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29 April 2021

Mr K Siong,
Technical Director,
International Ethics Standard Board for Accountants,
529 Fifth Avenue, 6th Floor,
New York,
NY 10017,
USA.

Dear Mr Siong

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

Crowe Global is delighted to present a comment letter on the Exposure Draft Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code. Crowe Global is a leading global network of audit and advisory firms, with members in some 145 countries.

We agree with the approach that you are proposing to take and our responses to your request for specific comments are presented in the appendix to this letter. Overall, your proposals enhance the public interest. The overarching objective establishes a foundation for the development and application of the Code in this area. The delegation to relevant local bodies of adoption and application of the definition enables the local environment to be considered, but the IESBA has to promote consistent interpretation and understanding of the overarching objective.

We trust that our comments assist the IESBA in progressing this project. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty".

David Chitty
International Accounting and Audit Director

Appendix – Response to Request for Specific Comments *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

Question	Response
<i>Overarching Objective</i>	
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 support the overarching objective set out in proposed paragraphs 400.8 and 400.9.
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?	We agree with the proposed list of factors set out in paragraph 400.8. We acknowledge that this list is non-exhaustive that is applied elsewhere in the Code.
<i>Approach to Revising the PIE Definition</i>	
<p>3. Do you support the broad approach adopted by the IESBA in developing its proposals for the PIE definition, including:</p> <ul style="list-style-type: none"> • Replacing the extant PIE definition with a list of high-level categories of PIEs? • Refinement of the IESBA definition by the relevant local bodies as part of the adoption and implementation process? 	<p>We support the broad approach adopted by the IESBA in developing its proposals for the PIE definition.</p> <p>We note that the intention of the IESBA is for relevant local bodies to refine the PIE definition as part of the adoption and implementation process. Relevant local bodies have to take into account their environments and priorities when adopting and implementing the definition. Whilst this enables flexibility and local understanding of, say, the status of entities traded on secondary markets, we encourage the IESBA to work with local bodies with the aim of achieving as much consistency of interpretation as possible. Differing local interpretations create challenges for networks in managing risk and challenges for professional accountants when providing services to cross-border businesses. There are good reasons for recognising and understanding the local environment, but interpretation has to consistently follow the overarching objective.</p>
<i>PIE Definition</i>	
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 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.
5. Do you agree with the proposals for the remaining PIE categories set out in subparagraphs R400.14 (b) to (f)?	We agree with the proposals for the remaining PIE categories.

<p>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.</p>	<p>The challenge with adding, say, initial coin offerings is that other categories could also be identified for specific recognition making the list long and “rules-based”. If specific categories such as initial coin offerings are included now, what happens with innovations that emerge after the standard is issued? We believe that the list of categories is an appropriate application of the overarching objectives. Local bodies (and networks for internal risk management) can further refine the definition as appropriate to reflect their environments.</p>
<p><i>Role of Local Bodies</i></p>	
<p>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?</p>	<p>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.</p>
<p>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?</p>	<p>The IESBA’s proposed outreach and education support to relevant local bodies is important for achieving consistent and transparent implementation.</p> <p>The outreach to local bodies needs to be supplemented by outreach to relevant global and regional bodies with the intention of promoting discussion about the application of definitions and the sharing of views on interpretation and implementation.</p> <p>The IESBA ought to organise “round tables” with regional bodies that have similar environments to encourage the sharing of views.</p> <p>The IESBA also ought to encourage local bodies to provide transparent explanations to support their individual application of the overarching objectives and definitions.</p>
<p><i>Role of Firms</i></p>	
<p>9. Do you support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs?</p>	<p>We agree with this proposal.</p>
<p>10. Please provide any comments to the proposed list of factors for consideration by firms in paragraph 400.16 A1.</p>	<p>We consider that the list of factors in 400.16 A1 is sufficient.</p>
<p><i>Transparency Requirement for Firms</i></p>	

<p>11. Do you support the proposal for firms to disclose if they treated an audit client as a PIE?</p>	<p>This proposal is a matter that should be reserved to relevant local bodies for potential inclusion in transparency reporting requirements.</p> <p>We recommend that R400.17 is rewritten to say this (without “R” status).</p>
<p>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.</p>	<p>As stated in our response to 11 above, we consider that this is a matter for transparency reporting.</p>
<p><i>Other Matters</i></p>	
<p>13. For the purposes of this project, do you support the IESBA’s conclusions not to:</p> <p>(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?</p> <p>(b) Propose any amendments to Part 4B of the Code?</p>	<p>We agree with these conclusions by the IESBA.</p>
<p>14. Do you support the proposed effective date of December 15, 2024?</p>	<p>We support the proposed effective date of 15 December 2024.</p>
<p><i>Matters for IAASB consideration</i></p>	
<p>15. To assist the IAASB in its deliberations, please provide your views on the following:</p> <p>(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.</p> <p>(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</p>	<p>(a) In the interests of consistency, we support the use by both the IESBA and the IAASB of the overarching objective.</p> <p>(b) We agree with the proposed case-by-case approach.</p> <p>(c) This is a matter that ought to be left to the IAASB to consider in light of its work in reviewing and developing the audit report.</p>

broadly applied to other categories of PIEs.

(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?