

**Collective Investment Vehicles, Pension Funds  
and Investment Company Complexes —  
Draft Project Team Terms of Reference**

**A. Background**

1. In 2021, the IESBA issued an exposure draft, [\*Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code\*](#) (PIE ED), to address concerns by regulators and other stakeholders regarding the need for consistent interpretation and application of the definition of a PIE on a global basis. The PIE ED included as proposed mandatory PIE categories:
  - (a) An entity whose function is to act as a collective investment vehicle (CIV); and
  - (b) An entity whose function is to provide post-employment benefits (PEB).
2. After reflecting on stakeholders' feedback to the ED, the IESBA acknowledged that these types of arrangements are much more diverse in structure, governance and size than deposit-taking institutions and insurers. The IESBA therefore agreed to remove CIVs and PEBs from the mandatory PIE categories list. In reaching this conclusion, the IESBA determined that inclusion in the list may inadvertently impose a disproportionate burden on local regulators and national standard setters to determine what should be scoped in or out of their local PIE definitions.
3. However, the need to address the public interest associated with CIVs and PEBs from an auditor independence perspective remained. Therefore, the IESBA committed, with the Public Interest Oversight Board's (PIOB) support in approving the revised definition of a PIE, to undertake a holistic review of CIVs and PEBs as well as investment company complexes. This review will continue as part of the IESBA's 2024-2027 Strategy and Work Plan.

**B. Objectives**

4. The objectives of the project Team (PT) are to:
  - (a) Review CIVs and pension fund arrangements and their relationships with trustees, managers and advisors to gain a comprehensive understanding of these arrangements to ensure that the independence provisions and the application of the "related entity" definition in the *International Independence Standards* in Part 4A of the Code remain fit for purpose;
  - (b) Review investment company complexes and consider whether the Code should be enhanced to address these structures, such as establishing new terms and definitions, and clarifying which entities or arrangements within such a complex should be considered as related entities of an audit client; and
  - (c) Develop a report and recommendations to the IESBA.

**C. Focus**

5. While a baseline understanding of CIVs, pension funds and investment company complexes in different jurisdictions will be important, the PT will focus on the relationships of these vehicles, funds and complexes with trustees, managers and advisors to ensure that the independence provisions and

the application of the “related entity” definition in the Code remain fit for purpose with respect to these arrangements.

#### **D. Approach**

6. The PT will take a phased approach to achieve the objectives set out in Section B.

##### *Phase 1*

7. As part of gathering an understanding of CIVs, pension funds and investment company complexes, the PT will undertake the following activities:
  - (a) Desktop research on CIVs and pension fund arrangements in different jurisdictions and their relationships with trustees, managers and advisors;
  - (b) Desktop research to understand the intricacies of investment company complexes, taking into account the United States Securities and Exchange Commission’s (SEC) independence and related rules on investment company complexes; and
  - (c) Engage with relevant experts and stakeholders both formally and informally to obtain insights on the issues and relationships, understand different perspectives and share knowledge.
8. To engage with relevant experts and a broad range of stakeholders, the PT may reach out to firms, securities and prudential regulators, investors including asset managers, the corporate governance community, government organizations, national standard setters, professional accountancy organizations, academia, other relevant professional organizations, etc. Engagement could take various forms, including in-person or virtual meetings, focus groups, roundtables, surveys and electronic communications.
9. The PT will liaise with IESBA Task Forces or Working Groups, such as the [Public Interest Entity \(PIE\) Rollout Working Group](#), and members of the former Non-assurance Services (NAS) Task Force and the Benchmarking Working Group, as appropriate. The PT will also coordinate its work with the International Auditing and Assurance Standards Board’s (IAASB) PIE Task Force as needed.
10. The PT will consider issuing appropriate communications as it progresses its work, including identifying outreach opportunities to share knowledge and to promote the Code as an effective tool for professional accountants to refer to when addressing ethics (including independence) issues relating to CIVs, pension funds and investment company complexes. Initiating such relationships, in particular with organizations in the financial services industry and in government, provides a foundation for maintaining open channels for dialogue with stakeholders on an ongoing basis.
11. The PT will aim to present its Phase 1 report, including its findings and recommended way forward, by December 2024.

##### *Phase 2*

12. The PT envisions that its work during Phase 1 will inform the proposed scope and approach to any further undertakings.

#### **E. Deliverables**

13. Subject to the IESBA’s approval of the terms of reference, the work stream will commence immediately. The specific milestones and outputs will be dependent on matters that the PT and the

IESBA ultimately determine are appropriate to address as part of this work stream, and the priorities assigned to those matters.

14. Under Phase 1 (January to December 2024), the PT will:
  - Update the IESBA quarterly on issues identified and preliminary findings for the IESBA's consideration.
  - Present the Phase 1 report that includes findings and recommendations to the IESBA at its December 2024 meeting.
  - As appropriate, recommend the development of non-authoritative material to the IESBA for release during 2024 (e.g., communiques to stakeholders).
15. Deliverables and terms of reference for Phase 2 will be determined by the Phase 1 work and the IESBA's agreement to the recommended way forward as stated in the Phase 1 report. Should the IESBA determine to launch a project to develop appropriate changes to the Code, a separate timeline will be established for that project.

**F. Project Team Composition**

16. The PT is chaired by an IESBA Director, under the IESBA's new staff-led model, assisted by an IESBA Principal, an IESBA Senior Manager and a consultant.