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Mr. Ken Siong
International Ethics Standards Board for Accountants
International Federation of Accountants
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4 May 2021

Dear Mr. Siong:

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

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, is pleased to comment on the International Ethics Standards Board for Accountants' (the "IESBA" or the "Board") Exposure Draft, *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code* (the ED).

With the Board's proposed changes, we are concerned that while trying to enhance the definition of Public Interest Entity (PIE), the Code will create greater diversity in how entities are assessed as having an elevated degree of public interest and therefore classified as PIEs, which we do not believe is in the public interest. While we agree on the need to have a definition of PIE that goes beyond listed entities, we believe that the broad approach proposed by the Board risks inappropriately capturing too many entities as PIEs and may increase confusion among stakeholders as to why entities with similar characteristics are classified differently in various jurisdictions.

In order to appropriately reduce the diversity in PIE classifications, we believe the Code, as a global standard, needs to take a more narrow, baseline approach to defining categories of entities that are to be treated as PIEs, which can be more readily and consistently implemented across many jurisdictions. This includes having a clearly defined category for publicly traded entities that continues to include entities that are captured by the extant definition by being listed on a recognized stock exchange. The approach should allow for and encourage local bodies and regulators to further supplement the Code's list of categories and capture additional entities that are deemed to have an elevated degree of public interest based on local considerations, while allowing for local jurisdictions to establish criteria within the narrow baseline of categories that would allow for entities to be excluded from the Code's categories (e.g., based on size or other criteria).

We see further diversity being created under the Board's proposals related to the role of firms in determining additional PIEs beyond those included within the Code and those designated as PIEs by local bodies and regulators. In addition to creating further diversity, it is also our view that it is inappropriate, and not in the public interest, for firms to make a judgmental determination that second-guesses the determinations made by local bodies and regulators. So, while we acknowledge that some degree of diversity already exists in terms of the categories of entities that are classified as PIEs across the many jurisdictions, we believe it is inappropriate for the Code to create further diversity.

Fifteen specific questions were identified on which the Board welcomed respondents' views and we have organized our response accordingly. Our comments are set out below.

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?

In setting forth its objective in proposed paragraph 400.9, the Board states that the purpose for enhanced requirements related to PIEs is to enhance the confidence in the PIE's financial statements through enhancing confidence in the audit of those financial statements. We do not agree that the purpose of the PIE distinction within the context of the Code is to enhance confidence in the audit of the financial statements. A user's confidence in the audit of the financial statements is supported based on the appropriate application of the relevant Generally Accepted Auditing Standards (GAAS) and the relevant quality management standards, for example International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagement*, and International Standard on Quality Management 2, *Engagement Quality Reviews*.

We recognize it is not possible to create one, global definition of PIE, particularly because there is no universally accepted position on what the concept of "public interest" entails, for example who makes up the "public", or how its "interest" is to be assessed. Indeed, "public interest" is a broad concept that is highly dependent upon the facts and circumstances of a particular situation. We believe that it is important for the overarching objective to clearly define the concept of public interest within the context of the Code as applied to entities, and then to link this concept to the purpose of the Code. Indeed, as set out in the Purpose of the Code, the Code provides a conceptual framework to be applied in order to identify, evaluate and address threats to compliance with the fundamental principles. Therefore, we believe the primary purpose behind distinguishing entities as PIEs in the context of the Code is to enhance the confidence users of a PIE's financial statements can place in the independence of the audit firm and the engagement team through compliance with the fundamental principles, and by requiring the auditor to exercise a heightened awareness of the threats to compliance with the fundamental principles when auditing an entity that has an elevated degree of public interest – i.e., the primary focus in the Code should be on the independence of the audit firm and engagement team, not on the quality of the audit.

We believe that focusing the objective for defining entities as PIEs on the quality of the audit has the potential risk of creating a perception that the audit of a non-PIE is somehow of lower quality than the audit of a PIE. This risk is significantly increased in light of the Board's proposals with regard to transparency, as further discussed in our response to questions 11 and 12. We therefore suggest that the Board focuses its objective for defining a PIE on the need to elevate awareness of the threats to compliance with the fundamental principles and the additional safeguards to address such threats, rather than focusing the objective on audit quality, which is addressed by the applicable GAAS.

Further, in the context of the International Standards on Auditing (ISAs), the IAASB is best placed to determine the purpose of implementing differential requirements or guidance for PIEs. As noted in our response to question 15, we support the proposed case-by-case approach to addressing differential requirements for PIEs, which should include determining the rationale for any such changes. This rationale will likely include audit quality but could also have a purpose of transparency or increased communications depending on the nature of the differential requirements.

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?

Yes, we generally agree with the proposed list of factors set out in proposed paragraph 400.8. However, we have the following suggested edits for the Board to consider.

Suggested Edits	Rational
<p>Some of the requirements and application material set out in this Part are applicable only to the audit of financial statements of public interest entities, reflecting significant <u>an elevated degree of</u> public interest in the financial condition of these entities.</p>	<p>The word “significant” does not appear appropriate in this context as it is overly subjective, and stakeholders of any audited entity might have a “significant interest” in its financial condition. However, there is an elevated (i.e., incrementally significant) degree of public interest with regard to a PIE.</p>
<p>The extent <u>degree</u> of public interest will depend on <u>be influenced by any number of</u> factors including that could include, for example: . . .”</p>	<p>The characteristics in the bullet points that follow should not come across as all-inclusive or as a checklist.</p>
<ul style="list-style-type: none"> • Whether the entity is subject to regulatory supervision <u>that is</u> designed to provide confidence that the entity will meet its financial obligations. • 	
<ul style="list-style-type: none"> • <u>Whether the size of the entity warrants public interest, or is of limited size as to not warrant public interest.</u> 	<p>To make it clear that it is also possible for a local body or regulator to determine that it is appropriate to refine the list of categories of PIEs in proposed paragraph R400.14 by excluding entities that are small.</p>
<ul style="list-style-type: none"> • The importance of the entity to the sector in which it operates including how easily <u>the public interest purpose the entity serves can be replaced</u> able it is in the event of <u>the entity's</u> financial failure. 	<p>To place the emphasis on the public interest purpose being served, rather than the entity itself, should the entity fail financially.</p>
<ul style="list-style-type: none"> • Number and/or nature of stakeholders including investors, customers, creditors and employees. 	<p>To make it clear that the number of stakeholders and the nature of the stakeholders could be a factor either in combination or individually.</p>

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:

- 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?

No, we do not support the broad approach adopted by the IESBA in developing its proposals for the PIE definition. We believe that the proposed approach of including a broad range risks inappropriately capturing too many entities as PIEs and may increase confusion among stakeholders as to why entities with similar characteristics are classified differently in various jurisdictions. We believe the Code should take a narrow, baseline approach by defining globally consistent categories of PIEs, as the extant Code currently does. As discussed more fully in our response to question seven, the Code should leave it to local jurisdictions to supplement, but not remove, categories of entities that are to be treated as PIEs in their specific jurisdiction. However, we do believe that the Code should allow for local jurisdictions to establish criteria within the narrow baseline of categories that would allow for entities to be excluded from the Code's categories (e.g., based on size or other criteria). While local jurisdictions currently can and do define categories of entities that are to be treated as PIEs, which has shown to lead to diversity on a global basis, we do not believe it is in the public interest for a global standard, such as the Code, to include provisions that create even greater differences between jurisdictions in an increasingly globalized economy. As an example of a potential consequence of the proposed approach, we note that local refinement of the "publicly traded" category in the EU could result in a significant reduction in the number publicly traded entities categorized as PIEs as it is likely that many of the EU local bodies and regulators will limit this category to the "EU regulated markets". Currently, the profession, in line with the Code, treats all listed entities as PIEs, including the large number of entities listed on secondary markets that are not EU regulated markets. We also believe that a narrowly defined list of PIE categories provided by the Code, with the ability of local bodies and regulators to supplement the list, will allow for focused regulatory effort in each jurisdiction as the PIE designation would be based on the factors deemed relevant in the local markets to protecting the public interest.

We agree with the Board's statement in paragraph 52 of the Explanatory Memorandum (EM) that determining the categories of entities that should be treated as PIEs is best placed with the local bodies and regulators. We believe local bodies and regulators have better insight into the factors within their jurisdictions that create the elevated degree of public interest, and they are best placed to understand the needs of the relevant stakeholders. As noted above, we believe the Code should provide a narrow list of categories of entities to be treated as PIEs on a globally consistent basis, and provide that firms must also treat as PIEs those additional categories of entities that have been specified as PIEs by law or regulation, as stated in proposed paragraph R400.14(f). As drafted, the proposals provide for local bodies and regulators to "refine" the categories of PIEs set forth in the proposed paragraph R400.14. To "refine" would mean to remove the unwanted or unnecessary elements. As such, we understand that the Board's intent is to allow local bodies and regulators to remove categories, and not only entities included in the categories, from being considered as PIEs. This is an approach never before seen within the Code, and we believe this has the potential of creating an unintended consequence, as more fully discussed in our response to question seven. In particular, local bodies and regulators may interpret this to mean that they may "refine" other aspects of the Code as part of their adoption. We strongly suggest that the Board needs to make it clear in the Code that although the Code provides for those bodies responsible for setting ethics standards to refine these categories, this ability to refine the Code's provisions only applies to this particular scoping purpose and does not extend to any other aspect of the Code.

The Board should consider clarifying that if a local body or regulator takes no action to change its definition of public interest entities, including being silent on its view, the appropriate application for the firm would be to follow the jurisdiction's definition. For example, some jurisdictions would require legislative action to change their list of entities that are required to be treated as PIEs, and it may be that such jurisdictions do not see a need to make a change and thus, will take no action.

An additional unintended consequence under the Board's proposals is that if a local body or regulator excludes a particular category of PIEs and the audit firm therefore does not treat an entity within that category as a PIE, it appears the audit firm would be in breach of proposed paragraph R400.14 since it is proposed as a requirement for a firm to treat entities within these categories as PIEs. Including a narrow, baseline list of categories that local bodies and regulators could supplement, but not remove, categories of entities that are to be treated as PIEs, removes these unintended consequences.

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.

Yes, we support the proposals for the new term "publicly traded entity" to replace the term "listed entity" in the extant Code. However, we believe that in order for the proposed definition to be successfully implemented, the Code may need additional application material since it must provide a clear understanding of what is meant by "publicly traded" as there can be wide interpretation of what this term encompasses.

For example, we believe that entities that are listed on a recognized stock exchange should continue to be considered as publicly traded under the new term, and local bodies and regulators should not have the ability to exempt entities within this category. In paragraph six of the EM, the Board explains that stakeholders have questioned whether the term "recognized stock exchange" as used in the extant Code and the concept of "regulated market" as used in the definition of a PIE in the EU Directive 2006/43/EC are intended to be the same. We note that under the Boards proposals, the uncertainties with regard to these terms and whether to classify entities listed on these different markets as publicly traded will continue to exist if the Code leaves it to the local bodies and regulators to refine the entities that are included in this category.

We also have a concern that the revised definition will capture entities that currently do not meet the extant definition of listed on a recognized stock exchange for which we do not believe there is a public interest, for example governmental entities that issue tax exempt and municipal securities, or entities that raise funds through municipal-sponsored bond offerings that might not be traded amongst investors. Further, we do not believe that private entities that have debt instruments that might be exchanged between investors should be considered public interest entities. The Board should clarify that such entities are not considered "publicly traded." The unintended consequence of not excluding such entities would result in an enormous number of entities being classified as PIEs, for which there is no elevated degree of public interest. Therefore, we believe the definition of the term "publicly traded entity" needs to be sufficiently clear so that the appropriate considerations can be made as what is intended to be included as a PIE under the new term.

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

We agree that the entities included in subparagraphs (a) through (c) and (f) should be treated as PIEs. We believe that only these categories should comprise the narrow, baseline categories included in the Code.

We disagree that the categories set out in subparagraphs (d) and (e) should be defined in the Code as PIE. Rather, we believe it should be the responsibility of the relevant local bodies and regulators to assess and determine if such entities must be treated as PIEs in their respective jurisdictions.

With regard to entities whose function is to provide post-employment benefits, we recognize that there is a vast array of post-employment benefit schemes in jurisdictions around the world. These can range from small, single-employer pension plans to large, multi-employer pension plans and large government-run public pension schemes. There is also significant variation in the legal structure, corporate governance, and regulatory oversight of post-employment benefit schemes among the various jurisdictions. Given the vast array in sizes, and variations in structures and oversight of post-employment benefit schemes, we do not believe it is practical for the Code to classify such entities as PIEs in general. Instead, this should be decided by the relevant local bodies and regulators using the factors described in proposed paragraph 400.8.

With regard to entities whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public, we recognize that there is a large number of such entities globally. As further explained in our response to question three, we believe the Code should take a narrow baseline approach and, therefore, believe this category of entities should be decided by the relevant local body or regulator using the factors described in proposed paragraph 400.8. It may not be permissible absent regulatory changes to impose a PIE definition on such investment vehicles. However, if this category is retained, the Board should include further application material explaining which types of entities are included in such category. For example, are vehicles for which the interests are not offered to the public but only to private qualified or institutional investors included within this definition? Are vehicles that only allow redemption to very limited circumstances, at limited times during the life of a vehicle included?

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.

As noted in our response to question three, we believe the Code should take a narrow, baseline approach to defining categories of PIEs. Therefore, we would not support including entities that raise funds through less conventional forms of capital raising, such as an ICO, as a further PIE category in the IESBA Code. We believe relevant local bodies and regulators are best positioned to make this determination.

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?

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 adaptation 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 adaptation. 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.

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.

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?

As noted in our response to question three, we do not agree with the Board's broad approach in developing its proposals for the PIE definition. However, even if a narrow approach is taken, as we have suggested above, it will still be beneficial for the Board to undertake its proposed outreach and education support to assist local bodies and regulators in understanding their role in supplementing the categories of PIEs defined with the Code. We agree that the outreach activities described in paragraph 59 of the EM are appropriate. We believe it will be important for the Board

to work with local bodies and regulators in helping them understand how their local definition of PIE aligns with the Code, and where potential refinement could be beneficial.

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?

No, we do not support the proposal to introduce a requirement for firms to determine if any additional entities should be treated as PIEs. We do not believe it is appropriate or in the public interest for firms to make this judgmental determination, and doing so could create inconsistencies in how entities are treated, which would ultimately impede rather than enhance stakeholders' confidence in the independence of the auditor. While the Boards proposals include provisions addressing the transparency as to whether an entity has been treated as a PIE, if similar entities are treated differently in different jurisdictions, this may undermine the confidence the Board is seeking to enhance. As we have noted in our response, local bodies and regulators are best positioned to supplement a narrow, baseline list of categories in the Code and we believe it is not in the public interest for audit firms to second-guess determinations made by the local bodies and regulators. If this provision is retained, those charge with governance should be required to agree to the classification as a public interest entity. If those charged with governance do not agree, then the entity would not be considered a PIE.

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

As stated in our response to question nine, we do not believe it is appropriate or in the public's interest for firms to second-guess determinations that should be made by the local bodies and regulators. But with regard to the factors included in proposed paragraph 400.16 A1, many of these factors are not clear as to how they should be assessed. We recommend deleting R400.16. and 400.16.A1. However, if R400.16 is retained, we believe the relevant factors in 400.A1 should only include:

- Whether the entity is likely to become a public interest entity in the near future.
- Whether those charged with governance requested the entity to be considered a public interest entity.

We do not believe the other factors should be included for the following reasons:

Proposed Factor	Rational for Excluding
Whether the entity has been specified as not being a public interest entity by law or regulation.	If local laws and regulations specify an entity is not a PIE, it would not be appropriate to override such laws and regulations unless one of the above factors is present.
Whether in similar circumstances the firm or a predecessor firm has treated the entity as a public interest entity.	It is not clear that the circumstance between unrelated entities would be sufficiently similar to make it clear that an entity should be a considered of public interest.

Whether in similar circumstances the firm has treated other entities as a public interest entity.	It is not clear that the circumstance between unrelated entities would be sufficiently similar to make it clear that an entity should be a considered of public interest.
Whether the entity or other stakeholders requested the firm to treat the entity as a public interest entity and, if so, whether there are any reasons for not meeting this request.	Only those charged with governance have standing to request an entity be considered a public interest entity.
The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.	It is very common that entities seek to have individuals unrelated to ownership and management on the board, thus this is not necessarily an indicator of an entity being of public interest.

Transparency Requirement for Firms

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

Although we are generally supportive of transparency, we do not support the proposal for firms to disclose if they treated an audit client as a PIE. We agree with the Board's statement in paragraph 66 of the EM that the Boards proposals have the result of creating the need for additional transparency due to the potential increase in inconsistent treatment between different jurisdictions the proposals can create. We believe that creating this increased uncertainty is not in the public interest, and without such uncertainty there should also not be a need for additional disclosure.

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 it is very important that the Board does not unintentionally create the perception that the auditor's independence is a proxy for audit quality, which is a possible consequence of adding a requirement for the auditor's report to disclose whether an entity was treated as a PIE. As we have noted in our response to question one, we believe that in the context of the Code, the objective of classifying an entity as a PIE should be to enhance the confidence in the independence of the audit firm and engagement team rather than the quality of the audit, because the quality of the audit is a function of complying with the applicable GAAS and having an effective system of quality management.

We believe there are more appropriate ways to provide the disclosure, for example by providing this type of disclosure upon a request by a stakeholder. Other examples might be to provide the disclosure on the firm's website, in the firm's transparency report, or through targeted communication to stakeholders.

Other Matters

13. For the purposes of this project, do you support the IESBA's conclusions not to:
- 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?
 - Propose any amendments to Part 4B of the Code?

We support the Board's conclusion with regard to both points a. and b. In particular, with regard to extending the definition of "audit client" for listed entities to all PIEs, we believe the Board needs to carefully consider the potential consequences and burden this can place on entities based on the current proposed categories of PIEs, especially in light of various ownership mechanisms, corporate governance oversight and other factors. If the listed entity definition of "audit client" is extended to all PIEs, this will capture a wide array of entities that have ownership structures and oversight mechanisms that are very different from those of listed entities, and therefore could have unintended consequences. Therefore, we believe that any proposal to considering extending the definition of "audit client" for listed entities to all PIEs will require further consideration and exposure for public comment.

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

Yes, we support the proposed effective date of December 15, 2024. However, as we have previously noted, given the importance of local bodies and regulators refining the entities to be included in the proposed categories of PIEs, the Board should evaluate the extent of the necessary outreach activities that will be required with local bodies and regulators and whether the proposed effective date provides the Board with adequate time to perform this outreach and assess the effectiveness of the outreach efforts. A narrow approach, as we have suggested above, would not be dependent upon local bodies and regulators taking action before the proposals could be implemented, and therefore would enable implementation by the proposed date. The Board should carefully consider the comments from local bodies and regulators regarding the effective date as they may find it difficult to complete adoption by December 2024.

Matters for IAASB Consideration

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



With regard to matter a., as noted in our response to question one, we believe that within the context of the Code, the objectives should focus on enhancing stakeholders' confidence in the independence of the auditor, while enhancing stakeholders' confidence in the quality of the audit is a function of the GAAS applied in the audit procedures. In the context of the ISAs, the IAASB is best placed to determine the purpose of implementing differential requirements or guidance for PIEs. In this regard, we believe it is important for the IAASB and IESBA to have a coordinated approach on the definition of PIE and listed entity, as it would not be in the public interest for the IAASB standards to apply definitions that conflict with, or establish unnecessary differences from, the definitions in the Code. Our views expressed in our response to the ED with regard to the definitions of listed entity and PIE equally apply for the purposes of any proposed implementation in the IAASB standards.

With regard to matter b., we support the proposed case-by-case approach to addressing differential requirements for PIEs, which should include determining the rationale for any such changes. This rationale will likely include audit quality but could also have a purpose of transparency or increased communications depending on the nature of the differential requirements. We also believe that proposed revisions to the IAASB standards arising from implementation of a definition of PIE (and potentially a revised definition of listed entity) in the IAASB standards, as well as consequential changes to requirements including any potential auditor reporting requirements, should be subject to separate public consultation.

With regard to matter c., as noted in our response to question 11, we do not believe it would be appropriate to disclose within the auditor's report that the firm has treated an entity as a PIE, and have provided other example options for such disclosure. We strongly encourage coordination between the IESBA and IAASB should any revisions to the auditor's report be pursued, particularly in light of the IAASB's post implementation review of the auditor reporting standards currently underway.

We would be pleased to discuss our comments with members of the International Ethics Standards Board or its staff. If you wish to do so, please contact Tone Maren Sakshaug (tonemaren.sakshaug1@qa.ey.com) or John Neary (john.neary1@ey.com).

Yours sincerely,

Ernst + Young Global Limited