



15 December 2012

Mr. Ken Siong
Deputy Director
International Ethics Standards Board for
Accountants (IESBA)

Email: kensiong@ifac.org

Ref.: ETH/PRJ/HBL/LFU/PCO

Dear Mr. Siong,

Re: FEE comments on IESBA Exposure Draft: “Responding to a Suspected Illegal Act”

- (1) FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IESBA Exposure Draft “Responding to a Suspected Illegal Act” (“the ED”) with proposed changes to the IESBA Code of Ethics for Professional Accountants (“the Code”).
- (2) FEE has fully subscribed to the objectives and requirements already included in the International Standard of Auditing (ISA) 250 on “Consideration of Laws and Regulations in an Audit of Financial Statements” which includes having to respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit. The latter includes reporting non-compliance to those charged with governance, reporting non-compliance in the auditor’s report on the financial statements and reporting non-compliance to regulatory and enforcement authorities resulting from legal responsibilities of the auditor.
- (3) We therefore recognise that the auditor needs to respond to stakeholders’ expectations to, within the applicable legal framework, “blow the whistle” on clear violations of laws and regulations having a material impact on financial reporting on matters within the remit of the auditor. However, we do not support the overall and detailed proposals in the ED as explained in our main arguments under the “General comments” below.

- (4) Underlying the ED is the critically important notion that suspected fraud or other illegal activity by companies [or individuals] must be addressed by company management and those charged with governance and that the accountancy profession should play an integral role in communicating its findings to them. We could not endorse that notion more strongly. While the ultimate goal of addressing illegal activity is therefore one we fully embrace, we believe that the goal is not best achieved through the proposed amendments to the Code. Attempting to impose requirements in this important area through the Code, we strongly believe would be unworkable, would have severe negative unintended consequences for all market participants, including the accountancy profession, and would not advance the laudable goal of addressing suspected illegal activity. We suggest that the IESBA requests appropriate institutions (e.g. G20, IOSCO, etc.) to stimulate governments to develop legislation to achieve the overall objectives of this IESBA initiative.
- (5) Despite our significant concerns with the proposals, we are also providing our responses to the questions which are posed in the ED's request for specific comments and we have included these as an Appendix to this letter.

General comments

- (6) We understood that the original project proposal was about providing professional accountants with guidance on how they may react on suspected fraud and illegal acts, but now we are confronted with a proposal that, if finally adopted, would result in a broad range of requirements to be applied by professional accountants in public practice and in business. We do not believe that the measures proposed to address the issue are adequate to be dealt with in a Code for Professional Accountants. The Code is not a legal instrument, and, therefore, unlike those jurisdictions that do have "whistle-blower" legislation in place, cannot provide for protection with respect to the liability of professional accountants in public practice or to the employment situation and personal safety of public accountants in business. Such protection would be particularly necessary, because the proposals relate to *suspected* illegal acts.
- (7) Furthermore, we doubt whether the IESBA or the Code are able to ensure that the public interest is served by imposing the proposed specific measures. These would be likely to achieve the opposite result in that people would be more cautious when communicating with the accountant in the first place. We therefore suggest that, provided that there are safeguards, such matters should be dealt with in legislation, but not in a Code for Professional Accountants. Where a suspected illegal act is judged by the courts not to be illegal, only legislation can provide for protecting the accountant against legal and other consequences such as, allegations of a breach of confidentiality, and potential physical threats. In addition, legislation will take into account national judicial and cultural specifics, where a Code cannot.

- (8) Additionally, when setting up requirements that apply with respect to the provision of professional services, it would be more appropriate if they were constructed in a way that equally applies to all professions which members are potentially in a position to respond to suspected illegal acts, but not solely to professional accountants, in particular when they provide the same or similar types of services. Whilst a legislative framework may achieve this, the Code, as it applies to a certain group of professionals only, does not provide for a level playing field for professionals as such, and would therefore adversely affect members of IFAC member bodies. In this respect, we also note that accountants in business who are not members of an IFAC member body would not be subject to the requirements proposed by the ED.
- (9) Under the proposals in the ED, each and every violation of a law or regulation constitutes an illegal act having the same significance as far as its initial consequences are concerned. However, there appear to be circumstances where the effect of a violation could be considered as not being significant to the public interest. There are no clear and unequivocal guidelines in the Code under which circumstances a potential illegal act is significant or not. Such guidelines, however, can probably not be provided, as violations of all "laws and regulations" would constitute an illegal act. However, this should not be compensated by leaving it up to the accountants and auditors to have to determine the significance, especially in a legal context. As a result a very wide range of (often) minor suspected illegal acts for (often) very small entities would be caught by the proposals to report suspected illegal acts internally or possibly externally. It could be questioned whether this is really in the public interest at large.

Cross-border-issues /No consistency for all audit and non-audit service providers

- (10) The proposal to require in certain circumstances from professional accountants disclosure regarding a suspected illegal act to an appropriate authority would not need to be complied with in countries where such disclosure is prohibited by professional confidentiality, secrecy or privilege requirements. As prescribed in section 100.1 of the Code for Professional Accountants, a professional accountant is not required to comply with certain parts of the Code if there is a conflict with an existing law or regulation. As such legal prohibitions do not exist in other jurisdictions, professional accountants in those jurisdictions would have to comply with the requirements proposed. The ED does not address how to deal with situations with respect to cross-border engagements, including group audit situations.
- (11) Regarding the disclosure of illegal acts, we note that anti-money laundering legislation (AML) is already in place at EU level by means of a Directive that is to be implemented by EU member states into their national laws (currently under review). The AML requirements are not only applicable to auditors and accountants (professional accountants in public practice) but also to other professionals, such as lawyers, bankers, etc. The AML provides for legal protection and limits the scope of the required investigation of the suspected illegal act by the professional.

Issues with applicability, scope and likely effectiveness

- (12) In our view, the ED does not provide sufficient justification and/or differentiation as regards the requirement to disclose suspected illegal acts for professional accountants providing non-audit services to an audit client or a client that is not an audit-client, or professional accountants in business. With respect to public accountants providing audit services, FEE fully subscribed to the objectives and requirements included in ISA 250 on “Consideration of Laws and Regulations in an Audit of Financial Statements”. Whilst auditors can be seen as being entrusted with a public interest role when performing audits, and, it can at least be argued, also have this role when providing non audit services to their audit clients, it is difficult to justify a disclosure requirement in connection with the provision of non-audit services to non-audit clients. The latter is a contractual arrangement for which it would be difficult to argue that the “public interest” consideration would have equal weight to that of an audit engagement.
- (13) We also note that one of the main reasons for putting the proposals forward was argued to be that they would be in the public interest. FEE fully recognises the importance of the public interest for the credibility of the accountancy profession. However, there is no clear definition and common understanding of “public interest”. For instance, the IFAC Public Interest Framework is considered to be primarily process-driven. FEE is concerned that – without robust criteria as to what constitutes the public interest – requiring the individual professional accountant to determine whether the reporting of a particular individual suspected illegal act is or is not in the public interest will lead to inconsistent application. In addition, subjective and cultural differences cannot be properly dealt with in a global Code and will also lead to inconsistent application.
- (14) The scope of the proposals is very broad (for instance, it covers intentional and unintentional illegal acts). Therefore, the subject matters that could possibly fall under the proposed requirement to be reported are much too wide, as not defined precisely and to be determined based on judgement and not based on clear criteria.
- (15) In quite a number of countries, there is no dedicated competent authority to report to.
- (16) In addition, there may be a number of practical difficulties arising from the proposals as well as unintended consequences, including difficulties in trying to identify a “suspected” illegal act and understanding what is an illegal act, as well as what is a “suspicion” and how to make the assessment.

Other general comments

- (17) In addition, we note that there might be potential unintended consequences if after disclosing a suspected illegal act no occurrence of an illegal act is determined, especially when no liability stipulation is determined in case of misjudgement or misinterpretation by the professional accountant.

- (18) We would like to note that this FEE comment letter has been prepared by the FEE Ethics Working Party that consists of practitioners and experts from our member bodies, with assistance of some other FEE groups. Any individual with membership of both the FEE Ethics Working Party and IESBA has not participated in the discussions, drafting and approval of this FEE comment letter to avoid any real and perceived conflicts of interest.

For further information on this FEE¹ letter, please contact Hilde Blomme on +32 2 285 40 77 or via email at hilde.blomme@fee.be or Leyre Fuertes on +32 2 285 40 76 or via email at leyre.fuertes@fee.be from the FEE Secretariat.

Yours sincerely,

Philip Johnson
FEE President



¹ FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 27 European Union (EU) Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.

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Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986

Appendix- Request for Specific Comments in the IESBA Exposure Draft: “Responding to a Suspected Illegal Act”

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

Question 1. Do respondents agree that if a professional accountant identifies a suspected illegal act, and the accountant is unable to dispel the suspicion, the accountant should be required to discuss the matter with the appropriate level of management and then escalate the matter to the extent the response is not appropriate? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (19) FEE fully subscribed to the objectives and requirements for auditors included in ISA 250 on “Consideration of Laws and Regulations in an Audit of Financial Statements” which are:
- To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements;
 - To perform specified audit procedures to help identify instance of non-compliance with other laws and regulations that may have a material effect on the financial statements; and
 - To respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit. The latter includes reporting non-compliance to those charged with governance, reporting non-compliance in the auditor’s report on the financial statements and reporting non-compliance to regulatory and enforcement authorities resulting from legal responsibilities of the auditor.

We do not believe that this would apply to other professionals.

- (20) In this context we also refer to paragraph 12 of our letter. However, we believe there are major issues arising with the proposal to require a professional accountant when encountering a suspected illegal act to take “reasonable steps” to confirm or dispel the suspicion. For instance, “what is reasonable” and the “sort of steps envisaged” are not determined? In addition, the amount of effort to be made is an issue: it ought to be proportionate to the likely scale of the issue or the amount of work could be unreasonable.

However, this could risk of having the unintended consequence of missing items which appear to be minor but prove otherwise.

- (21) In this respect, we note that it would also be necessary to clarify that, in every case, the professional accountant, in taking reasonable steps to confirm or dispel the suspicion that an illegal act has occurred, should not be required to investigate matters and facts.

Question 2. Do respondents agree that if the matter has not been appropriately addressed by the entity, a professional accountant should at least have a right to override confidentiality and disclose certain illegal acts to an appropriate authority?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (22) The IESBA Code cannot override national law. Without prejudice to any applicable legal provisions in any jurisdiction conferring a right to override confidentiality, we have concerns regarding the implications of what such right would mean in practice. Conceptually, there would be no consistency for all audit and non-audit service providers because the right would not be able to be exercised in jurisdictions where such disclosure is prohibited by professional confidentiality, secrecy or privilege requirements.

Question 3. Do respondents agree that the threshold for reporting to an appropriate authority should be when the suspected illegal act is of such consequence that disclosure would be in the public interest? If not, why not and what should be the appropriate threshold?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (23) No.
- (24) As already noted in our General Comments in paragraph 13, we have concerns regarding the applicability of one of the main reasons put forward for the proposals in that the new requirements would be in the public interest because it is unclear what the public interest is. Furthermore, cultural aspects in defining the public interest may also affect consistent application among different jurisdictions.
- (25) We also note that different people will have different views of what the public interest is (including reasonable and informed third parties). Again, this is particularly relevant to

cross-border situations; different cultures might have a different approach to the public interest.

Matters specific to professional accountants in public practice (Section 225 of the Code)

Question 4. Do respondents agree that the standard for a professional accountant in public practice providing services to an audit client should differ from the standard for a professional accountant in public practice providing services to a client that is not an audit client? If not, why not?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (26) No.
- (27) Please refer to our General Comments in this respect as included in the covering letter (in paragraph 12), notably that there is no justification in the ED for proposing requirements for professional accountants providing services to an audit client as well as professional accountants providing non-audit services to a client that is not an audit client. Auditors can be seen as being entrusted with a public interest role when performing audits but there is also a public interest in their being able to obtain the information needed to give a high quality audit opinion. We believe this ability may be compromised. The provision of other services is a contractual arrangement so different “public interest” considerations may apply, but will still include the need for a professional to be able to give good advice based on complete knowledge.
- (28) We believe that distinguishing requirements for auditors and the provision of non-audit services to non-audit clients is a matter for law.

Question 5. Do respondents agree that an auditor should be required to override confidentiality and disclose certain suspected illegal acts to an appropriate authority if the entity has not made adequate disclosure within a reasonable period of time after being advised to do so? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (29) Please see our comments in response to Question 2 in paragraph 22 above, mainly that we have concerns regarding the implications of what such a right would mean in practice; resulting in no consistency for all audit and non-audit service providers. In addition, as noted in our covering letter, in quite a number of countries, there is no dedicated competent authority to report to. Furthermore, we note that the auditor has the right, in some countries this right is even a duty, to resign from the audit without disclosure.

Question 6. Do respondents agree that a professional accountant providing professional services to an audit client of the firm or a network firm should have the same obligation as an auditor? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the "General comments" above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED's request for specific comments.

- (30) No.
- (31) There is no logic behind this and therefore we do not agree with distinguishing the obligation of auditors and of professional accountants to audit clients in the provision of professional services (see as included in the covering letter in paragraph 12).

Question 7. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 5 should be those that affect the client's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the "General comments" above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED's request for specific comments.

- (32) No.
- (33) Please see our comments in response to Question 5 in paragraph 29 regarding our general concerns in relation to requiring disclosure of the suspected illegal acts.
- (34) In principle, if one of the main reasons put forward for the proposals is that the new requirements would be in the public interest, any disclosure - subject to the law- should be on any matter where the accountant considers that the public interest demands that disclosure would outweigh the duty of confidence. Any restriction does not fit with the public interest rationale. Having said this, please note our concerns already noted in our covering letter, regarding the public interest, as it is unclear what it means.

- (35) As we have also noted in our covering letter in paragraph 9, there appear to be under the proposals in the ED circumstances where the effect of an illegal act could be considered as not being significant to the public interest but there are no clear and unequivocal guidelines in the Code under which circumstances a potentially illegal act is significant or not. It should not be left up to the accountants and auditors to determine significance, especially in a legal context. As already noted, such guidelines, however, can probably not be realistically provided on an international basis.
- (36) As expressed in our covering letter in paragraph 3, we recognise that the auditor needs to respond to stakeholders' expectations to, within the applicable legal framework, "blow the whistle" and if so, auditors should only report on clear violations of laws and regulations having a material impact on financial reporting on matters within the remit of the auditor. A practical issue is recognising what is the competence of auditors. The Code is not a legal instrument and is therefore not the appropriate vehicle to address the underlying issues of the proposals in the ED.

Question 8. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm who is unable to escalate the matter within the client should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the "General comments" above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED's request for specific comments.

- (37) No.
- (38) Please see our comments above in paragraphs 10 and 11 of the covering letter regarding our general concerns in relation to requiring disclosure of the suspected illegal acts. In any case, it is unclear what the external auditors would then be required to do with it, in circumstances where they themselves have not had a reason to respond to a suspected illegal act as a result of the audit. Requiring auditors to investigate another party's suspicion that may not be related to the audit of the financial statements is untenable. It would also result in inconsistent treatment of reports from accountants who were not auditors. Where there is no auditor, the requirement to report, as drafted, is a right which the accountant is "expected to exercise". However, if there is an auditor and the auditor considers it a public interest matter, external reporting has been converted into a requirement.

Question 9. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (39) No.
- (40) Please see our comments in response to Question 2 in paragraph 22, mainly that without prejudice to any applicable legal provisions in any jurisdiction conferring a right to override confidentiality, we have concerns regarding the lack of consistency that the proposals would result in.

Question 10. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 9 should be those acts that relate to the subject matter of the professional services being provided by the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (41) No.
- (42) Please see our comments above in paragraphs 10 and 11 of the covering letter regarding our general concerns in relation to requiring disclosure of the suspected illegal acts.

Matters specific to professional accountants in business (Section 360 of the Code)

Question 11. Do respondents agree that a professional accountant in business who is unable to escalate the matter within the client or who has doubts about the integrity of management should be required to disclose the suspected illegal act to the entity’s external auditor, if any? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (43) No.
- (44) Please see our comments in response to Question 8 referring to our general concerns in paragraphs 10 and 11 of the covering letter in relation to requiring disclosure of the

suspected illegal acts and our specific concern in paragraph 38 about the effect of disclosure to the external auditors.

Question 12. Do respondents agree that a professional accountant in business should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (45) No.
- (46) Please see our comments in response to Question 9 (in paragraph 40) referring to our comments in response to Question 2 (in paragraph 22), mainly that without prejudice to any applicable legal provisions in any jurisdiction conferring a right to override confidentiality, we have concerns regarding the lack of consistency that the proposals would result in.

Question 13. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 12 above should be acts that affect the employing organization’s financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (47) Please see our comments above in paragraphs 10 and 11 of the covering letter regarding our general concerns in relation to requiring disclosure of the suspected illegal acts.

Other

Question 14. Do respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority? If not, why not and what action should be taken?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (48) We refer to our comments in response to Question 2 where we have indicated that we have concerns regarding the implications of what such right would mean in practice. Therefore, we do not comment specifically on whether in exceptional circumstances a professional accountant should not be required or expected to exercise the right.

Question 15. If respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority, are the exceptional circumstances as described in the proposal appropriate? If not, how should the exceptional circumstances be described?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (49) We refer to our comments in Question 14.

Question 16. Do respondents agree with the documentation requirements? If not, why not and what documentation should be required?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (50) No.
- (51) Please note our concerns regarding the proposals as presented under the “General comments” above in the covering letter (paragraphs 6 – 18). In addition, we note that in relation to documentation requirements, other than in respect of matters related to compliance with auditing regulation, the Code generally advocates documentation in the interest of the accountant but does not require it. The proposals seem to be at odds with this, and with proportionality, given that there is no de minimis threshold at the start of the process.

Question 17. Do respondents agree with the proposed changes to the existing sections of the Code? If not, why not and what changes should be made?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (52) No.
- (53) We refer to our concerns regarding the proposals as presented under the “General comments” above in the covering letter (paragraphs 6 – 18).
- (54) In addition, more specifically we point out that without a definition of what is “ethical”, “unethical”, it is difficult to fully understand and properly apply some of the proposed changes to the Code. This is evident with the proposed addition on page 25 of the ED in paragraph 150.1: “for example if a professional accountant is associated with a client or employing organisation that acts unethically.” This example provided and reference to “unethically” is not clarifying but making it more complicated to understand.

Question 18. Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?

FEE does not support most of the overall and detailed proposals in the Exposure Draft. Our main arguments are presented under the “General comments” above in the covering letter. In addition to these significant concerns with the proposals, we are providing some limited but more specific comments in response to the questions which are posed in the ED’s request for specific comments.

- (55) No.
- (56) We refer to our concerns regarding the proposals as presented under the “General comments” above in the covering letter (paragraphs 6 – 18). In addition, as regards to the impact analysis, we note that it raises a number of pertinent points, which are then not addressed in the revised Code.