Definitions of Listed Entity and Public Interest Entity

Comments on ED Question 7

(Role of Relevant Local Bodies)

ED Question 7

Do you support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies?

The respondents' comments are grouped into:

- Supportive comments
- Additional comments on the role of local bodies
- Reasons for not supporting the role of local bodies as proposed

Respondent	Comment
	Supportive comments
CPAB	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.
NASBA	We support the proposed paragraph 400.15 A1
GAO	We believe that paragraph 400.15 A1 is helpful in clarifying the role of relevant local bodies in implementing the IESBA Code.
IRBA	We support the proposed paragraph 400.15 A1. We agree with the IESBA's view that the relevant local bodies have the responsibility, and are also best placed, to assess and determine which entities or types of entities should be treated as PIEs, for the purposes of additional independence requirements.
FRC	The FRC supports paragraph 400.15 A1 on the grounds that relevant local bodies are best place to discern which categories of entities are subject to heightened levels of public interest within their own jurisdictions. They are the most appropriate bodies to identify further criteria that will be relevant to that jurisdiction, and so enable the broad categories in paragraph R400.14 to be refined further with reference to local law and regulation.

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MICPA	We are supportive for relevant local bodies to refine the list of PIE categories that are applicable to each local market and agree that there is no one-size fits all definition globally that could be consistently applied by all jurisdictions without modification and further refinement at a local level.
MNP	We support the IESBA's proposals to provide the relevant local bodies the authority to determine which entities should be scoped in or out of the PIE definition based on the issues, concerns, and nuances specific to the local environment and how these impact the public interest in their jurisdiction(s).
	Additional comments on the role of local bodies
CEAOB, IAASA	The ED refers only to the possibility for the bodies to **refine** (emphasis added) or to exclude some entities that would otherwise fall in the proposed categories of PIEs. It is unclear in the ED whether the term "refine" encompasses the possibility for the bodies to add new types of PIEs to the ED's proposed list. It should be explicit that bodies are authorized to add new categories of PIEs. It should also be specified that, if those bodies are authorized to delete one or more categories of PIEs proposed in the revised Code, this deletion should not be allowed for the categories (a), (b) or (c) defined by the Audit Directive. This would ensure a minimum common list of entities that will be treated as PIEs in all situations. The role of these bodies will be key in the local adoption and implementation process of the ED. The Code should encourage these bodies to define a clear and transparent process for adding or refining categories of PIEs, including appropriate consultation with relevant stakeholders. This will ensure that issues identified at local level are addressed.
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.
IOSCO	As indicated in our comments in the General section, while the Code establishes a "minimum set of categories" in R400.14, specifically naming deposit taking or insurance providing entities, local bodies need to have the ability to **add** entities on to that list subject to local circumstances, often times reflecting one or more aspects of national standard setting or legal frameworks.
IRBA	We support the proposed paragraph 400.15 A1. We agree with the IESBA's view that the relevant local bodies have the responsibility, and are also best placed, to assess and determine which entities or types of entities should be treated as PIEs, for the purposes of additional independence requirements. In South Africa, the IRBA Code sets thresholds for certain types of entities in relation to their size and the definition of a public interest entity. We do, however, find it odd that the paragraph suggests that a basis to exclude an entity locally may be related to a ''particular organizational structure" yet such a structure is not included as a factor in 400.8 or R400.14.

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UKFRC	The FRC supports paragraph 400.15 A1 on the grounds that relevant local bodies are best place to discern which categories of entities are subject to heightened levels of public interest within their own jurisdictions. They are the most appropriate bodies to identify further criteria that will be relevant to that jurisdiction, and so enable the broad categories in paragraph R400.14 to be refined further with reference to local law and regulation. The FRC, therefore, considers that paragraph 400.15 A1 would be improved by cross-referencing the factors identified in paragraph 400.8 that indicate the extent of public interest in an entity's financial condition to assist local bodes in making those judgements.
APESB	APESB does not support the current location of the proposed paragraph 400.15 A1 due to concerns with the treatment of the paragraph as application material and the reference to the ability of local bodies to exclude entities from the global definition of PIEs. *Issue: Classification as application material* In considering the structural elements of sections within the Code, APESB does not believe that proposed paragraph 400.15 A1 is application material for professional accountants or firms. Additionally, it explains what the IESBA is trying to achieve in the proposals but does not assist professional accountants and firms understand how to apply the requirement in paragraph R400.15. The requirement in proposed paragraph R400.15 assumes that legislation exists that refines the categories of entities captured within the definition of PIE and does not clearly state that firms need to comply with local requirements captured in either laws and regulations or relevant professional standards. *Issue: Ability to exclude entities to create requirements lower than the global standard* APESB does not support the suggestion that relevant local bodies should be allowed to exclude entities from the IESBA definition of PIEs. APESB is of the view that the relevant local bodies can clarify how the broad categories are to be interpreted within their jurisdiction but should not exclude entities. *Recommendation* APESB is of the view that proposed paragraph 400.15 A1 should be modified and relocated as an introduction paragraph at paragraph 400.9 to explain the role of the IESBA Code and the relevant local body in determining entities to be treated as PIEs. The paragraph could be drafted as follows: *'The provisions in the Code set out broad categories of entities that should be treated as a public interest entity. Within local jurisdictions, the bodies responsible for setting ethics standards for professional accountants, such as regulators, National Standards Setters or professional bodies, may refine these categories by, for example, making reference to local laws and regulations governing certain types of entities or by including criteria relating to size or particular organisational structures.'*

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	APESB also believes proposed paragraph R400.15 should be amended to require firms to comply with requirements set by local bodies as follows: **R400.15** A firm shall ~~have regard to~~ comply with laws and ~~or~~ regulations and requirements in relevant professional standards that specify or relate to the determination of which entities shall be treated as public interest entities ~~which provides more explicit definitions of the categories noted in paragraph R400.14 (a) to (e), for example by reference to the legislation under which such functions are performed~~. While APESB appreciates that the IESBA recognises the need for local jurisdictions to refine the definition of PIE, we also think it would be useful for the IESBA to leave space for relevant local bodies to insert this information into the IESBA Code in the appropriate places. We note that some paragraphs are left blank at the end of the section, but it would be helpful to have blank paragraphs after the proposed paragraph R400.15.
NZAuASB	The NZAuASB is supportive of the high-level nature of the list and the role described by IESBA for the relevant local bodies. We encourage the IESBA to reflect on how a local jurisdiction would adopt paragraph 400.15 A1 in a local Code. While the language in proposed paragraph 400.15 A1 is appropriate in a global code it is not easily adopted in a local code, as it is largely not relevant within a specific jurisdiction. We also recommend that the term "exclude" should be replaced by "refine". If entities are excluded, it may raise questions as to whether a local jurisdiction is less stringent than the IESBA Code (i.e., IESBA Code minus).
SMPAG	We recognize that the role of local bodies is critical in determining what applies in specific jurisdictions but are concerned with the consequences in jurisdictions where local bodies (for a variety of reasons) will not, or cannot, refine the list. It is not clear how many this could be, but it should be acknowledged by the Board. We would also encourage the Board to explain, in such situations, on what entities firms and individual professional accountants should apply the enhanced independence requirements in the Code as a consequence of the approach. We have some concerns with paragraph 400.15 A1, which links directly to, and is dependent on, paragraph 400.14 A1. Both paragraphs have the potential to create confusion, in particular the sentences *"However, if law or regulation designates entities as "public interest entities" for reasons unrelated to the objective set out in paragraph 400.9, that designation does not mean that such entities are public interest entities for the purposes of the Code."* and *"Similarly, the Code provides for such bodies to exclude entities that would otherwise be regarded as falling within one of the broad categories in paragraph R400.14 for reasons relating to, for example, size or particular organizational structure."* As outlined above, if IESBA presupposes there will be a need to exempt certain entities, they ought not to be included and the Code should remain silent on exclusions. Regulatory authorities have the option to make their own determinations, for their own jurisdictions, for what entities are defined as PIEs and also to attach other requirements to this that may have nothing to do with the IESBA Code and can already revise the definition provided in the Code. In our view, it undermines the Code to establish

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	such clear avenues by which those adopting the Code can choose to ignore its contents. It may also signal another undermining of one of the foundation cornerstones of the development of the Code by introducing the concept that "while this is what we expect, we note that you can choose to ignore it", rather than being clear "this is what is expected". In addition, an unintended consequence may be that some jurisdictions are, in effect, "coerced by peer pressure" into extending the definition at a national level, which will likely lead to inconsistent practices internationally. We understand that in part the proposals seek to address regulators' proposals that IESBA needs to give a "clear steer" to legislators and regulators globally as to what PIEs should constitute in their jurisdiction. Whilst as a supposition this is possibly valid, we are not convinced it is IESBA's role and the "use" of auditors in this role is a significant concern (see response to question 9 below).
ACCA	We support the intent behind the proposed paragraph 400.15 A1, but we have concerns about the practical implementation of these proposals. Some relevant local bodies do not have the capacity and ability to refine the high-level categories, while others may be unwilling to 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. While local regulators will have the freedom to determine what entities should be classified as a PIE through close engagement with local stakeholders and firms, it may be necessary to emphasise that they are not be permitted to remove a category of PIE from the high-level list but rather to refine the list based on local facts and circumstances.
AE	The Code should set out the minimum baseline allowing local bodies to add other categories based on local circumstances. We are concerned about the approach now proposed by IESBA as the ability of local standard setters to scope out entirely a certain category can be very limited or non-existent, especially when the PIE definition is set by law like in the EU. The IESBA should make it clear that the role of local standard-setting bodies will only be relevant in jurisdictions where the definition of PIE is not clearly stipulated in laws and regulations. In EU member states, the PIE definition is well-established by legislation and therefore, ethics standard setters (which we understand would be the relevant local body) often may not be able to assume a determining role in this. Finally, some of our members believe that certain entities within the PIE categories proposed to be specified in the Code may be excluded by local regulations or standard setters if the nature or size of their business do not amount to significant public interest.
AICPA	**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.

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	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	Alternatively, if the Board wishes to maintain the proposed approach based on very broad definitions, it should then only set guidelines for the authorities in each jurisdiction, which would have full authority to classify an entity as a PIE or not. 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
CAANZ	We generally support proposed paragraph 400.15 A1 that allows local bodies responsible for setting ethical standards to further refine the categories covered in proposed paragraph 400.14. However, as mentioned above, recommend efforts to educate and work with local jurisdictions as these proposals are developed.
CAI	As set out in the consultation the role of local bodies is key to the success of the proposed approach. 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.
CIIPA	Yes, subject to clarification that "refine" means Local Bodies are able to add as well as exclude entities as considered appropriate by local bodies.

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CPAA	Paragraph 400.15 A1 links directly to, and is dependent on, paragraph 400.14 A1. Both paragraphs have the potential to create confusion, in particular, the sentences: "*However, if law or regulation designates entities as "public interest entities" for reasons unrelated to the objective set out in paragraph 400.9, that designation does not mean that such entities are public interest entities for the purposes of the Code*"; and "*Similarly, the Code also provides for such bodies to exclude entities that would otherwise be regarded as falling within one of the broad categories in paragraph R400.14 for reasons relating to, for example, size or particular organizational structure*." The Code of Ethics should remain silent on exclusions, as regulatory authorities have the option to make their own determinations, for their own jurisdictions, of what entities are defined as public interest entities. If they choose to ignore and/or revise the definition provided in the Code of Ethics that is surely their prerogative. However, it does raise questions about the ability to claim compliance with the Code of Ethics when implementing it locally. Arguably, to establish such clear avenues by which those adopting the Code of Ethics can choose to ignore its contents is fundamentally undermining the Code of Ethics. Potentially, it also undermines one of the foundational cornerstones of the development of the Code – that is, that rather than saying that "this is what is expected", the proposed revisions introduce the idea that the IESBA is saying "while this is what we expect, we note that you can choose to ignore it." Finally, and perhaps tangentially, it would be pertinent for the IESBA to consult with IFAC with respect to the implications of allowing such exclusions on IFAC members' Statement of Membership Obligations fulfilment obligations.
CPAC	We support proposed paragraph 400.15 A1 which explains the high-level nature and the role of local bodies. However, as noted in our response to Question 1, we recommend that the IESBA consider clarifying within this paragraph that local bodies are expected to be guided by the overarching objective in paragraph 400.9 and to consider the list of factors in paragraph 400.8 in refining the definition of a PIE in their jurisdiction. We agree with the IESBA's concern that relevant local bodies may not have the requisite capacity to make the necessary refinements to the PIE definition in their local codes, and that some jurisdictions may adopt the Code without any refinement, undermining the IESBA's objective. Consequently, we think that it is critical to ensure that the role of local bodies is as clear as possible. In addition, we support initiating a PIE post-implementation review that would consider local refinements of the PIE categories (R400.14) and provide recommendations to IESBA on whether refinements may be required in the Code.
EFAA	While we recognize the critical role of local bodies in determining what applies in a specific jurisdiction, we are concerned that paragraphs 400.15 A1 and 400.14 A1 may create confusion. As mentioned in the 'General Comments' above 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. Regulatory authorities have the option to make their own determinations, for their own jurisdictions, for what entities are defined as PIEs and can already revise the definition provided in the Code. Clearly signposting ways by which those adopting the Code can choose to diverge from its

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	provisions runs the risk of undermining the authority and clarity of the Code. The Code ought to be clear and firm as to what is expected and give a clear direction to legislators and regulators globally as to what PIEs should constitute in their jurisdiction.
FACPCE	We consider the participation of local professional bodies to be important so that the auditor obtains assurance that he is complying with all the ethical requirements that correspond to him, once the regulatory bodies define the size or other criteria that may be relevant in a specific jurisdiction. There should also be a determination that until such determination is made, the auditors proceed with the current situation based on publicly traded entities.
HKICPA	We acknowledge that the local bodies play a critical role to refine the PIE definition and implementation in each jurisdiction. The guidance in 400.15A1 discusses the role of local bodies in refining the PIE list. However, it is not clear from R400.15 that the "law or regulation" refers to the refined list of PIE which is to be determined by local bodies. Furthermore, a jurisdiction's law or regulation may define what is a PIE. However, the intention of the definition may not be for the purpose of requiring additional independence requirements on auditors. We would recommend the IESBA to clarify the requirement in R400.15.
ICAEW	We support the substance of 400.15 A1 in that it explains to local bodies that they have the freedom to refine the categories of PIE. Perhaps the paragraph could be rephrased in the interests of clarity to say that the bodies have the discretion to refine the PIE categories to take into account local law and regulation, and are able to determine the appropriate size thresholds for entities in their market. As mentioned in paragraph 14 above, we do have some concerns that local standard setters would have the ability to scope out entirely certain categories of PIE without reasonable justification. To counter this risk, the standard should set out de minimis levels of adoption. However, should the IESBA believe this to be unworkable, the IESBA, through liaison with IFAC and its programme assessing SMO compliance, would need to monitor local standard setters, to see whether jurisdictions are making excessive use of the derogations.
ICAG	Yes, with reference to the jurisdiction specific issues raised in the commentary to the ED, it seems appropriate to give the local regulatory body a set of high level metrics from which they will modify to suite their specific case. Notwithstanding, they still have some responsibilities to ensure that the necessary refinement to the IESBA's list are considered as part of the adoption and implementation process since the list is not exhaustive. This basically says the categories in 400.14 are broadly stated and professional accountants or local bodies can interpret them in particular situations. i.e., the categories are subject to interpretation given the particular circumstance.
ICAJ	We are supportive of the suggested categories included in the proposed revision as well as the role of the relevant local bodies outlined. The planned training and education support program is considered to be appropriate. We would also recommend the IESBA providing a resource as a point of contact to assist with implementation challenges as they arise.

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ICAS	The Explanatory Memorandum refers to it being imperative that relevant local bodies proactively determine refinements to IESBA's broad list of categories proposed in R400.14. However, as we noted in response to Question 3 above, in the proposed Code the list of high-level categories is noted at paragraph R400.14 while the refinement of this list by relevant local bodies is in paragraph 400.15 A1. We suggest that the content of paragraph 400.15 A1 in relation to relevant local bodies would be better placed as application material to R400.14 rather than as application material to R400.15.
ICPAU	We are in support of the proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies. As earlier on noted, the role of local bodies is pivotal for the successful application of the requirements of the Code. However, collaboration among relevant local bodies within particular jurisdictions should be encouraged to ensure a uniform approach and direction to establishing common definitions for the respective jurisdictions.
INCP	Yes, we do. The role of local bodies is crucial in determining what is applied in a specific jurisdiction. The fact that concrete guidelines are provided for an entity to be considered a public interest entity avoids subjective interpretations and judgments.
JICPA	We support the proposed paragraph. However, we are concerned that problems related to the capacity of relevant local bodies (ability, knowledge, or resources) could result in inappropriate refinements, and that unintentional variances could occur as a result of unilateral refinements made by local bodies. In addition we are concerned that if inappropriate refinements made by relevant local bodies were to lead to many additional entities being identified as PIEs by firms then, for example, in cases where audits are conducted jointly (with another firm) for an audit client, or where firms that audit the parent company and the subsidiary are different, or where the same audit client changed auditing firms, the scope of PIE could differ depending on the firm. Accordingly, it is important that the refinements are made appropriately by relevant local bodies, and we believe that IESBA should issue guidance or FAQs, as well as implementing outreach activities (as mentioned below) and educational support. Moreover, paragraph 400.15 A1 in effect consists of application guidelines for relevant local bodies, and we believe that consideration should be given to whether or not it is appropriate for these to be included in the Code.
KICPA	The KICPA supports the approach adopted by the IESBA as it seeks international convergence while sticking to the Code's principles-based approach. However, we hope that the IESBA will provide all the necessary guidance to national standard setters and make further efforts to coordinate with oversight bodies including IOSCO as they have great authority and role to play in developing criteria for defining PIEs, as described in our response to Question 3.
MIA	We recognise that the role of local bodies is critical in determining what applies in a specific jurisdiction. In addition, we are of the view that certain refinement is necessary for paragraph 400.15 A1, which links directly to, and is dependent on, paragraph 400.14 A1. Both paragraphs have the potential to create confusion, in particular the sentences as follows: (1) "However, if law or regulation designates entities as "public interest entities" for reasons unrelated to the objective set out in paragraph 400.9,

Respondent	Comment
	that designation does not mean that such entities are public interest entities for the purposes of the Code." And (2) "Similarly, the Code provides for such bodies to exclude entities that would otherwise be regarded as falling within one of the broad categories in paragraph R400.14 for reasons relating to, for example, size or particular organizational structure."
NBA	We refer to our response to question 3. In addition to that response and AE's response to questions 3 and 5, we share the following two concerns. (1) We are afraid that the wide approach proposed could result in several smaller sized entities inappropriately being considered PIEs, particularly in the case of entities providing post-employment benefits. Such might be the case, if local bodies may accept the Code's PIE definition without going through a thoughtful refinement process. (2) Another concern is how global stakeholders and global networks of audit firms will handle the PIE requirements in certain jurisdictions where the local bodies have not yet refined the PIE categories.
SAICA	The concern raised that, with the role of the relevant bodies only included in application material and not elevated as a requirement, that where local bodies do not provide further refinement, a possible unintended consequence could be that entities that should not have been considered as a PIE is treated as such. Therefore, as mentioned in both paragraphs 15 and 22 in this comment letter, we recommend the elevation of the role of local bodies to be listed as an additional category in proposed paragraph R400.14 rather than only including it in application material.
SAIPA	We support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies. We understand the role of the local bodies is key to the success of the code. The local bodies must seek refinement and make it clear what their meaning is terms of the entities in their local jurisdiction. The code categories are very broad and might inadvertently scope in the wrong entities or not scope in other entities where appropriate. We support proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories and the role of the relevant local bodies and believe that the responsibilities of local bodies are clear under this paragraph. In light if this responsibility and challenge to local bodies we agree with the longer transition period to December 2024.
WPK	Our interpretation of paragraph 400.15 A1 in conjunction with R400.15 is that European law appropriately takes precedence over R400.14. Insofar, there is no room for local bodies to refine this definition in the EU / in countries that do already have a robust legal definition of PIE.
BDO	We recognize and support the need for the refinement of the local bodies and have noted overarching concerns in the general comments above, with regards to global consistency. Specifically, where the local body in the jurisdiction: 1. Does not sufficiently execute their obligations to participate in and refine the entities within the proposed PIE definition categories which will result in unintended consequences of scoping in entities that do not have significant public interest. a. R400.14 is drafted as a requirement for a firm and therefore the broadest possible inclusion of entities will

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	occur. For members of the Forum of Firms, the IESBA Code will be more stringent than the local standards and we question if this default position is most appropriate. **b.** The proposed standard should consider an alternative mechanism of refinement in such cases. 2. Refines the entities within the propose PIE definition categories to remove a full category thereby resulting in entities which are currently considered to be a PIE under the extant definition, being excluded from the definition in the future. In addition, as noted in our general comments above, in jurisdictions where there are multiple local bodies, there is a risk that the different local bodies reach inconsistent conclusions which would pose implementation challenges for the local firm.
BKTI	We support the role of relevant local bodies in refining the definition of a PIE for jurisdictional purposes. However, since we support a "bottom up" approach, we support a narrower definition of a PIE and the role of relevant local bodies to be limited solely to expanding the definition if and as required, and not to limit its applicability through the use of size or other criteria. We also support the principle of jurisdictional changes being subject to public consultation, to provide an opportunity for our member firms to engage with relevant local bodies and provide feedback on such proposals.
Crowe	We support this proposed paragraph. However, it is important that IESBA encourages consistency in application by local bodies and transparent communication by local bodies as to their approaches to adopting and implementing the definition.
EY	We believe that beyond a narrow, baseline list of categories of PIE entities in the Code, relevant local bodies and regulators are best positioned to assess and determine which additional categories of entities should be classified as PIEs in their own jurisdiction using the factors included in proposed paragraph 400.8. As more fully explained in our response to question three, we agree with the Board's statement in paragraph 52 of the EM that determining the categories of entities that have elevated degree of public interest is the responsibility of the relevant local bodies and regulators, and they are best placed to understand the needs of the relevant stakeholders. Recognizing that the Code cannot place requirements on local bodies and regulators, we believe the current proposals effectively place a requirement on local bodies and regulators to refine their list, or otherwise risk that the adoption and implementation of the Code in their jurisdiction leads to significant unintended consequences that are not in the public interest, for example by leaving out entities that should otherwise be captured as PIEs, or including entities as PIEs for which there is no real elevated degree of public interest or for which local bodies and regulators have established other regulatory mechanisms to safeguard the public interest. The provisions of the Code must be designed to stand on their own and not require local adaption to achieve effective implementation. The proposed approach is introducing what could be a sizeable barrier to successful implementation, as well as unintended consequences for jurisdictions that do not undertake the effort needed for local adaption. We are also concerned about this proposed approach becoming a precedent for future standard-setting by the IESBA, which could erode the consistency with which the provisions of the Code are adopted going forward.

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	The Code should leave it to local bodies and regulators to identify incremental criteria in a manner such that it is clear to the stakeholder what benefits will be created through an entity being classified as a PIE in that jurisdiction, and therefore subject to incremental requirements under the Code. Local bodies and regulators have their responsibility to safeguard the public interest, and to do so in a manner that clearly considers the cost and benefit of a classifying particular categories of entities as a PIEs. If the Board decides to continue with the broader list of categories as included in proposed paragraph R400.14, we believe the role of local bodies and regulators will be critical to the overall successful adoption and implementation of the Board's proposals. In particular, it will be paramount to achieving the overarching objective set out in proposed paragraphs 400.8 and 400.9 for local bodies and regulators to refine the entities to be included in the categories listed in proposed paragraph R400.14. Without this refinement, we see a significant risk that entities are unnecessarily classified as PIEs, resulting in a burden placed on such entities due to the incremental requirements, and resulting costs, imposed as part of the audit, when in fact such entities do not warrant an elevated extent of public interest. Also, since the new requirements under the Boards Non-assurance Services and Fee provisions will impact these entities, we recommend that the Board carefully weigh the cost of subjecting PIE requirements to entities that do not warrant such treatment with any perceived benefit to the public interest.
GTIL	GTIL does not support the high-level nature of the list of PIE for reasons stated above. We do support the role of relevant local bodies to refine the list, however by 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.
KPMG	As stated previously, we acknowledge the key role local bodies play in the adoption and implementation of the proposals. The vital need for the local bodies to refine the high-level categories to create a practically effective PIE definition heightens risk that a local body may not undertake a comprehensive review of the categories for appropriate refinement relative to their jurisdiction. For instance, should local bodies in some jurisdictions accept the Code's PIE definition without going through a thoughtful refinement process, this could result in numerous smaller-sized entities inappropriately being considered PIEs, particularly in the case of entities providing post-employment benefits. The inclusion of these entities would not further the public interest given the lack of significant interest in their financial condition. There is also concern that similar jurisdictions may treat similar entities in different ways. For instance, one jurisdiction may apply a size limitation to a certain type of entity within a particular category, while a local body in a similar jurisdiction may scope out the same type of entity and a third jurisdiction may leave the same type of entity without refinement. These varying treatments by local bodies in similar jurisdictions would not further the public interest in relation to a global code. As we presented in our responses to questions 3 and 4, there should be further specific requirements on what refinements and scope outs are permissible in order to have a more consistent approach in terms of how local bodies make the assessments and the expected refinements. A more prescriptive approach to the refinements provides transparency and aids in understandability by stakeholders and the public of how entities will be treated, eliminating the need for further disclosure as discussed in question 11.

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	The increased global disparity of independence standards gives us pause in relation to these standards. The disparate independence requirements to be handled by global network firms and entities where there are no baseline standards related to the PIE definition will be complicated and operationally challenging. In addition, where local bodies have not refined the categories in their jurisdictions by the effective date, network firms will have the additional challenge of determining how to treat entities that fall within the broad PIE categories, even though the local bodies may ultimately complete their refinements in due course. This could result in premature PIE treatment of entities that would then be reversed to non-PIE treatment when refinements are complete. This would be detrimental to those entities and would not serve the public interest.
Moore	Yes, we believe this necessary and appropriate. As described earlier in this response, consistency is however a concern that needs to be addressed with suitable safeguards.
Nexia	Although, generally member firms do recognize that the role of local bodies is important in this process, there are some concerns with paragraph 400.15 A1, which links directly to, and is dependent on, paragraph 400.14 A1. Both paragraphs have the potential to create confusion, in particular the sentences "However, if law or regulation designates entities as "public interest entities" for reasons unrelated to the objective set out in paragraph 400.9, that designation does not mean that such entities are public interest entities for the purposes of the Code." and "Similarly, the Code provides for such bodies to exclude entities that would otherwise be regarded as falling within one of the broad categories in paragraph R400.14 for reasons relating to, for example, size or particular organizational structure." As noted above, if IESBA presupposes there will be a need to exempt certain entities, then these entities should not be included, and the Code should remain silent on exclusions. It is understood that regulatory authorities have the option to make their own conclusions, for their own jurisdictions, for what entities are defined as PIEs and currently can already revise the definition. Therefore, we think this actually lessens the value of the Code and undermines its importance. In our view, if the Code establishes a clear way to ignore its contents, this also signals further undermining and lack of respect of Code.
PwC	As indicated above in our response to question 3, local bodies play a vital role in making the proposed approach work. It is heavily reliant on these local bodies to provide reference points that are transparent and can be applied consistently. For example, the Australian bodies refer to the following, with further supporting reference points: • *Prudential Regulatory Authority (APRA) under the Banking Act 1959;* • *Authorised insurers and authorised NOHCs regulated by APRA under Section 122 of the Insurance Act 1973;* • *Life insurance companies and registered NOHCs regulated by APRA under the Life Insurance Act 1995;* • *Private health insurers regulated by APRA under the Private Health Insurance (Prudential Supervision) Act 2015;* Absent sufficient and appropriate involvement of local bodies in fulfilling their role as proposed, we do not believe the proposed model is workable as the proposals would suggest that the responsibility would fall to firms to make the determination of whether an entity is in the public interest, which we do not agree is an appropriate role for firms, as addressed in our response

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	to question 9. Further, we note that as the proposed role of firms is different from the proposed role of local bodies (determining if any additional entities or certain categories of entities should be treated as PIEs versus refinement of the IESBA definition), there is a potential gap in application/implementation that is not addressed in the proposals. The decision to treat an entity as a PIE would, and should, rest with those charged with governance, although the Board needs to be aware that this will likely lead to greater divergence and outcomes as to when entities are treated as PIE or not. We would ask the Board to further consider the potential outcomes and related risks in those jurisdictions, and specifically whether a decision on this proposal should be based on outreach conducted by IESBA that indicates support by smaller jurisdictions that they are able to apply the proposed model and a commitment that they will make the appropriate local determinations within the proposed timeline. Local bodies within a jurisdiction, for example the audit regulator and the stock exchange regulator, should be encouraged to collaborate in agreeing common local definitions and in establishing the appropriate reference points to facilitate consistent implementation of the PIE definition in the jurisdiction. It is important that there is consistency of application and implementation within a jurisdiction. The implication of this approach is that the guidance issued by local bodies should be more than "non-authoritative" so that entities and firms can place reliance thereon. To make this clear, the role of local bodies could be clarified, through a combination of R400.14 with the substance of paragraph 400.15 A1, as follows: *"Bodies responsible for setting ethics standards for professional accountants shall consider each of the following categories in their definition of PIE, and [should] refine these categories by, for example, making reference to local law and regulation governing certain types of entities, and excluding entities that would otherwise fall within one of these categories for reasons relating to, for example, size or particular organizational structure"*
RSM	We support the provision of guidance for relevant local bodies in determining PIEs within their jurisdiction but, as outlined in questions 3, we are concerned that this would lead to divergence internationally which might lead to confusion, particularly in group situations. As far as possible the IESBA should try to reduce the level of inconsistency.
	Reasons for not supporting the role of local bodies as proposed
CNCC	As mentioned in our general comments above we do not support the approach taken in this ED to defining PIEs and the role assigned to the local bodies in tailoring the wide definition of PIE from the Code to their local needs. The reason given by IESBA for adopting such an approach seems contradictory. On the one hand the ED states in page 5 "that regulators in many jurisdictions do not have the power to set a definition" and then explains in page 10 and 11 that the potential success of the approach is subject to an active role of the local bodies to tighten the IESBA's list of potential Pies: "In adopting the broad approach, the IESBA acknowledged that the categories included as PIEs will inevitably be defined at quite

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	a high level and could therefore scope in entities in whose financial condition the public interest is not significant. The IESBA therefore believes it is appropriate under these circumstances that the Code should deviate from its normal practice and allow the relevant local bodies to tighten those broad categories to exclude entities that the Code would otherwise include." The ED then states that some IESBA an IAASB members as well as other stakeholders have mentioned the risk that the local bodies "may not have the requisite capacity, in the sense of capability, knowledge and resources, or the authority to make the necessary assessment and refinements of a list of high-level PIE categories in their local codes." And further that "the IESBA recognized that some jurisdictions might simply adopt the Code as is without much or any refinement, a situation which would undermine the IESBA's broader approach." To respond to that risk which we believe is a very real and high risk, the IESBA mentions that: "a questionnaire was circulated to approximately 50 professional accountancy organizations (PAOs) in mostly smaller and less developed jurisdictions in Asia, the Middle East and Africa as well as Central and South America." And that in view of the responses received to the questionnaire "There was strong indication that refinement of the PIE definition can be achieved in these jurisdictions. " 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 would 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.
IDW	As noted in our first consideration in the body of our comment letter and our response to Questions 1 and 3, we do not support proposed paragraph 400.14 A1 because high level categories lead to inconsistency in practice and the ability to refine the definitions at a local level undermines 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 and the role of relevant local bodies in this regard. 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. In addition, firms that voluntarily follow the Code (e.g., because of membership in the Forum of Firms) would not be prevented from doing so. 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.
NRF	We do not support providing the local bodies such a critical role for this model to work, especially since the behavior and actions of the local bodies cannot be governed by the Code. In our view local bodies should only be able to add entities to definitions provided by the Code and not limit the scope set out in a requirement.

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	Also, if this approach is designed to respond to stakeholders' requests that the IESBA should provide guidance to legislators and regulators on how to define PIEs on a jurisdictional level, we suggest that such guidance should be provided outside of the Code. It is unclear to us if the relevant local body would be the national standard setter, the professional accountancy organization or the oversight board. In many jurisdictions there might be more than one body that can be defined as the relevant local body.
TFAC	We are unable to support the proposals for proposed paragraph 400.15 A1. The size of the business is not applicable to item (b)-(e) in paragraph 400.14 as they are financial institutions accountable to the public. We agree to apply the size to entities that fall in item (f) in paragraph 400.14.
DTTL	As noted above, Deloitte Global believes that there is a considerable risk of lack of action from the relevant local bodies, which could result in inconsistencies between the Code and pre-existing local standards in certain jurisdictions, and a disproportionate outcome in application in others where there are no pre-existing definitions and all the PIE requirements would apply by default. We are, as is the Board, fully aware that there are different speeds at which the adoption of the Code has been progressing in many jurisdictions, yet the success of these proposals relies on proactive engagement from all of the relevant local bodies. In the case of jurisdictions that have already gone through processes to define PIEs through law, regulation and professional standards, there may be no desire to reopen the process to align with the Code definition or potentially explicitly exclude categories. It is therefore unclear whether an existing local PIE definition could be construed as a refinement of the Code definition, even though it was in place before the Code was amended. In other words, if a local body in a jurisdiction with an extant PIE definition in place has not included a certain category in their definition, could it be concluded that such jurisdiction had already considered all the categories and effectively decided to exclude that category now included in the Code, as the Code allows them to do prospectively in paragraph 400.15 A1? Or would the broader Code definition supersede the extant PIE definition unless and until the local body modifies its existing definition? Deloitte Global understands the Board's outreach activities indicate that refinement of the PIE definition can be achieved even in the smaller and less developed jurisdictions, but we remain concerned about its timeliness when considering the length of time various bodies will need to carry out their own study and due process, especially in those jurisdictions where legislative action is required to adopt changes reflected in the Code or where there are multiple regulators and standard setting bodies within the same jurisdiction who need to take action. The effects of the global pandemic on the economy as a whole and on the priorities for legislators, regulators and standard setters, as applicable, in shaping the regulatory framework also constitute a significant factor that could impact the timeliness of action from the local bodies in adoption and implementation. Delayed action or complete lack of action will have a significant impact, especially when considering the Forum of Firms will follow the Code but the smaller firms in the jurisdiction might not. This will cause fragmentation and inconsistency within a local market which is contrary to the public interest.

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Mazars	As per our response to Q3, we do not agree with the proposed approach of having a broad definition of PIEs in the Code which is expected to be tailored by local regulators or local bodies to meet their local needs. In paragraph 56 of the Exposure Draft, a concern is expressed that "the local bodies may not have the requisite capacity, in the sense of capability, knowledge and resources, or the authority to make the necessary assessment and refinements of a list of high-level PIE categories in their local codes". Additionally, IESBA recognized that "some jurisdictions might simply adopt the Code as is without much or any refinement, a situation which would undermine the IESBA's broader approach". We are not convinced that the steps proposed will be sufficient to mitigate these risks and therefore do not support the proposed approach.