

June 30, 2025

Ken Siong
IESBA Program and Senior Director
International Ethics Standards Board for Accountants (IESBA)
529 5th Avenue
New York, New York 10017

*Re: Request for Comment – Collective Investment Vehicles and Pension Funds –
Auditor Independence*

Dear Mr. Siong:

The Investment Company Institute¹ (“ICI”) appreciates the opportunity to respond to the International Ethics Standards Board for Accountants (IESBA or the “Board”) Consultation Paper to solicit feedback regarding auditor independence considerations for audits of Collective Investment Vehicles (CIVs) and pension funds (hereinafter referred to as “Investment Schemes”).

ICI supports IESBA’s goal of reinforcing the importance of independent audits of Investment Schemes, particularly for registered funds, which serve a broad base of retail investors and are already subject to rigorous oversight by securities regulators around the world. Independent audits are essential for maintaining the trust of investors and stakeholders across the investment management industry, particularly where schemes are accessible to the general public.

However, ICI does not believe the Consultation Paper identifies any meaningful threats to auditor independence—or compelling public interest concerns—that justify moving forward with this project. In particular, ***we are not aware of any issues involving registered funds globally*** that would warrant changes to the existing independence framework. These funds are already subject to rigorous regulatory oversight and robust audit standards. We therefore urge the Board to focus its efforts on areas where there is clear evidence of need or emerging risk.

¹ The Investment Company Institute (ICI) is the leading association representing the global asset management industry in service of individual investors. ICI members are located in Europe, North America and Asia and manage fund assets of \$47.3 trillion, including UCITS, mutual funds, exchange-traded funds (ETFs), closed-end funds, unit investment trusts (UITs) and similar funds in these different jurisdictions. ICI has offices in Brussels, London, and Washington, DC.

Key Considerations:

- **Criteria for “Connected Parties” could scope in third parties that are not currently considered related parties under Securities and Exchange Commission (SEC) and American Institute of Certified Public Accountants (AICPA) or European Union (EU) Audit Directive independence standards.**

ICI is concerned that the proposed criteria for “Connected Parties” could inadvertently encompass third parties not currently viewed as related under SEC, AICPA, or EU Audit Directive standards. In the investment management industry, unaffiliated service providers—such as fund administrators, custodians, transfer agents, and valuation agents—typically operate under contractual arrangements and lack the ability to control or influence the fund. Generally, it is understood that *these providers do not have any control or influence over the fund or its operations*. As such, they are not generally viewed as posing auditor independence risks. The criteria set out in IESBA’s “Connected Parties” (as written) may inadvertently scope in these unaffiliated service providers, creating potential for confusion and additional unnecessary reporting to those charged with governance. For example, suggesting that a fund administrator could “exert significant influence over the preparation of the scheme’s accounting records” may lead to such service providers being inappropriately classified as “Connected Parties.” This, in turn, could require unnecessary independence assessments.

For many in the industry, such a shift would present meaningful challenges in how funds and service providers engage with auditors. For instance, if a service provider is deemed a Connected Party of a large fund complex and the auditor also provides services to that provider, a perceived threat to independence may arise—despite no substantive risk being present. The proposed definition of “Connected Parties” could potentially cause changes in the way that service providers and auditors conduct business and/or lead to possible changes and disruption in independence assessments when no independence threat exists.

- **Auditors and those charged with governance already have a sufficient process to assess which entities are deemed to be an independence threat.**

The Board’s conceptual framework for auditor independence requires that accountants properly assess threats to independence in its International Code of Ethics for Professional Accountants. The framework helps accountants effectively identify, evaluate, and address threats to independence, ensuring the integrity, objectivity, and credibility of audit and assurance engagements. Because the framework is principles-based, it can be applied appropriately across jurisdictions. This current framework and associated assessment combined with required reporting to those charged with

governance (e.g. audit committees) are sufficient to address auditor independence considerations.

- **Many of the Investment Schemes considered by this Consultation Paper are currently highly regulated and further comfort is not needed for investor protection.**

The registered fund industry is highly regulated under frameworks such as SEC regulation in the U.S. and UCITS in Europe. These regimes impose strict governance, disclosure, and audit requirements, offering substantial protection to investors. Given these strong regulatory foundations, additional international standards do not appear necessary for registered funds and may risk duplicating or conflicting with existing rules.

- **ICI does not believe there are threats to auditor independence that are not currently addressed by the SEC, AICPA, and EU Audit Directive independence rules.**

The SEC, AICPA, and EU Audit Directive have robust auditor independence rules in place, particularly as applied to **registered funds**. For example, the SEC's rules governing an Investment Company Complex ("ICC") include strict limitations on relationships that might impair independence. The ICC includes an entity's investment advisor, sponsor, certain entities controlled by the investment advisor, and certain entities under common control with the advisor. For other jurisdictions, the Board's existing conceptual framework, when applied appropriately, is sufficient to address threats to independence. Given the framework is principles-based, it can be applied appropriately across jurisdictions. Thus, existing independence rules are comprehensive, and in our view, sufficient to address audit independence risks.

- **ICI urges IESBA to evaluate cost versus benefit of the potential project.**

ICI is concerned that implementing the proposed changes would be costly and burdensome for the industry without a corresponding improvement in investor protection or audit quality. For example, under the Consultation Paper's current definition of Connected Parties, auditors would face a significantly increased reporting burden due to the way specialized vendors commonly operate within the investment management industry. Preparing and reviewing additional reporting would demand considerable time and resources from both audit firms, fund management, as well as those charged with governance (e.g. audit committees)—despite the fact that these Connected Parties relationships do not present a genuine threat to auditor independence.

- **Due to varying organizational structures and local regulatory environments, a more detailed or prescriptive set of standards will be challenging to apply globally.**

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There is a high diversity in auditor independence guidelines in varying jurisdictions worldwide. Investment Schemes' organizational structures vary widely across the globe and within jurisdictions; therefore, attempting to prescribe one set of standards to all Investment Schemes globally would likely lead to unneeded complexity and confusion.

While we understand that IESBA may be looking to enhance independence rules for jurisdictions that do not currently have rules specific to CIVs or pension funds, we believe that local jurisdictions would be best positioned to provide the specific framework for these types of entities, if needed.

In conclusion, the ICI respectfully recommends that IESBA reconsider the necessity of this project. The existing conceptual framework, especially when combined with jurisdiction-specific standards such as those in the U.S. and EU, is sufficient to address auditor independence risks for Investment Schemes. Most critically, the proposed definition of "Connected Parties" could result in significant and unnecessary disruption to how funds and service providers engage with auditors, with no corresponding improvement to audit quality or investor protection.

We appreciate the opportunity to provide feedback and would be happy to discuss further or provide additional input as needed.

* * * *

Sincerely,

A handwritten signature in black ink that reads "Jason J. Nagler". The signature is written in a cursive, flowing style.

Jason J. Nagler
Senior Director, Accounting and Compliance