



IESBA

International Ethics Standards Board for Accountants
AN IFEA BOARD

Private Equity Investment in Accounting Firms

IESBA Meeting

New York

March 9 – 12, 2026



Agenda

- Accountancy Europe Information Paper
- Background to AICPA PEEC Exposure Draft (ED)
- Overview of AICPA PEEC ED
- Key AICPA PEEC ED Proposals Not Directly or Explicitly Addressed by IESBA Code





Accountancy Europe Information Paper

November 2025

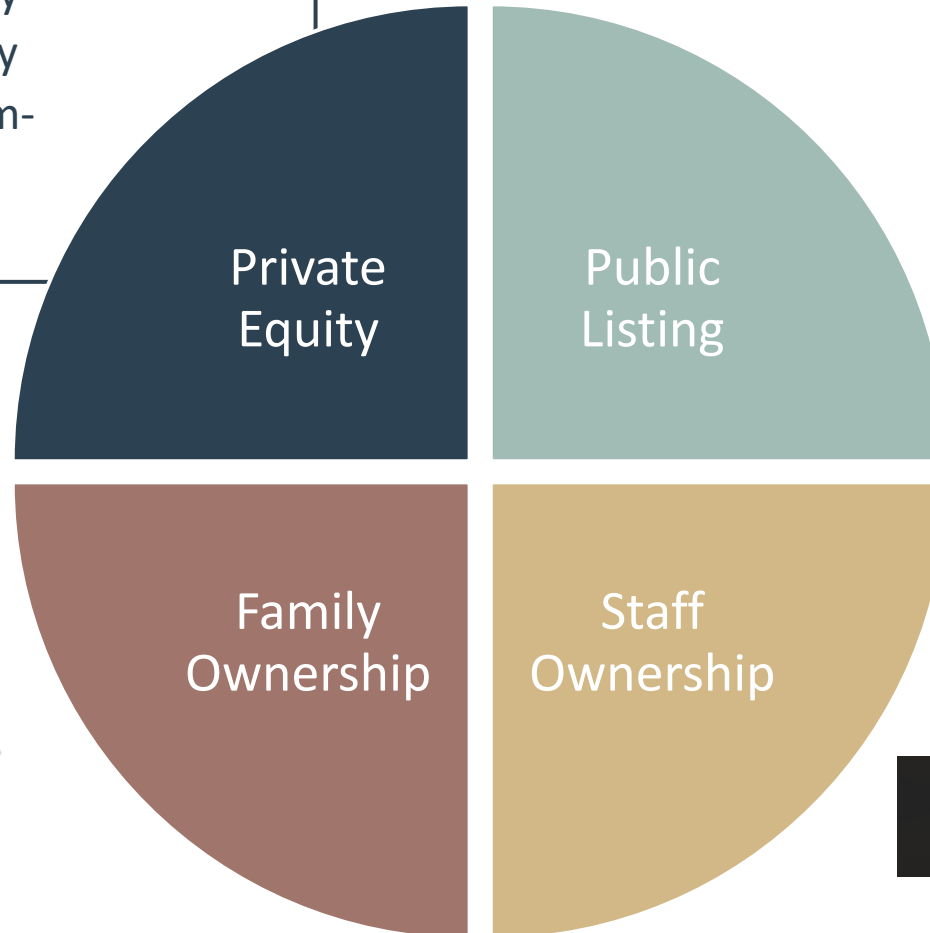
BEYOND PRIVATE EQUITY: THIRD-PARTY OWNERSHIP IN THE ACCOUNTANCY AND AUDIT SECTOR

Accountancy Europe Information Paper

THIRD-PARTY OWNERSHIP TYPES IN THE ACCOUNTANCY AND AUDIT SECTOR



- Minority
- Majority
- Platform-based



Accountancy Europe Information Paper

WHAT ATTRACTS THIRD PARTY INVESTORS AND WHY DO ACCOUNTING FIRMS ENGAGE THIRD PARTY OWNERS?

What attracts third party investors?

- High client retention, stable and predictable cash flows
- Market fragmentation and buy and build approach
- Strong growth potential
- *Reputation* of the accountancy and audit sector

Why accounting firms accept third party investments?

- Access to capital for growth and expansion
- Operational and management expertise
- Succession planning and ownership

Accountancy Europe Information Paper

RISKS AND OPPORTUNITIES TO THIRD PARTY OWNERSHIP IN ACCOUNTING AND AUDIT SECTOR

Risks

- Regulatory risk and early engagement
- Quality
- Ethical issues: Potential conflict of interest in audit firms
- Different work culture
- Impact on the audit market
- Exit strategy for private equity

Opportunities

- Investment in innovation and technology
- Consolidation, efficiency and synergies
- Talent retention and development
- Enhanced brand visibility and market reach
- Access to broader business networks

AICPA PEEC Exposure Draft

December 2025

Background

AICPA PEEC EXPOSURE DRAFT



- Given evolving landscape of public accounting, the Professional Ethics Executive Committee (PEEC) deemed it necessary to develop specific guidance for AICPA members practicing in an alternative practice structure (APS)
 - Specific APS interpretations issued in 2000
- November 2022 – PEEC appointed task force to evaluate private equity investment (PEI) in nonattest entity of an APS
- Fundamental differences from the APS contemplated in existing interpretations, which may affect how an AICPA member assesses the significance of threats to independence

Overview

AICPA PEEC EXPOSURE DRAFT



The Professional Ethics Executive Committee (PEEC) is exposing the following for comment:

- A new version of the “Alternative Practice Structures” interpretation (ET sec. 1.220.020) of the “Independence Rule” (ET sec. 1.200.001) to replace the current interpretation in its entirety
- Revisions to the definition of *network firm* (ET sec. 0.400.36)
- Revisions to the “Alternative Practice Structures” interpretation (ET sec. 1.810.050) of the “Form of Organization and Name Rule” (ET sec. 1.800.001)
- Revisions to the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010)
- Revisions to the “Conceptual Framework for Members in Public Practice” interpretation (ET sec. 1.000.010)

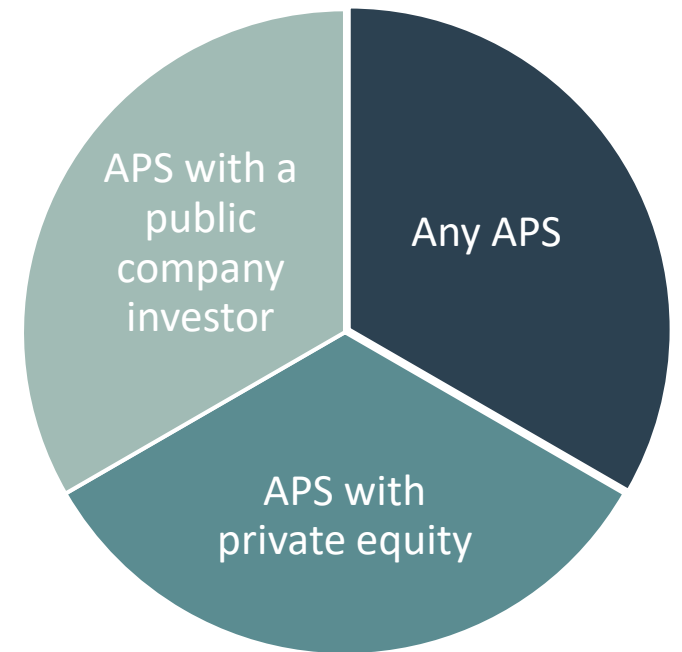


Key AICPA PEEC ED Proposals Not Directly or
Explicitly Addressed by IESBA Code

1. Alternative Practice Structures

PROPOSED NEW INTERPRETATION [1.220.020]

- New interpretation of “Independence Rule” to address APSs broadly (3 APS models proposed, including APS with PEI)
- An APS defined broadly as one in which a firm that provides attest [i.e., reasonable or limited assurance or agreed-upon procedures] services (**attest firm**) is **closely aligned with another public or private entity**, partly or wholly owned by an investor(s), that performs nonattest services (**nonattest entity**)
- “Closely aligned” defined to describe the **relationship between the attest firm and nonattest entity**
 - **Dependency of attest firm on nonattest entity** provides basis for **treating nonattest entity the same as attest firm for independence purposes**



1. Alternative Practice Structures

PEEC VIEWS RE RELATIONSHIP BETWEEN ATTEST FIRM AND NONATTEST ENTITY

- Network firm relationship between attest firm and nonattest entity in an APS is **more closely aligned than network firms in a traditional network of accounting firms** due to attest firm's relationship with, and dependency on, nonattest entity
 - E.g., in an APS, attest partners and professional staff are employees of nonattest entity, and attest firm relies on the nonattest entity for professional resources
 - This level of dependency generally does not exist in a traditional network of accounting firms
- Under PEEC proposals, **nonattest entity, including entities controlled by the nonattest entity, are subject to the same independence requirements as attest firm**
 - Including with respect to the requirements under the Independence Standards for Engagements Performed in Accordance with **Statements on Standards for Attestation Engagements**
- **Other network firms are not affected by this extended requirement**

2. Revised Definition of Network Firm

NETWORK FIRM



IESBA Code

Network firm – A firm or entity that belongs to a network

Network – A larger structure:

- (a) That is aimed at co-operation; and
- (b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality management policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources

AICPA Code

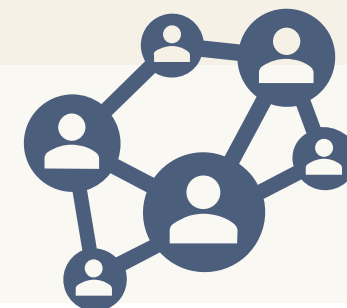
Network firm – A firm or other entity that belongs to a network*. This includes any entity that, ~~the network~~ by itself or through one or more of its owners, ~~controls or is controlled by, or is under common control with~~

- (a) the network firm controls, or
- (b) **controls the network firm and cooperates with the network firm for the purpose of enhancing that network firm’s capabilities to provide professional services.**

* Definition of “network” in AICPA Code similar to definition in IESBA Code (see Appendix)

2. Revised Definition of Network Firm

“COOPERATION” CHARACTERISTIC



Proposed guidance on factors to consider in evaluating whether there is cooperation with an entity (including an investor) for the purpose of enhancing the network firm’s capabilities to provide professional services:

- Whether the entity is involved in or facilitates the attest firm’s or network firm’s provision of professional services
- Whether the entity assists or collaborates with the attest firm or network firm in providing professional services, with or without a formal agreement
- Whether the entity performs any functions for or provides resources to the attest firm or network firm relating to the delivery of professional services



3. Definition of Covered Member

IESBA CODE VS PEEC PROPOSAL

IESBA Code

Audit team member

- (a) All members of the engagement team for the audit engagement;
- (b) All others **within, or engaged by, the firm** who can directly influence the outcome of the audit engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);

....



3. Definition of Covered Member

IESBA CODE VS PEEC PROPOSAL

PEEC Proposal

Covered member

An individual in a position to influence the attest engagement.

In an APS, this may include individuals who:

- Evaluate the performance or recommend the compensation of the attest engagement partner; or
 - Directly supervise or manage the attest engagement partner, including all successively senior levels above that individual through the firm's chief executive
- In an APS, covered members may exist in the attest firm, **nonattest entity**, **or in other entities in the investor's structure**

4. Strategic and Budgetary Input to Attest Firm

INVESTOR INPUT INTO STRATEGIC AND BUDGETARY DECISIONS OF ATTEST FIRM

PEEC View

- There is at least a **perceived greater undue influence threat to independence** in an APS where an **investor has input into strategic and budgetary decisions of attest firm** which may affect an AICPA member's objectivity and independence **even when an investor is not a network firm**

5. Relationships that Impair Independence

A. ATTEST CLIENT HAS DIRECT FINANCIAL INTEREST IN NONATTEST ENTITY THAT IS A PUBLICLY TRADED ENTITY

PEEC Proposal

- When an attest client has or attest client's officers or directors have a **direct financial interest in nonattest entity** or a **beneficial ownership interest in more than 5 percent of nonattest entity's equity securities, independence is impaired** regardless of whether attest client has significant influence over nonattest entity
 - **Independence is impaired** when **threats to independence are not at an acceptable level** and **cannot be reduced to an acceptable level through the application of safeguards**

5. Relationships that Impair Independence

B. SIGNIFICANT INFLUENCE OR CONTROLLING INVESTMENT BY INVESTOR

PEEC Proposals

In a significant influence investment or controlling investment, independence is impaired when:

- An individual who is a **member of those charged with governance over nonattest entity** serves in a key position at an attest client of attest firm
- Attest firm provides an **attest service to any upstream entity of nonattest entity**
 - In a significant influence investment or controlling investment, nonattest entity is not considered independent of upstream entities of the nonattest entity through its investor, even when such entities are not network firms
- An **upstream entity of nonattest entity** is an **affiliate of a financial statement attest client** of attest firm

5. Relationships that Impair Independence

C. CONTROLLING INVESTMENT BY INVESTOR

PEEC Proposal

In a controlling investment, independence is impaired when:

- Attest firm provides any **attest service to an investee of the investor** when the investor:
 - (a) Has **significant influence** over the investee and the investee is **material** to the investor; or
 - (b) **Controls** the investee

6. Other Relationships and Circumstances

APPLICATION OF CONCEPTUAL FRAMEWORK

PEEC Proposal

- For other relationships and circumstances AICPA member **knows or has reason to believe** exist that may create threats to independence, **apply conceptual framework**
 - In evaluating threats, consider factors such as level of investment in investee or other entity of investor (e.g., significant influence or controlling), nature of attest service, Whether the investee or other entity of the investor has separate governance and separate management from the nonattest entity, etc

7. Additional Conceptual Framework Guidance

A. CONCEPTUAL FRAMEWORK FOR MEMBERS IN PUBLIC PRACTICE [1.000.010]

.16 *Undue influence threat.* The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

- a. The *firm* is threatened with dismissal from a *client* engagement.
- b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
- c. An individual associated with the *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.
- d. *In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.*
- e. *In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.*

7. Additional Conceptual Framework Guidance

B. CONCEPTUAL FRAMEWORK FOR INDEPENDENCE [1.200.010]

.18 *Undue influence threat*. The *threat* that a *member* will subordinate his or her judgment to that of an individual associated with an *attest client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:

a. Management threatens to replace the *member* or *member's firm* over a disagreement on the application of an accounting principle.

b. Management pressures the *member* to reduce necessary audit procedures in order to reduce audit fees.

c. The *member* receives a gift from the *attest client*, its management, or its significant shareholders. [1.285.010]

d. A large proportion of fees charged by the *firm* to an *attest client* is generated by providing nonattest services.

e. In an alternative practice structure, the investor pressures the attest firm and/or nonattest entity to meet internal or external targets.

f. In an alternative practice structure, an individual representing the investor (for example, a nonattest entity board member), participates in decisions affecting the attest firm, such as independence, quality management, or compensation decisions of attest partners.


8. Disclosure to Client

INTERPRETATION [1.810.050]

The “Form of Organization and Name Rule” [1.800.001] states, “A *member* may practice public accounting only in a form of organization permitted by law or regulation whose characteristics conform to resolutions of *Council*.” The *Council* resolution (appendix B) requires, among other things, that CPAs own a majority of the *financial interests* in a *firm* engaged to provide attest services (as defined therein) to the public. This interpretation explains the application of this rule to an alternative practice structure (APS) **as described in the “Alternative Practice Structures” interpretation (ET sec. 1.220.020).**

- .02 To protect the public interest, the overriding focus of the resolution is that CPAs remain responsible, financially and otherwise, for a firm’s attest work. In addition to the provisions of the resolution, other requirements of the code and bylaws ensure responsibility for
- a. compliance with all aspects of applicable law or regulation,
 - b. enrollment in an AICPA-approved practice monitoring program,
 - c. compliance with the “Independence Rule” [1.200.001], and
 - d. compliance with applicable standards promulgated by Council-designated bodies (“Compliance With Standards Rule” [1.310.001]) and all other provisions of the code, including “Structure and Application of the AICPA Code” [0.200].

.03 The member should disclose to the client which professional services are provided by the firm engaged to provide attest services and which are provided by the closely aligned entity that performs professional services other than attest services (nonattest entity). See paragraph .05d. of the “Alternative Practice Structures” interpretation (1.220.020) for description of nonattest entity.



Matters for IESBA consideration

IESBA members are asked:

1. Whether IESBA should submit a response to the AICPA PEEC ED*, and if so, what the approach to such a response might be; and
2. For views as to whether, in light of the AICPA PEEC ED proposals, an IESBA information-gathering workstream should be prioritized to assess the need for revisions to the IESBA Code to address APS, including APS involving PEI

* Due date for comments: April 30, 2026

Appendix



Definition of Network in AICPA Code

FOR REF ONLY



AICPA Code

For purposes of the “Network and Network Firms” interpretation [1.220.010] of the “Independence Rule” [1.200.001], a **network** is an association of entities that includes one or more firms that (a) cooperate for the purpose of enhancing the firms’ capabilities to provide professional services, and (b) share one or more of the following characteristics:

- a. The use of a common brand name, including common initials, as part of the firm name
- b. Common control among the firms through ownership, management, or other means
- c. Profits or costs, excluding costs of operating the association; costs of developing audit methodologies, manuals, and training courses; and other costs that are immaterial to the firm
- d. A common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association’s strategy and are held accountable for performance pursuant to that strategy
- e. A significant part of professional resources
- f. Common quality management policies and procedures that firms are required to implement and that are monitored by the association

A network may comprise a subset of entities within an association only if that subset of entities cooperates and shares one or more of the characteristics set forth in the preceding list.

Alternative Practice Structure Interpretation

CHARACTERISTICS

An APS must have **certain characteristics** to be structured in compliance with jurisdictional laws and regulations

- a) A firm separate its attest practice and nonattest practice and sells a portion of its nonattest practice to an investor / investors.
- b) An investor has a financial interest that provides the investor with either significant influence or control over the nonattest entity.
- c) The attest firm meet the requirements of the “Council Resolution Concerning the Form of Organization and Name Rule”, including majority ownership by CPAs and the prohibition against “ownership by investor or commercial enterprises not actively engaged as members of the firm or its affiliates.
- d) The nonattest entity does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule.
- e) The attest firm has its own governing body that is separate from the nonattest entity governing’s body and is not elected by nonattest entity’s governing body.
- f) The nonattest entity has a governing body that includes representation from the investor, oftentimes relative to its financial interest in the nonattest entity.
- g) The attest firm maintains an administrative service agreement with the nonattest entity.
- h) The chief executives or equivalents of the attest firm and nonattest firm are usually not the same individual.

Alternative Practice Structure Interpretation

TERMINOLOGY SOLELY FOR THE PURPOSE OF APPLYING THE APS INTERPRETATION

- a.* An **alternative practice structure** (APS) is a form of organization in which a *firm* that provides attest services (attest *firm*) is **closely aligned** with another public or private entity, partly or wholly owned by an investor or investors, that performs *professional services* other than attest services (nonattest entity).
- b.* **Closely aligned** means a substantial amount of the revenues of the attest *firm* are paid to the nonattest entity in return for administrative services and the lease of employees, equipment, office space, and other resources.
- c.* An **investor** is an individual or entity that has a *financial interest* in the nonattest entity. The investor does not meet the characteristics of the “Council Resolution Concerning the Form of Organization and Name Rule” [appendix B] and could be a private equity (PE) investor, partnership, corporate entity, or other type of investor. There may be one or more investors in the nonattest entity.

Alternative Practice Structure Interpretation

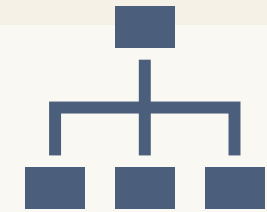
TERMINOLOGY SOLELY FOR THE PURPOSE OF APPLYING THE APS INTERPRETATION

*d. A **significant influence investment** exists when an investor has *significant influence* over the nonattest entity but not *control*.*

*e. A **controlling investment** exists when an investor has *control* over the nonattest entity.*

*f. **Key stakeholders of the investor** are individuals who represent or act on behalf of the investor and may include owners, managing partners, founders, or principals.*

*g. **Upstream entities of the nonattest** entity are entities that have at least *significant influence* over the nonattest entity through an investor. For example, in an APS with PE, when the investor has at least *significant influence* over the nonattest entity, this includes the fund, investment adviser, general partner, and PE firm.*



Definitions

FIRM

IESBA Code

- (a) A sole practitioner, partnership or corporation of professional accountants or sustainability assurance practitioners;
- (b) An entity that controls such parties, through ownership, management or other means; and
- (c) An entity controlled by such parties, through ownership, management or other means.

Paragraphs 400.4 and 900.3 explain how the word “firm” is used to address the responsibility of professional accountants and firms for compliance with Parts 4A and 4B, respectively.

Paragraph 5400.4 explains how the word “firm” is used to address the responsibility of individual sustainability assurance practitioners and firms for compliance with Part 5.

AICPA Code [0.400.20]

A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council and that is engaged in public practice.

A firm includes the individual partners thereof, except for purposes of applying the. “Independence Rule” [1.200.001] and related interpretations.

For purposes of applying the “Independence Rule,” a firm includes a network firm when the engagement is either a financial statement audit or review engagement and the audit or review report is not restricted, as set forth in the AICPA SASs and SSARs (AICPA, Professional Standards).

TO LEARN MORE

Follow IESBA:



@Ethics Board



@ IESBA



@ IESBA



Register and subscribe
for updates @
www.EthicsBoard.org

*For permission to reproduce or translate the international standards or
for information about intellectual property matters, please
visit [Permissions](#) or email Permissions@IFAC.org.*