



T Ü R M O B

TÜRKİYE SERBEST MUHASEBECİ MALİ MÜŞAVİRLER
VE YEMİNLİ MALİ MÜŞAVİRLER ODALARI BİRLİĞİ
(UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY)

May 3, 2021

Ankara

Mr. Ken Siong

IESBA Senior Technical Director
International Ethics Standard Board
for Accountants (IESBA)

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

Dear Mr. Ken Siong,

TÜRMOB (Union of Chambers of Certified Public Accountants of Turkey) would like to submit its comments to you about Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code published in January 2021.

Firstly, we want to give information about us shortly. TÜRMOB, the Union of Chambers of Certified Public Accountants of Turkey, is the national professional body with the sole authority to award professional license. TÜRMOB was founded in 1989 with the Law on Certified Public Accountancy and Sworn-in Certified Public Accountancy numbered 3568. TÜRMOB is the largest and fastest-growing national professional organization for professional accountants with over 117.541 members and more than 20.000 aspiring professional accountants in Turkey.

TURMOB is a full member of IFAC since 1994 and has a member in IFAC Board and is a member of Accountancy Europe in 2013 and works on its all working parties, policy groups and others actively.

The concept of PIE was first introduced in early 2000. After years of implementation, some regulatory stakeholders suggested that the definition of a PIE should be re-examined, while some small and medium practices (SMP) expressed concern that the independence requirements are increasingly disproportionate in those circumstances where firms provide audit and review services to small entities that fall within the PIE definition. Various jurisdictions have taken different or more specific approaches to defining or scoping the concept of a PIE for their local purposes. Therefore, there is a need to understand the commonalities and differences between those jurisdictional approaches and the approach taken in the extant International Code of Ethics for Professional Accountants (the Code), and whether



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there would be merit in seeking a pathway to greater convergence at the global level. We tried to explain and submit the situation in our own country and our views in this document. We hope that will be useful.

If you have any further questions, please do not hesitate to contact Mrs. Seher Gundogdu at international@turmob.org.tr

Sincerely,

Yahya Arıkan
General Secretary

Emre Kartaloğlu
President



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TÜRMOB's responses to your questions about Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code

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?

Yes. We support this revised definition.

The definition of public interest entity has been extended for all regulatory purposes. The revised definition of PIEs is more inclusive and principle-based to cover all businesses whose operations are significant for the whole economic and financial system and for the sociality in general.

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. As the definition of PIE has been come more principle-based, it allows for flexibility and interpretation as to categorization of entity as PIE or not.

But there is a need to give information detailly about what is meant by“taking on financial obligations to the public as part of an entity’s primary business”

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?*

Yes. We support it. The categories in the Ethics Code should consider all kind of entities in term of nature, complexity and operating environment and areas.

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

Yes. The refinement by local regulatory bodies might be needed to clarify to interpretation nationally as part of the adoption and implementation process.

The definition of public interest entities in Turkey has been made in Statutory Decree No. 660 in line with EU’s Audit Directive: “Public interest entities are publicly-held companies, banks, insurance, reinsurance



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and pension companies, factoring companies, financing companies, financial lease companies, asset management companies, pension funds, issuers and other capital market institutions.”

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 that the new term of “publicly traded entity” can replace “listed entity” in the Ethics Code. This definition is a very expanded and evaluated definition from all perspectives.

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

Yes. We believe that the subparagraphs (b) and (e) should be included in the list of PIE categories. Subparagraph (f) is very important statement to enhance public confidence in financial statements.

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.

This interpretation will heavily depend on the national and international regulation of these types of entities as per their operations. We believe these should be left to the discretion of local regulators.

Blockchain is rapidly evolving and there is an increasing interest in the technology in both practice and academia. Recently, a blockchain use case called Initial Coin Offering (ICO) draws a lot of attention.

In Turkey, Central bank in Turkey forbidden the use of cryptocurrencies as a means of payment. On the other hand, Financial Crimes Investigation Board (MASAK) under Ministry of Treasury Finance started to request some credentials from all cryptocurrency exchanges.

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?

Yes. We support the proposed paragraph 400.15 A1 which explains the high-level nature of the list of PIE categories.



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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?

We believe that the outreach and education support to be provided by IESBA is very important, but even more important is how these standards are translated and interpreted by local authorities. Because the native language of most IFAC members is not English. For this reason, IESBA may be appropriate to support IFAC's member bodies, especially in interpretation.

Upon approval of the final revisions, we believe that it will be useful that a separate IESBA working group will be established to support the rollout of the revised PIE definition.

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 support this proposal since it is in line with the overarching objective of this revision. Since the aim and principles in deciding whether an entity is of public interest or not are set forth, the firms are well situated to make such assessments as they are knowledgeable of the entities more than any other party.

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

This paragraph is fit-for-purpose. However, refinement by local regulatory bodies might be needed to clarify to interpretation nationally.

Transparency Requirement for Firms

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

Yes. We support the proposal for firms to disclose if they treated an audit client as a PIE.

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.

This information should be included in the auditor's report. The audit firm should issue a list of the PIEs that it has audited at that time. Or it should report this list to the regulatory authority.

Other Matters

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



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(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?

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

This paragraph is fit-for-purpose. We support it.

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

We support the proposed implementation date of 2024. The proposed time is sufficient.

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 believe that the IESBA and the IAASB should align their terminologies to the extent possible. While doing this the main objective should be to provide clarity and to avoid confusion.

This should be considered in conjunction with LCE project and any further effort to clarify and provide guidance on interpretation and implementation support.

(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.

They might be applied to any entities that is not to be considered as “LCE”

(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 believe it would be appropriate to disclose within the auditor’s report that the firm has treated an entity as a PIE.