auditing standards currently use the term “listed entity”. We recommend the IAASB and the IESBA work closely together ensuring the new term can be defined and applied consistently across the auditing standards and the ethical standards.</p> <p>There is a need to provide more application guidance on how to apply the new term “publicly traded” in practice i.e., whether it covers second-tier markets and other over-the-counter trading platforms, and also clarify whether the term “financial instruments” is meant to include various instruments such as shares, debt instruments, bonds etc. to avoid confusion.</p>
CAI	<p>We are supportive of replacing the term “listed entity” with “publicly traded entity” as this is better aligned with the “public interest” and addresses the issues around what is currently meant by “listed” entities. However, we consider that local regulators will need to determine what markets in their jurisdictions should be regarded for the purposes of determining what is a publicly traded entity. We also consider that further guidance will be required for local regulators to use in their determination of what “publicly traded” should encompass to ensure consistency of application in local markets. In addition to the key considerations included in the consultation, we consider that further guidance should be included on what the Board intended to be captured by the definition of publicly traded, for example on types of investors, minimum investments etc.</p> <p>We also consider that a central repository will be needed to record which markets in each jurisdiction are to be considered as publicly-traded markets similar to the listing maintained by ESMA of EU regulated markets.</p>
CIIPA	<p>In the Glossary, suggest the definition of “publicly traded entity” should include additional detailed guidance on factors that should be considered when assessing if an entity would meet the definition, similar to the items noted on pages 11 and 12 of the ED.</p> <p>However, we would also challenge the assertion on page 14 of the ED which states: “If the financial instruments are not redeemable by the entity (for example in the case of investment trusts or closed end mutual funds), then the entities are</p>

Respondent	Comment
	likely to be included in the proposed new term “publicly traded entity” as that would be the only means for the public holders to readily “realize” their investment.” Where restrictions are imposed by the entity on the types of investors who can hold interests in the entity, for example, where such interests can only be transferred to other investors who are “qualified investors” (see 2 above), then we do not believe that such entities should be classified as a “publicly traded entity”.
CPAA	<p>As noted earlier, it is problematic that differences exist between definitions and expressions used by the international standard setters. Attempts should be made to reduce or eliminate such differences and an approach be found for harmonising definitions.</p> <p>Notwithstanding this point, the use of the term “public traded entity” does not, of itself, seem to create any obvious issues or problems.</p>
CPAC	We support the proposals and appreciate the important distinction made in paragraph 400.14 A1, for entities that are defined as PIEs due to legal or regulatory reasons that are unrelated to the overarching objective set out in paragraph 400.9.
EFAA	<p>We see further scope for greater consistency of definitions and terms used across the international standard setting boards. For example, the IAASB uses the term “entities of significant public interest” (ESPI) while the IASB uses the term “publicly accountable entities”. Such differences are hard to justify and potentially confuse users of corporate reports. Accordingly, we urge the relevant boards to try to harmonize these definitions and terms...</p> <p>We do see, however, further scope for greater consistency of definitions and terms used across the international standard setting boards. As we explain under the ‘General Comments’ such differences are hard to justify and potentially confuse users of corporate reports. Accordingly, we urge the relevant boards to try to harmonize these definitions and terms.</p> <p>We also suggest the IESBA investigate the potential impact from the proposed change since the proposals significantly expand the scope of the PIE definition.</p> <p>We note the Explanatory Memorandum states that firms will incur some costs when revising their policies and procedures to ensure all their clients are correctly classified as either PIEs or non-PIEs under the revised definition of PIE and that there will also be some additional costs in implementing the new proposed requirement for firms to determine if additional entities should be treated as PIEs. SMPs are likely to be most affected. We therefore urge the IESBA to conduct a formal impact assessment, especially on the SMP market, prior to the finalization of the proposals.</p>
EXERTsuisse	Finally, we support the objective of the PIE project to find a common revised definition of the terms “listed entity” and “public interest entity” to be equally applied in the IESBA Code of Ethics as well as in the IAASB Standards, in order to achieve a convergence between the two sets of standards. We thus urge both standard-setters to closely work together towards convergence.

Respondent	Comment
HKICPA	<p>We generally support the proposals for the new term “publicly traded entity” replacing the term “listed entity” since it would expand the scope of an entity and reduce confusion. While we acknowledge it will difficult to harmonise the definition of PIE and publicly traded entity among international standard-setters (IESBA, IAASB and IASB), our stakeholders expressed that a more converged definition of PIE or publicly trade entity should be developed by international standard setters.</p> <p>A converged definition of PIE or public traded entity would be helpful to minimize the expectation gap on financial reporting and auditing among stakeholders.</p>
ICAEW	<p>A broader definition is welcome to avoid a lack of clarity around definitions of a regulated exchange, and the classification of securities and debt in different jurisdictions.</p> <p>We note that the term ‘publicly traded entity’ is defined in the glossary to the Code as ‘An entity that issues financial instruments that are transferrable and publicly traded.’ We suggest an alternative description as the definition of publicly traded entity as follows:</p> <p>‘An entity having issued transferrable financial instruments which are traded on a stock exchange or other facilitated mechanism.’</p> <p>This makes no distinction between retail and institutional investors and would include all market and Over The Counter trading.</p>
ICAJ	<p>There are entities which may be listed in our jurisdiction but not frequently traded and the level of public interest may not warrant additional independence requirements. We are therefore in agreement with the use of the term “publicly traded entity” in the revised definition.</p> <p>At the local level, there may exist concern as to what level of trading constitutes an entity being publicly traded and whether local jurisdictions may set volume thresholds for refinement. Additionally, in such context clarity is required where trading fluctuation exists from year to year as well as circumstances where an entity is domiciled locally but, on another exchange or traded on multiple exchanges.</p>
BDO	<p>We support the proposal for the new term ‘publicly traded entity’ to reflect the true public interest aspect of being ‘listed’ and to avoid confusion around the definition of recognized/regulated exchanges.</p> <p>Without a common revised definition of the term ‘listed entity/publicly traded entity’ between the IESBA and the IAASB, unnecessary confusion will be created. We support consistency in terminology across both standards.</p>
BKTi	<p>We support the proposal for the new term “publicly traded entity” to replace “listed entity”. We believe the new term is clearer, less ambiguous, and appropriately scopes in entities listed on second tier or smaller markets as well as over the counter trading platforms.</p>

Respondent	Comment
	<p>We note that some of our member firms have raised concerns about the translation of the term “publicly traded entity”. For example Spanish-speaking colleagues have commented that the translated phrase is identical for both the new and the old terms, which defeats the object.</p>
KPMG	<p>We recognize the new term “publicly traded entity” provides a better description of the underlying concept of the condition that would create significant public interest and provides some clarity to the entities that are included specific to the point of whether an instrument is actively traded as opposed to just being listed on an exchange as in the legacy “listed entity” definition. However, we have concerns regarding the intentional broadening of the term to address instruments traded in second-tier markets, such as over-the-counter trading platforms, with the emphasis being on whether there is a facilitated trading mechanism to match buyers and sellers. In North America particularly, this has been a topic of debate, highlighting challenges when securities are thinly traded, regarding which entities should be captured and which should not, and how to define an appropriate boundary.</p> <p>If concerns with the current definition hinge on the intentions underpinning the term “recognized” stock exchange, then it may result in greater clarity to focus on refining and clarifying that definition to encompass a broader range of more formal exchanges, but stopping short of the significant broadening that appears to be envisaged by IESBA, for example, extending into areas such as crowd-funding.</p> <p>We also acknowledge the Board’s intention to allow local bodies to refine this category. However, given the likelihood that in some jurisdictions the local bodies may not undertake a robust exercise to refine the broad categories but may instead adopt the revisions wholesale, the Board should drive global consistency and prevent broadening of this category beyond what is appropriate by providing prescriptive guidance to local bodies regarding the application of the term “publicly traded entity” for this PIE category. In certain jurisdictions, this term may continue to be unclear and in the absence of local bodies providing guidance through their refinement of the category, the Board will need to provide clarity.</p>
Nexia	<p>As a result of the above concerns noted in the “general comments section”, we generally support the new term “publicly traded entity.” However, we do strongly believe that the definition be consistent amongst all standard setters (IESBA, IAASB, and IASB). We believe this harmonization of terms is critical and necessary to avoid problems in application in various standards.</p>
	<p>Additional comment on clarity of the definition</p>
IOSCO	<p>We also note the following concerns with respect to IESBA’s proposed “publicly traded entity” definition:</p> <ul style="list-style-type: none"> • Introducing the term “financial instruments” while removing the reference to equity or debt, creates additional confusion as the term “financial instruments” itself is neither well understood and possibly not consistently applied across jurisdictions. If the term “financial instruments”, or a similar type term, is included then it should be defined.

Respondent	Comment
	<ul style="list-style-type: none"> Additional guidance, or a definition, would be needed to interpret how the term “publicly traded” should be applied.
IRBA	<p>We support the use of the new term “publicly traded entity”. However, the term might be misunderstood, as the proposed definition of a “publicly traded entity” in the Glossary is circular in that it refers to an entity that issues financial instruments that are “publicly traded”, without further defining what that means.</p> <p>We understand from the Explanatory Memorandum that the intention is to broaden the scope of the types of markets or platforms on which financial instruments may trade as being beyond formal exchanges, and we support that. However, it is not sufficiently clear whether the criteria for financial instruments to be “publicly traded” is that the instruments should <u>actively trade</u> in some form of secondary market or be <u>available to trade</u> in such a market.</p> <p>For example, the volume of trading in certain listed instruments is not necessarily an indication of the number of public holders of the instruments and, therefore, the extent of the public’s interest in the financial condition of the relevant entity. The Explanatory Memo cites the example of certain financial instruments that are listed, but do not trade in the secondary market, stating that in the IESBA’s view there would not be significant public interest in the financial condition of the entity issuing such an instrument. But the lack of secondary market trading cannot be the sole measure of the number of investors in the instrument and, therefore, the extent of the public’s interest in the financial condition of the relevant entity. An instrument listed for tax reasons, as mentioned in the Explanatory Memo, (and other reasons) may in fact have a significant number of public investors. The fact that those investors do not trade the instrument in the secondary market, due to other suitable channels being available to them, may say nothing about the breadth and significance of the interest in the financial condition of the relevant entity. Similarly, the mere fact that a financial instrument has some secondary market trading is also not a measure of the number of investors in the instrument and, therefore, the extent of the public’s interest in the financial condition of the relevant entity. A listed instrument may have very few secondary market trades, specifically because it has very few public shareholders and, therefore, a fairly narrow public interest in the relevant entity’s financial condition.</p> <p>Without clarification on what “publicly traded” is intended to mean, we assume from the information in the Explanatory Memo that the intention is that as long as a financial instrument trades <u>at all</u> in some form of market (perhaps infrequently or in low volumes), that trading (however little) will be deemed to reflect a significant public interest in the financial condition of the relevant entity. For the reasons that we have mentioned above, we recognise that the extent of the public’s interest in the financial condition of an entity can be difficult to gauge from the entity’s status as a listed entity or the fact that the entity’s financial instruments are traded (or available for trading) in a recognised public market. We also recognise the challenges associated with appropriately defining the “publicly traded entities” that must be considered to be PIEs. But given that it will be obligatory for all “publicly traded entities” to be included as PIEs, it is important to be as clear as possible on what this term means.</p>

Respondent	Comment
	<p>We have described above why excluding a listed entity that does not trade in a secondary market and including an entity whose financial instruments merely have some, but very little, secondary market trading may not always achieve the objective of identifying which of them might generate significant interest regarding their financial condition. As such, the answer to how a “publicly traded entity” should be clearly defined will need to be pragmatic because this is one of the categories of PIEs where any definition is either likely to include some entities to which the factors in R400.8 do not apply or exclude some to which those factors apply. A prudent approach that could be considered is to include those entities that have been included as PIEs to date (i.e. listed entities), in addition to broadening the scope to those entities whose financial instruments trade in the less formal public markets, as proposed in the Exposure Draft. This approach, while not perfect, will get closer to capturing the relevant factors in R400.8, those being the significance of the public’s interest in the financial condition of the entity; the fact that the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations (in this context through its regulated disclosures to investors); and the number of investors.</p> <p>To achieve this, and to remedy the current circular definition of a “publicly traded entity”, we propose that the definition be amended to “<i>an entity that issues financial instruments that are transferrable and available for trading in a public market, such as an exchange or other trading platform accessible to the public</i>”. This definition would remove any possible confusion regarding how often a financial instrument actually trades in a secondary market and in what volumes for it to be “publicly traded”. An entity will be scoped into the definition as long as its financial instruments are <u>available for trading</u> in the relevant market. Our proposed definition also incorporates some of the guidance in the Explanatory Memo regarding the types of marketplaces that facilitate “public trading” in financial instruments, which is important to have in the Code for clarification.</p>
GAO	<p>We believe that the definition of “publicly traded entity” that replaces “listed entity” better encompasses the types of entities that would be treated as PIEs. However, we suggest that the IESBA consider also defining in the glossary or describing in the application guidance “financial instruments” as noted in the second bullet of paragraph 38 of the explanatory memorandum.</p>
APESB	<p>APESB is supportive of the proposed change to replace the term ‘listed entity’ with ‘publicly traded entity.’ However, we note that the definition is relatively brief and believe that further guidance or explanation is required to clarify what is meant by publicly traded.</p> <p>Australian stakeholders queried the implications of an entity being placed on a trading halt on a securities exchange and whether this will mean an entity should no longer be treated as a PIE. APESB believes this is not the intention but acknowledges that further guidance may address this situation which would be common across most securities exchanges.</p>

Respondent	Comment
NZAuASB	<p>During our virtual outreach event, the change in terminology raised more questions, including how many trades are needed to meet the definition of “publicly traded”, one, two or more? What if it is available to trade but not actually traded? The new terminology also highlighted that not all of these other platforms are regulated in the same way as stock exchanges are, so there is likely to remain ongoing matters for consideration at a local level. The questions raised by participants confirms that there is a need for further clarification or implementation support.</p> <p>The NZAuASB considers that the extant New Zealand definition incorporates the broader approach proposed by the IESBA. For example, there is a large dairy co-operative whose instruments may not be “listed”, rather shares can be purchased from other farmer shareholders at the co-operative’s shareholders market or privately through an off-market transaction (e.g., as part of a farm sale). The co-operative is included within the New Zealand definition of a PIE.</p>
SMPAG	<p>We note the Glossary defines a publicly traded entity as “An entity that issues financial instruments that are transferrable and publicly traded”. We understand that the term “financial instruments” is intended to be broadly applied covering shares, stock or debt, securities, equity, or debt instruments etc. and it may be helpful to include such detail and clarity to reduce potential confusion. There are also instances where the titles (e.g., shares, debentures) are transferable but not necessarily traded on a recognized market and the entity (and its auditors) may be unaware. We understand the Board has discussed this issue and it may only apply to certain jurisdictions, but further work may be required to understand the implications in practice and an exclusion may be needed if the IESBA proceed with the proposed definition.</p>
AE	<p>Yes, we believe that the new term of “publicly traded entity” can replace “listed entity” in the Code. However, the proposed definition of “publicly traded entity” should be revised to clarify that it encompasses entities whose shares, stock or debt are quoted or listed on a recognized stock exchange or equivalent.</p>
ICAS	<p>We support the use of the new term ‘publicly traded entity’ as IESBA explains in the Explanatory Memorandum however we believe that the definition of ‘publicly traded entity’ in the Glossary is somewhat circular – i.e. ‘An entity that issues financial instruments that are transferrable and publicly traded’ – which might not help users understand IESBA’s intentions.</p> <p>IESBA notes in paragraph 38 of the Explanatory Memorandum what it intends by the term ‘publicly traded entity’ but this information is then lost in the brevity of the definition. We suggest consideration could be given to some of the detail from paragraph 38 of the Explanatory Memorandum being used within the definition, or added as additional explanatory material to the definition (similar to the approach IESBA has taken with the definition of ‘Inducement’ in the Glossary to the Code), for example:</p> <p>“An entity that issues financial instruments that are transferrable and where there is a facilitated trading mechanism which aims to match buyers and sellers. publicly traded. This would exclude financial instruments which are traded through privately negotiated agreements or financial instruments issued by an entity which are only listed and not traded.”</p>

Respondent	Comment
	<p>Similarly, we note that it might also be beneficial for IESBA's intention in relation to the term 'financial instrument' to be explained further. IESBA states at paragraph 38 of the Explanatory Memorandum: "The term "financial instruments" is intended to be broadly applied, covering "shares, stock or debt" (the term currently used in the extant definition of "listed entity"), securities, equity or debt instruments or other types of instruments such as warrants or hybrid securities." Users might find it more helpful if IESBA's intention for the term "financial instrument" to be broad is explained further in the Glossary, with examples given.</p>
IDW	<p>Based upon the definition of "publicly traded entity" in the Glossary and the description in paragraphs 37 and 38 of the Explanatory Memorandum, we are largely in favor of the new term as set forth in R400.14(a) and its definition in the Glossary. However, to aid consistent application and understanding, we strongly recommend that the definition in the Glossary be augmented within the Code through application material that reflects the considerations set forth in paragraphs 37 and 38 with the exception of the last bullet, which is covered in our response to Question 6 of the Explanatory Memorandum. As part of this consideration, we believe that, as application material, the description in the fourth bullet of paragraph 38 in the Explanatory Memorandum needs to be expanded to include cases where an entity has issued financial instruments that are transferable, but are publicly traded without the entity having taken any action to have those instruments publicly. In these cases, neither the entity nor the audit firm may be aware that the entity's financial instruments may be publicly traded, and it therefore seems to us to be inappropriate for an entity to be treated as PIE even though it has not engaged in any action to have its instruments publicly traded.</p>
ISCA	<p>The proposed definition of a "publicly traded entity" in the Glossary is an "entity that issues financial instruments that are transferrable and publicly traded".</p> <p><u>Clarity on "publicly traded"</u></p> <p>More clarity can be provided on what "publicly traded" means as this term is generally synonymous with "exchange traded" and the intention of the revised terminology may not be properly understood in the absence of further guidance. Baseline principles or guidance would be useful in ensuring consistent application by local bodies across jurisdictions.</p> <p>For example, if the financial instruments are traded on secondary markets but only available to accredited investors – would this meet the definition of "publicly traded"?</p> <p>As secondary markets are generally less accessible to the public compared to formal exchanges, is the liquidity of that secondary market or volume of transactions on the over-the-counter (OTC) trading platforms a relevant consideration in determining whether the instruments are "publicly traded"?</p> <p>We are supportive of replacing the term "listed entity" with the new term, "publicly traded entity" to the extent that a "publicly traded entity" will be broader than a "listed entity".</p> <p>The term "publicly traded entity" will scope in more entities than PIEs, including issuers of financial instruments that are not only listed on formal exchanges but also those in second-tier markets or OTC trading platforms.</p>

Respondent	Comment
	<p>However, we have concerns with those entities whose financial instruments are only listed or issued to the public with no trading. This would be excluded from the definition of a “publicly traded entity”. One example would be bonds listed on a formal exchange but not publicly traded as there may be private arrangements for one holder to transfer to another.</p> <p><u>Alignment with IAASB standards</u></p> <p>The requirements in the International Standards on Auditing (“ISAs”) and the International Standards on Quality Management (“ISQMs”) currently apply to audits of listed entities only.</p> <p>We believe that the definition of “publicly traded entity” should be aligned to ISAs and ISQMs in close coordination with the International Auditing and Assurance Standards Board (“IAASB”) standards.</p>
KICPA	<p>The KICPA understands that the new term, publicly traded entity, was proposed to address the lack of clarity that may arise from the definition of the existing term “listed entity”. We support what the Code intends to achieve by replacing listed entity with publicly traded entity. We believe that PIEs should include the entities issuing publicly traded financial instruments, in addition to the listed issuers of stocks and bonds traded in recognized markets, considering that the strengthened independence requirement is proposed for PIEs to protect the public interest in case their financial condition has significant implications for the public interest. However, in our opinion, the new term used in the proposed revisions to the definition, “transferrable and publicly traded”, can be as confusing in terms of interpretation and application as the relevant existing term, “recognized market”. If any term used in the Code hinders consistent interpretation and application, it has a risk of undermining the purpose of the revisions.</p> <p>Therefore, if the existing term has to be changed, we hope that a new term that is able to specify target entities more clearly than “publicly traded entity” is suggested in the final revision.</p> <p>In addition, we suggest that the examples of entities that are not “listed entities” but can be included in the scope of “publicly traded entities” should be provided if the new term used in the proposed revisions is going to be adopted.</p>
MICPA	<p>The definition of financial instruments in the Code should be consistent with the one that is widely applied by the users of financial statements, i.e. definition of financial instruments in the International Financial Reporting Standards (IFRS) to ensure consistency in application. The Board should include additional guidance on the definition of financial instruments which either cross-references to the definition of financial instruments in IFRS or reproduces IFRS definition in the Code.</p>
SAICA	<p>SAICA and members of the working group are in general support of the proposal to replace the term “listed entity” with the new term “publicly traded entity” to scope in more entities. Having said that, SAICA is concerned that the term “publicly traded entity” may be misunderstood.</p> <p>The confusion pivots around what is meant by “publicly traded”. The frequency of trade is not addressed within the explanatory memorandum of the Exposure Draft or proposed definition and questions around whether an entity that is trading thinly would be considered to be a “publicly traded entity”. SAICA encourages the IESBA to carefully consider the</p>

Respondent	Comment
	<p>intention behind broadening the definition in clarifying what is meant by “publicly traded” as this may have the unintended consequence of excluding certain entities that are listed but not considered to be “publicly traded”.</p> <p>SAICA suggests that the new term “publicly traded entity” is clarified to ensure consistent application by providing additional guidance through application material or non-authoritative guidance outside of the Code. Such guidance should for example capture the elements of a publicly traded entity as included in paragraph 37 and 38 of the explanatory memorandum of the Exposure Draft.</p>
WPK	<p>We would like to point out that the term “publicly traded entity” also covers companies traded in secondary markets. The Explanatory Memorandum expressis verbis underpins IESBA’s intention to scope in more entities in this regard (page 11, no 38). On the contrary, EU legislation covers listed entities, but does not include companies traded on secondary markets (cf. Directive 2006/43/EC, Art. 2 (13) in conjunction with the definition of ‘regulated market’ in Directive 2004/39/EC Art. 4 No 1 (14)). The German Commercial Code (§§ 264d, 319a HGB) refers to “capital market-oriented companies” which do not include companies traded on secondary markets either.</p> <p>Furthermore, we would like to emphasize that any replacement must not lead to inconsistencies between the Code and the IAASB standards.</p>
CohnReznick	<p>We are generally supportive of the proposals for the new term “publicly traded entity.” However, we have concerns about the broad nature of the definitions and the potential for unintended consequences.</p>
DTTL	<p>Deloitte Global supports replacing the term “listed entity” with “publicly traded entity.” However, we suggest the Board consider slight amendment to the proposed definition of “publicly traded entity” to clearly define the relevant financial instruments in scope, as follows: <i>“An entity that issues financial instruments <u>shares, stock, debt equity or debt instruments that are transferable and publicly traded.</u>”</i></p>
EY	<p>Yes, we support the proposals for the new term “publicly traded entity” to replace the term “listed entity” in the extant Code. However, we believe that in order for the proposed definition to be successfully implemented, the Code may need additional application material since it must provide a clear understanding of what is meant by “publicly traded” as there can be wide interpretation of what this term encompasses.</p> <p>For example, we believe that entities that are listed on a recognized stock exchange should continue to be considered as publicly traded under the new term, and local bodies and regulators should not have the ability to exempt entities within this category. In paragraph six of the EM, the Board explains that stakeholders have questioned whether the term “recognized stock exchange” as used in the extant Code and the concept of “regulated market” as used in the definition of a PIE in the EU Directive 2006/43/EC are intended to be the same. We note that under the Boards proposals, the uncertainties with regard to these terms and whether to classify entities listed on these different markets as publicly traded will continue to exist if the Code leaves it to the local bodies and regulators to refine the entities that are included in this category.</p>

Respondent	Comment
	<p>We also have a concern that the revised definition will capture entities that currently do not meet the extant definition of listed on a recognized stock exchange for which we do not believe there is a public interest, for example governmental entities that issue tax exempt and municipal securities, or entities that raise funds through municipal-sponsored bond offerings that might not be traded amongst investors. Further, we do not believe that private entities that have debt instruments that might be exchanged between investors should be considered public interest entities. The Board should clarify that such entities are not considered “publicly traded.” The unintended consequence of not excluding such entities would result in an enormous number of entities being classified as PIEs, for which there is no elevated degree of public interest. Therefore, we believe the definition of the term “publicly traded entity” needs to be sufficiently clear so that the appropriate considerations can be made as what is intended to be included as a PIE under the new term.</p>
KPMG	<p>We recognize the new term “publicly traded entity” provides a better description of the underlying concept of the condition that would create significant public interest and provides some clarity to the entities that are included specific to the point of whether an instrument is actively traded as opposed to just being listed on an exchange as in the legacy “listed entity” definition. However, we have concerns regarding the intentional broadening of the term to address instruments traded in second-tier markets, such as over-the-counter trading platforms, with the emphasis being on whether there is a facilitated trading mechanism to match buyers and sellers. In North America particularly, this has been a topic of debate, highlighting challenges when securities are thinly traded, regarding which entities should be captured and which should not, and how to define an appropriate boundary.</p> <p>If concerns with the current definition hinge on the intentions underpinning the term “recognized” stock exchange, then it may result in greater clarity to focus on refining and clarifying that definition to encompass a broader range of more formal exchanges, but stopping short of the significant broadening that appears to be envisaged by IESBA, for example, extending into areas such as crowd-funding.</p> <p>We also acknowledge the Board’s intention to allow local bodies to refine this category. However, given the likelihood that in some jurisdictions the local bodies may not undertake a robust exercise to refine the broad categories but may instead adopt the revisions wholesale, the Board should drive global consistency and prevent broadening of this category beyond what is appropriate by providing prescriptive guidance to local bodies regarding the application of the term “publicly traded entity” for this PIE category. In certain jurisdictions, this term may continue to be unclear and in the absence of local bodies providing guidance through their refinement of the category, the Board will need to provide clarity.</p>
Moore	<p>The term “listed entity” is problematic in some jurisdictions. We therefore support the replacement of the term. However, the term “publicly traded” also carries different definitions in different jurisdictions. We understand that the exchanges cannot be named, hence the use of a broader term.</p> <p>The definition “publicly traded” however needs to be further clarified and tightened, as it is currently too broad with too many anomalies in the implication of the definition.</p>

Respondent	Comment
	<p>For example, secondary markets are scoped out in many jurisdictions, but not all. It is unlikely that secondary markets will disappear, and more likely that innovative and new ways of trading emerge. These might not be “caught” in the new definition, whilst it would be in the public interest for it to be included. The recent WireCard fraud, although a PIE entity anyway, demonstrated how people are constantly innovating and designing new ways of trading.</p> <p>The proposed revisions require more safeguards that are needed because of the existence of definitions.</p>
PwC	<p>We support replacing the term “listed entity” with “publicly traded entity” as this is more reflective of the market and is better aligned with the “public interest”. Furthermore, it addresses the current interpretation difficulties around “recognised stock exchanges”.</p> <p>We believe that local bodies have an important role to play here in determining which local trading markets or exchanges should be treated as publicly tradable, and that this should be made clear in the Code.</p> <p>However, we believe that use of “publicly traded” also requires additional clarification/guidance to ensure consistency of understanding and application:</p> <ul style="list-style-type: none"> ○ We recommend that the key considerations included on pages 11 and 12 of the EM be included as explanatory material (or at least be covered in the Basis of Conclusions). ○ We do not believe the definition should capture trading mechanisms which are in substance designed to assist individuals conduct a private sale, rather than genuine trading in the stocks of the entity. The definition of publicly traded needs therefore to also consider the size of the entity, the degree of sophistication of its governance structure, the depth of the market and liquidity of its stocks in deciding whether the securities are truly “publicly traded”. ○ As example of a potential scenario which may be captured in the definition of “publicly traded entity” which we do not believe the Board intended to capture, nor do we believe it would be appropriate to capture, is where state and local governments finance their capital needs through the issuance of long-term debt, primarily tax-exempt municipal bonds. In addition, government entities sometimes issue conduit debt securities, the proceeds of which are used by third parties. These third parties are often not-for-profit or healthcare entities, and legally are the obligors for the conduit debt. These third parties are often referred to as “conduit debt obligors”. The debt issuer (the governmental entity) does not bear any responsibility for the repayment of the bonds. These municipal bonds often trade in OTC markets, and thus either the governmental/municipal issuer and/or the conduit debt obligor may fall under the proposed definition of “publicly traded” without further clarification/guidance.
	Comments from respondents that did not support the new term

Respondent	Comment
IOSCO	<p>Having had an opportunity to reflect upon the Board’s Paper as well as our comment letter to the Board dated July 30, 2018, regarding the Board’s Proposed Strategy and Work Plan, 2019-2023, we believe that “listed entity” is an important term and should continue to be prominently featured in the Code. We believe that moving away from the “listed entity” definition, which is encapsulated in existing national accountancy regulation across numerous jurisdictions, may even decrease convergence further as jurisdictions could decide to hold on to proven concepts, thereby adding complexity if not confusion.</p> <p>Rather than the Board replacing the term “listed entity” and deleting its definition, the Board should consider updating its listed entity definition, or provide additional guidance on the term “recognized stock exchange”, to better reflect its use in global capital markets. “Listed entity” is well understood across global jurisdictions and capital markets as well as encapsulated in existing national accountancy regulation...</p> <p>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 (<i>changes indicated in bold italics to the extant PIE definition</i>):</p> <p>“(a) <i>Public accountability, including</i> a listed entity; or</p> <p>(b) An entity:</p> <p>(i) Defined by regulation or legislation as a public interest entity; or</p> <p>(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.”</p> <p>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.</p>
OAGA	<p>As proposed, the definition of public interest entity will bring in government banks, and government programs that may provide a form of insurance to the public (such as crop insurance for their agricultural sector), and public sector pension plans. If a government or government controlled entity issues debt which becomes traded on a secondary market, the government (and all entities within it) may be considered publicly traded. R400.20 includes all related entities to a publicly traded entity. Departments, agencies, schools and universities and hospitals and other entities are controlled by governments, so the requirements applicable to publicly traded entities would apply to every entity within or related to a government. This could have significant impact on the ability of public sector entities to obtain assurance services, and public sector auditors.</p>

Respondent	Comment
	<p>We are concerned that R400.20 as proposed, which says “As defined, an audit client is a publicly traded entity... includes all of its related entities” may be read as follows “As defined, an audit client that is a public interest entity... includes all of its related parties,” if at least one of the related parties is a publicly traded entity, or any of the other entities in R400.14. Alternatively, we are concerned that R400.14, which as proposed states “a firm shall treat an entity as a public interest entity when it falls within any of the following categories...” could be read as “a firm shall treat an entity <u>and its related entities as a single public interest entity audit client</u> when it falls within any of the following categories...”</p> <p>We do not agree with the proposals because it will scope in many entities in the public sector for which differential Code (and audit) requirements may be unnecessary or inappropriate. For example, if a lead partner is required to rotate off the audit of a publicly traded entity, and because R400.20 states that a “publicly traded entity” includes all of its related entities, it appears that same leader partner may be unable to lead an audit of any other related entity, including any government-controlled school board, university or hospital in the state/nation. We note that “related entity” in the glossary provides for materiality considerations, but R400.20 uses the term “all” related entities, so it is not clear if the materiality considerations apply.</p>
NZAuASB	<p>The NZAuASB considers that the term listed entity would benefit from revision to ensure consistent application in the current markets with respect to second-tier markets or over-the-counter trading platforms, and what is meant by a “recognised” stock exchange.</p>
SMPAG	<p>We do not support the new term “publicly traded entity” replacing the term “listed entity”. We understand some of the rationale was to clarify the extant definition of a “recognized stock exchange” but are concerned this new term is not clearer, is too broad and will scope in more entities. For example, crypto-currency fund traders and OTC desks could be considered “publicly traded entities”, which we do not consider would be appropriate or necessary.</p> <p>We do not believe the IESBA has presented sufficient evidence and considered the cost/benefit of such a change in practice. The SMPAG has previously raised the issue about PIE requirements being disproportionate to small PIEs, as they may not have the governance and oversight structures available in larger PIEs. We recommend the IESBA undertakes an exercise to understand the potential impact from the proposed change, including how the new term is translated into other languages and interpreted.</p>
CNCC	<p>No, we do not support the new term "publicly traded entity". It is unclear and the entities which are potentially included under this term cannot be ring fenced. It can potentially lead to define a huge number of entities as PIEs, beyond what can ever be practicable.</p> <p>In addition, the definition of "<i>publicly traded entity</i>" is circular since it is defined as "<i>an entity that issues financial instruments that are transferrable and publicly traded</i>".</p> <p>Overall, we believe that the definition of listed entity may not be perfect but it is globally understood</p>

Respondent	Comment
	<p>and used with consistency.</p> <p>If the definition of listed entity was to be amended, it should keep a reference to a market, whether a recognized market as in the current IESBA definition or a regulated market as in the EU definition, but definitely it should keep a reference to a market.</p>
NRF	<p>According to the explanatory memorandum “the term is intended to scope in more entities” than those that are covered by the current term. We would like to understand the rationale behind that conclusion, especially since we believe that by adding more entities on which stricter independence requirements should be applied, the higher the risk of diluting the value of the independence requirements that ought to be applied on all audit and review engagements, including on non-PIEs.</p> <p>We question whether the proposed term “publicly traded entities” and its scope will be clearer and easier to apply than “listed entities”. We would therefore prefer maintaining the current scope, preferably by also keeping the term “listed entities”. This term is generally used and understood. It is also the term used in the ISAs. IESBA should not pursue the replacement unless it is also agreed and adopted by the IAASB.</p> <p>To our understanding, there is no satisfactory evidence that a broadened scope is necessary. Also, considering the proposed broad approach, where the local bodies are expected to refine the entities included in this term/category, we are concerned that this will lead to inconsistencies between jurisdictions, which will only confuse the stakeholders.</p> <p>We encourage the IESBA to undertake an impact assessment in order to understand the potential impacts the proposed broadened scope would have on, for example, the audit market (market concentration issues) and operational challenges related to limited staff.</p>
Mazars	<p>We do not support the new term ‘publicly traded entity’ to replace ‘listed entity’. The stated objective is to scope in more entities and include second tier and over- the-counter markets. We do not see the benefits in creating so many additional PIEs from these categories.</p> <p>A better approach would be to define more clearly the term ‘recognized stock exchange’ in the code</p>