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Zurich, 3 May 2021

**Subject: Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code**

Dear Mr Ken Siong,

EXPERTsuisse is pleased to provide you with its comments on the IESBA Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.

We as EXPERTsuisse - the Swiss Expert Association for Audit, Tax and Fiduciary - represent some 9,000 Swiss certified auditors, tax and fiduciary experts as well as some 800 professional services firms managed by them. Our members would be directly affected by the implications which are discussed in the Exposure Draft.

Generally, EXPERTsuisse fully understands the reasoning of IESBA to develop a broader definition of Public Interest Entities (PIEs) and a more extensive list of PIEs, respectively. We also think that the definition should be revisited as limiting the definition to listed entities does not fully reflect reality and stakeholder expectations.

Nevertheless, we strongly believe that there is a need for local flexibility to ultimately define which entities to be designated as PIE, considering local particularities and different views on what is of public interest in certain jurisdictions. This cannot be determined on global level, neither by IESBA nor IAASB. Therefore, we strongly support the idea to give local bodies, such as regulators and standard-setters, the option to modify the global list, to tighten definitions, to set size criteria and to add or exempt entities in order to determine finally which entities fall under the PIE-category in the respective national context. As such, it would even be more appropriate to fully refrain from publishing a PIE list.

EXPERTsuisse in general agrees that listed entities, financial institutions, and insurance undertakings should be included in the definition. However, in the context of insurance undertakings, we do not believe that pension funds should be included, as there is substantial specific local legislation around pension funds, which has to be considered.

In the Swiss context, for example, it would not be appropriate to categorise pension funds as Public Interest Entities for the following reasons:

- To the entire segment of pension funds' assets of 1 trillion Swiss Francs are attributable. In the international context this is of less significance compared to international investment funds, sovereign funds, or pension funds of other jurisdictions, which represent a multiple of those amounts being held in Swiss pension funds. In addition, the mentioned 1 trillion Swiss Francs are spread among some 1'600 Swiss pension funds. Additionally, pension funds only represent one element of the Swiss pension scheme.
- The scope of the audit of pension funds in Switzerland is not comparable to the situation in other jurisdictions. The statutory auditor in Switzerland does not assess, amongst others, the accurateness of the pension obligation/technical provisions. This task is the responsibility of the pension expert (actuary), who is specifically regulated by the Swiss legislator.
- While the pension funds are responsible for the administration/management of the pensioners' and beneficiaries' funds, there are additional vehicles in the Swiss pension system, such as the BVG Contingency Fund ("Substitute Occupational Benefit Institution") and the BVG security fund, which play a key role in the whole Swiss pension system, especially in the rare case of financial failure of a pension fund.

For these reasons we would suggest excluding pension funds in the different jurisdictions to be considered as a PIE.

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.

Another aspect, which is key for us, should also be tackled by the standard-setters and its staff: While the concept of PIEs with differentiations in quality assurance is well known to the profession and the audit regulators, we very often realise that the public does not fully understand the consequences in differentiating between PIEs and Non-PIEs. This is regrettable. It is the public – as the key stakeholder under the PIE concept – which should know what it can expect from a PIE audit in comparison to a Non-PIE audit. As such, the standard-setters should invest more time in addressing this issue than in elaborating the PIE definition. If the public does not understand the PIE concept, the elaboration of the PIE definition is a useless effort.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them further, please do not hesitate to contact us.

Kind regards,

EXPERTsuisse



Peter Ritter  
President



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