

Definitions of Listed Entity and Public Interest Entity

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What this webinar covers

Background

Overall Framework

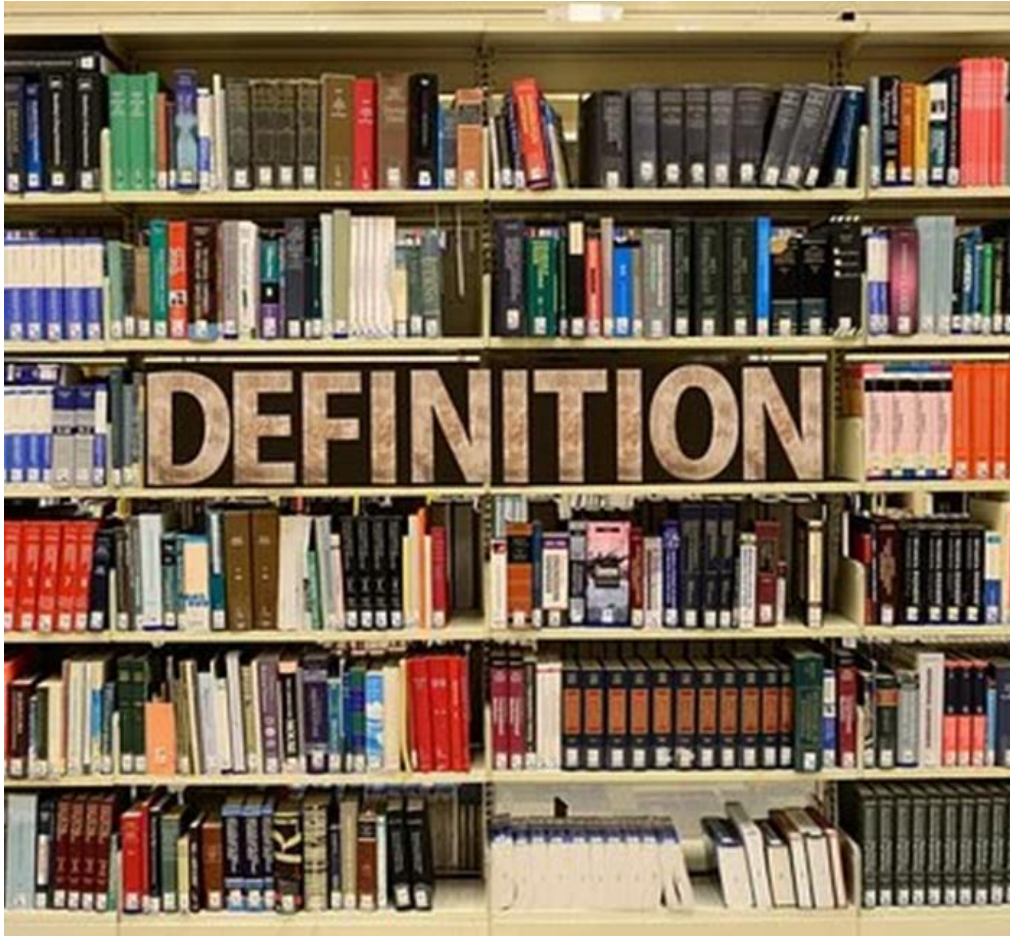
Key Revisions to the Code

Effective Date

Upcoming Rollout Activities

Q&A

Background



Drivers for project

- Was the definition clear and functional today?
- What did we hear from stakeholders?

Public interest objectives

- Provide greater clarity and guidance to the concepts
- Scope in the right entities to be subject to additional requirements including the revised NAS/Fees provisions
- Seek alignment of terms and concepts between IESBA and IAASB

Framework/Operating Model

WHY

Overarching Objective



Purpose for additional independence requirements for PIEs

HOW

**Baseline
PIE
categories**

- **Top-down:** Mandatory categories subject to local bodies refinement
- No subtraction of categories

**Additional
PIE
categories**

- **Bottom-up:** local bodies to add based on local circumstances
- Framework of public interest factors & AM as guide

**Additional
non-PIEs**

- Firms to consider treating other entities as PIEs
- Take into account more granular factors
- Paired with transparency requirement

Publicly traded entity,
banks,
insurers

PIEs

Additional national
PIEs

**Other entities
treated as
PIEs by firms**

WHAT

**Additional
independence
requirements
for PIEs**



Overarching Objective

Paragraphs 400.8 and 400.10

Explain why the Code have additional independence requirements for PIEs

Significant public interest in the financial condition of an entity

Heightened stakeholder expectations on independence of firm conducting the audit

Additional requirements to meet these expectations

Overarching Objective

Paragraph 400.9

Non-exhaustive list of 6 factors in evaluating the level of public interest in the financial condition of an entity

The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business

Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations

Size of the entity

The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure

Number and nature of stakeholders including investors, customers, creditors and employees

The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity

What Entities are PIEs under the Code

Paragraph R400.17

(a) A publicly traded entity

(b) An entity one of whose main functions is to take deposits from the public

(c) An entity one of whose main functions is to provide insurance to the public

(d) An entity specified as such by law, regulation or professional standards to meet the purpose set out in paragraph 400.10

Firms are required to treat certain entities as PIEs for the purposes of Part 4A of the Code

R400.17 (a) – (c)

3 specific mandatory categories:

- Publicly traded entity (PTE)
- Deposit-taking institutions
- Insurers

R400.18

Take into account more explicit definitions by local law, regulation or professional standards



R400.17 (d)

Other entities specified by local law, regulation or professional standards to meet purpose in 400.10

Refinement at Local Level

Role of local bodies

- Relevant local bodies play a significant role within the Code's PIE definition framework
- The 3 mandatory categories are defined at high level (R400.17 (a) - (c))
- Local additions (R400.17 (d))



Paragraph 400.18 A1

- Guidance for local bodies to more explicitly define the mandatory categories
- Examples of how to refine the mandatory categories (e.g., Making reference to specific public markets for trading securities)
- Should not exclude entire mandatory category

Paragraph 400.18 A2

- Local bodies anticipated to also include additional categories
- Examples of categories that may be added at local level (e.g., pension funds, large private entities and public utilities)

PIE Definition

Paragraph R400.17

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(c) An entity one of whose main functions is to provide insurance to the public

(d) An entity specified as such by law, regulation or professional standards to meet the purpose set out in paragraph 400.10

Paragraph R400.17 (a) - Publicly traded entity (PTE)

- Definition in the glossary:

An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity
- Intended to scope in more entities than extant “listed entity”
- “publicly accessible market mechanism”
- “financial instruments”
- Replace the term “listed entity” but incorporated the concept into the definition of PTE
- Local refinement – e.g., make reference to specific public markets for trading securities

PIE Definition

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Paragraphs R400.17 (b) and (c)

- Deposit-taking institutions and insurers
- “one of whose main functions”
- “public”
- Local refinement – e.g., making reference to the local law or regulation defining banks or insurance companies, certain size criteria

PIE Definition

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Post-Employment Benefits (PEBs)

Collective Investment Vehicles (CIVs)

IESBA agreed to remove PEBs/CIVs from the list of mandatory PIEs

- Included as mandatory PIEs in the ED
- IESBA discussed at length on whether to retain them in the final PIE definition including PIOB's view
- Comparison with deposit-taking institutions and insurers
- Public interest benefits of including the funds only
- Risk of including them in the mandatory list vs allowing local bodies to add them as additional categories
- Holistic research need to explore the issues including review of "related entity" definition
- On balance, IESBA agreed to remove CIVs/PEBs from list of mandatory PIEs
- A package of activities to address PIOB concerns such as adding CIVs/ pension funds as examples of potential additional PIE categories in application material

PIE Definition

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Paragraph R400.17 (d) – Additional PIE categories

- PIE categories include local additions
- Paragraph 400.18 A2 provided some examples of entities
Pension funds/ CIVs/ private entities/ NGOs/ government entities/ public utilities
- Other types of entities considered by IESBA when developing the ED
- Consider overarching objective and list of factors (para. 400.8 – 400.10)
- PIE Rollout WG intends to release a jurisdictional PIE definition database in Q3/4

Charities

Custodians

Financial market infrastructures

Large private companies

Private equity funds

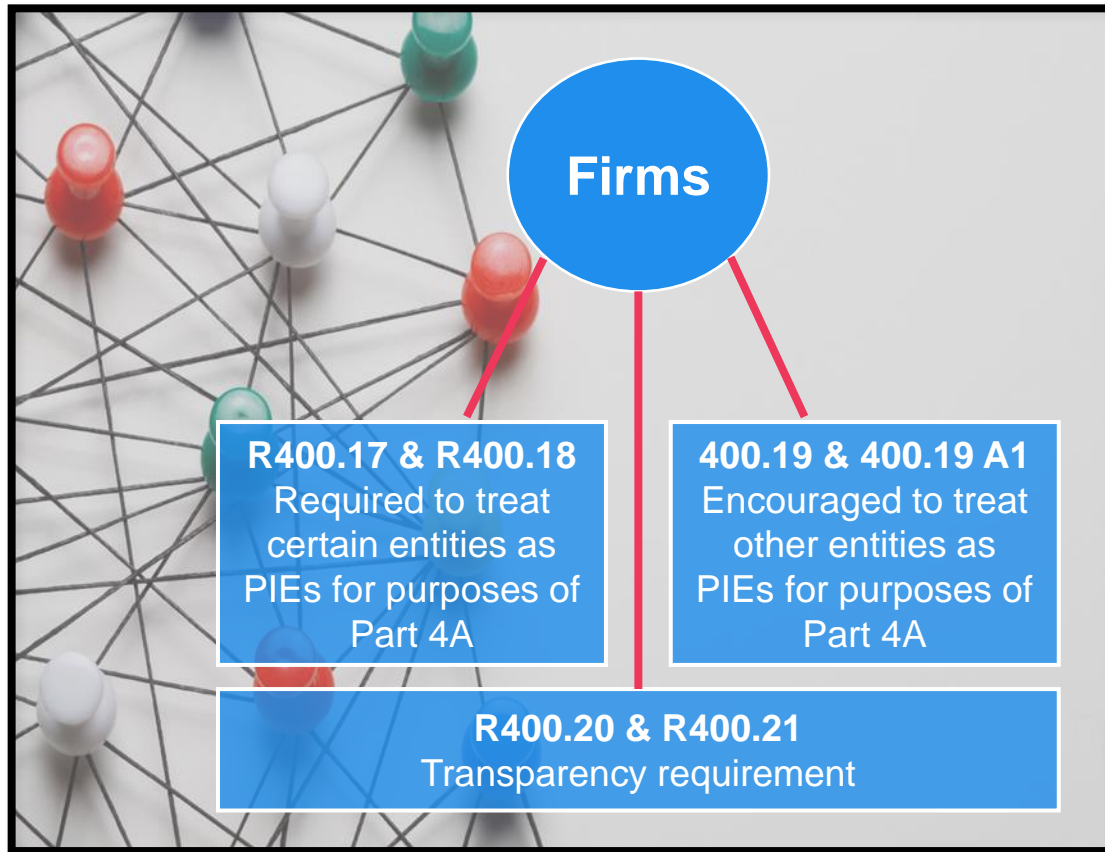
Public utilities

Public sector entities

Stock and commodity exchanges

Systemically significant entities

Firm to Determine Additional Entities as PIEs



Paragraph 400.19 A1

- Guidance in addition to firm's responsibility to treat certain entities as PIEs under paragraph R400.17 and R400.18
- Firms are **encouraged** to determine if other entities should be treated as PIEs for purposes of Part 4A
- Recognition that firms play a role within the Code's framework of PIE definition
- Revision from the ED's proposed requirement, in light of comments received
- Additional non-exhaustive list of factors to assist firms with making the determination

Transparency Requirement



Transparency

R400.20 and R400.21

- IESBA recognized the importance of transparency in meeting public expectations on firm independence
- Firms are required to publicly disclose if they have applied the independence requirements for PIE to an audit
- The disclosure has to be in a manner deemed appropriate
 - What is appropriate?
 - IAASB PIE project (Track 1) exploring disclosure in auditor report
 - IESBA will consider further action if needed
- Exception when disclosure will result in disclosing confidential future plans of the entity (e.g., IPO plan)

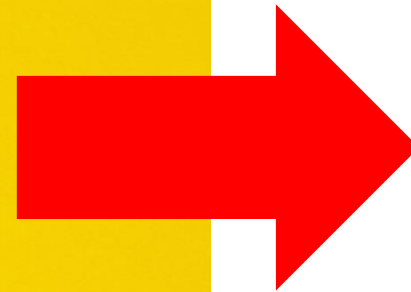
Effective Date

A spiral-bound calendar is visible on the left side of the slide, showing dates from 4 to 28. The days of the week are labeled: FRI, SAT, and SUN.

2022

Dec 15

**NAS &
Fees**




2024

Dec 15

PIE

Upcoming Rollout Activities



PIE Rollout Working Group established in Q1 2022

Focus on assisting local bodies to define the PIE categories

- Global webinar
- Short videos
- Infographic
- Q&A
- Jurisdictional PIE definitions database
- Regional/ jurisdictional outreaches

Q&A





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