



2 February 2021

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON INTERNATIONAL ETHICS
STANDARDS BOARD FOR ACCOUNTANTS ("IESBA")
EXPOSURE DRAFT PROPOSED REVISIONS TO THE
DEFINITIONS OF LISTED ENTITY AND PUBLIC INTEREST
ENTITY IN THE CODE**

Comments to be received by 3 April 2021

The Ethics Committee of the Hong Kong Institute of Certified Public Accountants is seeking comments on the IESBA Exposure Draft which has been posted on the Institute's website at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Code-of-Ethics>

The proposed revisions broaden the definition of a public interest entity (PIE) in the [*International Code of Ethics for Professional Accountants \(including International Independence Standards\)*](#) ("the Code") to include more categories of entities, given the level of public interest in their financial condition, for the purposes of additional independence requirements to enhance confidence in their audits.

Among other matters, the proposed revisions:

- Introduce an overarching objective for additional requirements to enhance confidence in the audit of financial statements of PIEs.
- Provide guidance on factors to consider when determining the level of public interest in an entity.
- Broaden the definition of PIE to additional categories of entities.
- Replace the term "listed entity" with the term "publicly traded entity" and redefine that PIE category.
- Introduce new requirements for firms to determine if additional entities should be treated as PIEs for independence purposes and to publicly disclose if an audit client was treated as a PIE.
- Recognize and encourage local regulators to refine PIE categories in regard to national conditions.

In the holistic approach adopted, the specifications for the PIE categories are set at a high level given the wide diversity in national PIE definitions which necessarily reflect local circumstances. Integral to this approach is the role the IESBA expects regulators, national standard setters or other relevant local bodies to play in refining these high-level categories so that the right entities in the local context are captured. To assist in understanding this prospective role, the IESBA will undertake outreach and education activities over the coming months, including guidance material in February and webinars in March.



The Ethics Committee welcomes comments on all matters addressed in the Exposure Draft, but especially those identified in the Request for Specific Comments as set out in Section VI Guide for Respondents of the Explanatory Memorandum to the Exposure Draft.

The Ethics Committee invites your comments on the Exposure Draft by **3 April 2021** to allow your comments to be considered in developing its response to the IESBA. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37/F., Wu Chung House
213 Queen's Road East
Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hki CPA.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

2 February 2021
Invitation to Comment

Response Due Date
3 April 2021

Exposure Draft

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



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

CONTENTS

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

IESBA Press release

The Invitation to Comment can also be found on the Institute's website at:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Code-of-Ethics>



Hong Kong Institute of
Certified Public Accountants
香港會計師公會