

**DRAFT Minutes of the 47th Meeting of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
Held via Teleconference on April 25, 2016**

Voting Members

Present: Stavros Thomadakis (Chairman)
Richard Fleck (Deputy Chair)
Helene Agélie
Michael Ashley
Brian Caswell
Kim Gibson
Gary Hannaford
Liesbet Haustermans
Claire Ighodaro
Robert Juenemann
Chishala Kateka
Atsushi Kato
Stefano Marchese
Ian McPhee
Reyaz Mihular
Patricia Mulvaney
Lisa Snyder
Sylvie Soulier

Technical Advisors

Denise Canavan (Ms. Haustermans)
Michael Dorfman (Ms. Kateka)
Jason Evans (Mr. Caswell and Ms. Snyder)
Tania Hayes (Mr. Mihular)
Heidi Martinez (Ms. Gibson)
Andrew Pinkney (Ms. Mulvaney)
Jens Poll (Mr. Hannaford)
Eva Tsahuridu (Mr. McPhee)
Toshihiro Yasada (Mr. Kato)

Apologies:

Tony Bromell (Mr. Ashley)
Elbano De Nuccio (Mr. Marchese)
Tone Maren Sakshaug (Ms. Agélie)

Non-Voting Observers

Present: Kristian Koktvedgaard (IESBA Consultative Advisory Group (CAG) Chair) and Masahiko Honma (Japanese Financial Services Agency (FSA))

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Present: Chandu Bhave

IESBA Technical Staff

Present: James (Managing Director), Ken Siong (Technical Director) and Diane Jules

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Dr. Thomadakis welcomed all participants and public observers to the meeting. He welcomed, in particular, Mr. Bhavé, observing on behalf of the PIOB; Mr. Koktvedgaard, Chair of the IESBA CAG; and Mr. Honma, the Japanese FSA observer.

Dr. Thomadakis noted that the objective of the meeting was to consider the proposed final changes to the provisions addressing professional accountants' (PAs') response to non-compliance with laws and regulations (NOCLAR), with a view to approving the document as a final pronouncement. He added that the agenda material was taken as read.

He then briefed the Board on his and Mr. Fleck's April 18, 2016 teleconference with Julie Erhardt, Chair of Committee 1 of the International Organization of Securities Commissions (IOSCO), regarding the proposed final text of the NOCLAR pronouncement. Dr. Thomadakis indicated that Ms. Erhardt had conveyed her assessment that the proposed final provisions were balanced and represented a well thought out response to the issue of NOCLAR. She had also confirmed that the Task Force's and the Board's deliberations as reflected in the proposed final text of the pronouncement had been responsive to Committee 1's comments.

2. Responding to Non-Compliance with Laws and Regulations

Mr. Fleck introduced the topic and provided a report-back on recent coordination activities with the NOCLAR Task Force of the International Auditing and Assurance Standards Board (IAASB). As a result of these coordination activities, the IAASB Task Force had suggested a number of refinements to the proposed final provisions which the IESBA Task Force had accepted. Mr. Fleck drew attention to these proposed refinements as shown in mark-up and as explained in the agenda material. Mr. Fleck also highlighted a few other refinements in response to further comments from IOSCO Committee 1 as well as comments from IESBA members on an advance draft of the text, as also explained in the agenda material.

An IESBA member sought clarification as to whether the Task Force had obtained sufficient practitioner input to the final changes presented. Mr. Fleck confirmed that significant input had been obtained from practitioners regarding the practical implications of the changes proposed. Mr. Siong added that input had in particular been obtained from a number of practitioner representatives from the IAASB representing both large and smaller firms.

After due consideration of the Task Force's recommendations, IESBA members supported the proposed final changes to the text of the pronouncement and had no comments.

CONSIDERATION OF THE NEED FOR FURTHER CONSULTATION

The Board noted that this project had been subject to extensive consultation with stakeholders over a span of more than 6.5 years, including issuance of two exposure drafts, the holding of three global roundtables, discussion with the CAG on 12 separate occasions, and numerous consultations with and outreach to the international and national regulatory communities, national standards setters, firms, IFAC member bodies, the IFAC SMP and PAIB Committees, and the investor, preparer and governance communities. The Board therefore concurred with the Task Force that there was no need to further consult on the proposed pronouncement through, for example, the issuance of a consultation paper, the holding of further public fora or roundtables, or the conduct of a field test of the provisions.

CONSIDERATION OF FURTHER ISSUES

The Board considered and concluded that there were no further issues raised by respondents, in addition to those summarized by the Task Force, which should have been discussed by the Board. Mr. Fleck confirmed that all significant matters identified by the Task Force as a result of its deliberations since the beginning of this project, and the Task Force's considerations thereon, had been brought to the Board's attention.

DUE PROCESS

Mr. Siong advised the Board that up to and including this meeting, the Board had adhered to its stated due process in finalizing the pronouncement.

APPROVAL

The Board approved the text of Sections 225 and 360¹ as well as consequential and conforming amendments to other sections of the Code, as presented at this meeting, as a final pronouncement with the affirmative votes of 18 out of the 18 IESBA members present.

CONSIDERATION OF RE-EXPOSURE

Mr. Fleck explained that the Task Force had considered the matter of re-exposure at various stages of the final changes to the NOCLAR text. In particular, the Task Force had considered whether there was a fundamental change to the May 2015 Exposure Draft (ED) from the addition of the provision addressing exceptional circumstances where the PA has reason to believe actual or intended conduct would constitute an imminent breach of a law or regulation that would cause substantial harm to stakeholders. He noted the Task Force's view that this provision addressed a matter of practicality where the outcome of following the response process specified in the Code would lead to an outcome not in the public interest. Accordingly, the Task Force did not believe that the addition of this provision would warrant re-exposure.

The Board concurred with the Task Force that the changes made to the ED were in response to the comments received from respondents and did not fundamentally change the principles in the ED or represent other changes of substance. The Board therefore determined through the affirmative votes of 18 out of the 18 IESBA members present that re-exposure was not necessary.

Dr. Thomadakis commented that this final outcome represented a historic moment for the IESBA, not only because of the project's long history but also, importantly, because this outcome takes a positive and decisive step in pursuit of the public interest. He also felt that it would help enhance the credibility and reputation of the accountancy profession. He congratulated Mr. Fleck and the Task Force for their tireless and effective efforts up until the final moment. He also acknowledged the significant contributions of Caroline Gardner, the former Chair of the Task Force, in steering the project through a complex and global landscape. He indicated that the Planning Committee would reflect on how best to support implementation of the final provisions and would present recommendations for the Board's consideration in the near future. He also reaffirmed that in the medium term, the Board would consider a post-implementation review of the final provisions.

¹ Section 225, *Responding to Non-compliance with Laws and Regulations*; and Section 360, *Responding to Non-compliance with Laws and Regulations*

EFFECTIVE DATE

The Board reaffirmed that, subject to PIOB approval of due process, the final pronouncement would be effective as of July 15, 2017. Early adoption would be permitted.

WAY FORWARD

The Board asked the Task Force to proceed with restructuring the final pronouncement using the new structure and drafting conventions being developed under the Structure of the Code project, and present the restructured text for consideration in due course. The proposed restructured text will be packaged as part of the Exposure Draft of Phase 2 of the Structure of the Code project, anticipated for approval by the end of the year.

3. **PIOB Observer's and CAG Chair's Remarks**

Mr. Bhavé congratulated the Board on achieving this successful outcome, noting that this project was one that the PIOB considered appropriate to monitor closely. He was pleased that the Board had reached a stage where it would now be able to submit a final document for PIOB approval of due process. Noting the Board's intention to now turn to the restructuring of the document, he felt it important that the Board explain clearly to stakeholders why it planned to issue an exposure draft of the restructured text so soon after having approved the final pronouncement. Dr. Thomadakis concurred and indicated that the Board would provide such explanation when issuing the final pronouncement in July 2016.

Mr. Kjørtvedgaard also congratulated the Board on approving the final pronouncement. Noting that the project had been ongoing for quite a long time, he commented that the Board had arrived at a good solution. He hoped the final product would drive good conduct on the part of auditors and other PAs.

Dr. Thomadakis thanked both Messrs. Bhavé and Kjørtvedgaard for their comments, noting his belief that the final pronouncement represented a robust and intelligent product.

4. **Next Meeting**

The next Board meeting is scheduled for June 27 – 29, 2016 in New York, USA.

5. **Closing Remarks**

Dr. Thomadakis thanked IESBA participants for their contributions to the meeting. He then closed the meeting.