

Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York  
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(sent via email)

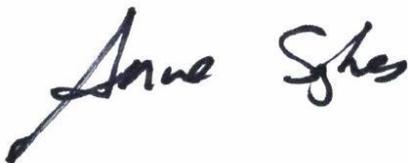
Dear Mr Siong

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

Chartered Accountants Ireland is pleased to have the opportunity to comment on the Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code. We have commented on the individual question posed in the attached.

If there are any matters in our comments which would be helpful to discuss in more detail, we would be happy to do so. Please feel free to contact me in that regard on +353-1-6377313 or by email to [Anne.Sykes@charteredaccountants.ie](mailto:Anne.Sykes@charteredaccountants.ie)).

Yours sincerely



Anne Sykes  
Secretary  
Audit and Assurance Committee  
Chartered Accountants Ireland.

### **Overarching Objective**

***1. Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 as the objective for defining entities as PIEs for which the audits are subject to additional requirements under the Code?***

We are supportive of the overarching objectives and the principles-based approach to the categories. However, we believe that there are considerable practical challenges in the required involvement of local bodies in the tailoring of the categories.

The current proposals require significant local adaptation and we have concerns that this may lead to widely varying practices and rules which will be difficult to implement. Overall, we consider that additional guidance for local regulators on adapting the categories will be required. We also consider that the proposals need to address the implications of the use of the standards in situations where the necessary local adaptation of the categories does not take place.

This framework needs to include clear definitions of all terms, in particular any new terms. Where possible we believe that IESBA should retain widely-used and understood terms, for example, financial position is a well-understood term, the proposed term “financial condition” is not defined and is open to misinterpretation.

***2. Do you agree with the proposed list of factors set out in paragraph 400.8 for determining the level of public interest in an entity? Accepting that this is a non-exhaustive list, are there key factors which you believe should be added?***

As above in Question 1 the role of the local bodies is crucial but there needs to be a sufficiently detailed framework for their actions.

We consider that local regulators ought to have the options to include other factors as they feel necessary.

We also believe that the framework should require local regulators to make selections and select options before they adopt the standards and “off the shelf” should not be an option. This will mean that local debate and consultations will take place enabling input from all interested parties.

### ***Approach to Revising the PIE Definition***

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

We are broadly supportive of the aims of the approach adopted by IESBA but we have a number of concerns as outlined in our responses below.

These key concerns are:

As set out in the consultation the role of local bodies is key to the success of the proposed approach. We consider that further guidance will be required for the local bodies in order to consistently apply the public interest categories and without their input we do not believe the proposals are workable. Therefore, we consider that further guidance should be included to assist local bodies in refining the categories to ensure that there is a consistent approach.

We have concerns about situations that may arise if local bodies do not perform their role and how in these situations the categories should be interpreted. We consider that the Board needs to consider this matter further as inconsistent approaches in the event this occurs is undesirable.

• ***Replacing the extant PIE definition with a list of high-level categories of PIEs?***

While we are in favour of a list of high-level categories of PIEs we believe that a number of clarifications are required to assist with the practical application of the definition and to ensure that definition is applied on a consistent basis if the integrity of the IESBA Code is to continue.

As noted below, we have concerns that by deferring to regulators to provide the detailed definition it is likely that the definition of PIE will have very different meanings in different jurisdictions resulting in a patchwork of definitions.

• ***Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process?***

While we can understand the rationale for the approach our view would be that by deferring to regulators to provide the detailed definition it is likely that the definition of PIE will have very different meanings in different jurisdictions resulting in a patchwork of definitions. Noting the difficulties that engagement teams experience in applying the EU Regulation with its patchwork of rules and the real danger that people will apply the rules of their own jurisdiction when rules of another apply we would suggest that the list be more prescriptive and that the inclusion of the category “An entity specified as such by law or regulation to meet the objective set out in paragraph 400.9” provides sufficient latitude for local regulators to specify additional entities if they wish while ensuring the broader definition is consistent across the globe. Having different definitions in different jurisdictions would give rise to several practical issues in groups where there is more than one PIE.

***PIE Definition***

***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.***

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.

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.

Consideration needs to be given as to who would be the appropriate body to establish and maintain such a repository.

**5. Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?**

Whilst we broadly agree with the categories (b) to (f) we consider that further guidance and definition is required to ensure that inconsistencies in the application of the broad categories do not arise or that too wide an application of the categories is applied by local authorities.

The role of local bodies is critical here and we have concerns as to how the code will be applied in territories where local bodies do not further define the categories as envisaged.

Further definition as to what is considered the “public” is also required, aligning with “publicly traded” as in (a).

We comment on certain categories below:

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

It would be helpful to clarify if “deposits from the public” is intended to include virtual currencies (eg Bitcoin) and entities such as payment platforms and credit unions.

(c) Insurance

The reference to insurance companies is very broad and the proposed definition could include captive insurers or insurance brokers, which we consider would not be of significant interest to the public. It should be clarified that the entity intended to be captured by this provision is the entity that bears the insurance risk of policies.

(d) Post-employment benefits

This definition is very broad and we consider further guidance will need to be included on what types of entities are envisaged by the Board as public interest entities. This is a category where it would appear that the size of the entity should be part of the criteria for determining whether the entity should be designated as a public interest entity as absent size criteria a substantial number of very small entities could be designated as PIE with disproportionate costs to benefits.

(e) Fund vehicles

As currently proposed, this definition would significantly increase the number of fund vehicles treated as PIEs as, without refinement, the definition could include all open-ended funds. Key to this definition is the definition of the “public” which as we have stated above, we consider needs to be further defined.

**6. Please provide your views on whether, bearing in mind the overarching objective, entities raising funds through less conventional forms of capital raising such as an initial coin offering (ICO) should be captured as a further PIE category in the IESBA Code. Please provide your views on how these could be defined for the purposes of the Code recognizing that local bodies would be expected to further refine the definition as appropriate.**

We are of the opinion that there is not a need to provide a specific category for these situations and that they should be left to local bodies to consider based on the general principles. However further guidance on the considerations that local bodies should take into account in their deliberations would be useful.

### ***Role of Local Bodies***

#### ***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?***

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.

#### ***8. Please provide any feedback to the IESBA's proposed outreach and education support to relevant local bodies. In particular, what content and perspectives do you believe would be helpful from outreach and education perspectives***

In our view, the proposed outreach and support should contain authoritative guidance to encourage and support local bodies to refine the PIE definition in as consistent a manner as possible.

### ***Role of Firms***

#### ***9. Do you support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs?***

We concur with the general concept of allowing firms to treat certain clients as PIEs but this should be within clear parameters and guidance on this should be issued by IESBA and local regulators as necessary.

#### ***10. Please provide any comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1***

This list of factors includes a looking forward aspect. Where an entity is aiming to become listed should they be treated as PIE?

We feel that this could breach client confidentiality. In particular, as set out in Questions 11 below, the rules around IPOs would not permit making such information public.

### ***Transparency Requirement for Firms***

#### ***11. Do you support the proposal for firms to disclose if they treated an audit client as a PIE?***

The proposed disclosure of a firm's treatment of an entity as a PIE in the audit report, as mentioned in Question 15, will align with the general move toward greater transparency of auditor reporting. However, it will risk

breaching the confidentiality of a planned IPO where the company has not made that known to the market (albeit the reader would have to speculate this as the reason) and could ultimately result in inconsistency as firms will adopt differing policies in this area – this could be unhelpful from a reader’s perspective as they see audit opinions from peer groups annual financial reports.

**12. Please share any views on possible mechanisms (including whether the auditor’s report is an appropriate mechanism) to achieve such disclosure, including the advantages and disadvantages of each. Also see question 15(c) below.**

We believe that the audit report is the appropriate mechanism for disclosure as this would be consistent with existing requirements in the EU.

#### ***Other Matters***

**13. For the purposes of this project, do you support the IESBA’s conclusions not to:**

***(a) Review extant paragraph R400.20 with respect to extending the definition of “audit client” for listed entities to all PIEs and to review the issue through a separate future workstream?***

Yes, we support the conclusion made by IESBA in respect of a review of extant paragraph R400.20 through a separate future workstream. This can be a complex issue from a practical perspective, so we agree that further research on this topic is warranted to gain a better understanding of the ramifications before any amendments are made.

***(b) Propose any amendments to Part 4B of the Code?***

We agree with the conclusions reached by IESBA in respect to Part 4B of the Code and do not propose any further amendments as part of this project.

**14. Do you support the proposed effective date of December 15, 2024**

Achievement of the current proposed effective date is largely dependent on timely consideration and consultation by local bodies in each territory.

Considering the onus of responsibility that rests with local regulators under the current proposals, we believe that the effective date should be postponed (possibly mid/late 2025) as transitional arrangements will take time to plan and implement.

#### ***Matters for IAASB consideration***

**15. To assist the IAASB in its deliberations, please provide your views on the following:**

***(a) Do you support the overarching objective set out in proposed paragraphs 400.8 and 400.9 for use by both the IESBA and IAASB in establishing differential requirements for certain entities (i.e., to introduce requirements that apply only to audits of financial statements of these entities)? Please also provide your views on how this might be approached in relation to the ISAs and ISQMs.***

Yes, we do agree with the general concept being set by the overarching objective, however we believe a careful and balanced approach is required when setting differential requirements.

Enhanced focus could lead to the creation of a two-tier approach to quality management and independence, which is not the intention.

In terms of an approach for this concept in relation to the ISAs and ISQMs, in setting any differential requirements, the IAASB need to consider how such requirements would enhance user confidence in the quality of the audits for these entities as opposed to a focus on achieving a different level/tier of quality in conducting these audits

***(b) The proposed case-by-case approach for determining whether differential requirements already established within the IAASB Standards should be applied only to listed entities or might be more broadly applied to other categories of PIEs.***

Yes, we strongly support the proposed case-by-case approach in respect of this matter. This will enable consideration of any unintended consequences of any proposed requirement that could arise due to differences in local determination of what entities will be considered PIEs once the IESBA proposals are implemented by local bodies.

***(c) Considering IESBA's proposals relating to transparency as addressed by questions 11 and 12 above, and the further work to be undertaken as part of the IAASB's Auditor Reporting PIR, do you believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE? If so, how might this be approached in the auditor's report?***

Yes, we agree with this inclusion in the auditor's report. This is currently a requirement under EU Audit legislation, and a similar approach could be taken.

Please see also our comments in response to question 11 regarding confidentiality.

### ***Request for General Comments***

***Paragraph 92. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:***

***• Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.***

We believe the impact for SMPs will only become known at the second stage when local bodies responsible for ethics standard-setting have made their refinement decisions to the categories of entities that are to be treated as PIEs.

This may mean that SMPs that were not acting for PIEs will have PIEs in their client portfolio under the new definition. This may lead to a situation where the local regulators of PIE firms will need to extend their review process to include these firms that previously were outside their remit.

As noted above firms may decide to treat certain entities as PIEs and this will be disclosed in the audit report.

There is a risk that the different interpretations undertaken by firms may influence SMEs when appointing audit firms. It is unclear from proposed para 400.16 A1 the impact this should have on a firm's assessment on whether to classify an entity as a PIE.

The impact for SMEs may be that more of them may fall within the definition of PIEs and as such, they may be forced to have a number of different advisers rather than one adviser covering audit, tax and accounting. This may lead to a decrease in audit quality arising from the loss of technical knowledge and expertise which was gained when providing non-audit services.