



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan

Phone: 81-3-3515-1179

Email: [rinri@sec.jicpa.or.jp](mailto:rinri@sec.jicpa.or.jp)

<https://jicpa.or.jp/english/>

June 30, 2025

Mr. Ken Siong  
IESBA Program and Senior Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY 10017  
USA

Dear Mr. Siong:

**Re: JICPA comments on the IESBA Consultation Paper, *Collective Investment Vehicles and Pension Funds - Auditor Independence***

The Japanese Institute of Certified Public Accountants (JICPA) expresses its appreciation for the activities of the International Ethics Standards Board for Accountants (IESBA) and is grateful for the opportunity to share its comments on the IESBA Consultation Paper (“the CP”), *Collective Investment Vehicles and Pension Funds*.

The circumstances of investment scheme systems and their organizational structures vary by jurisdiction, and we believe that it would be extremely difficult to establish uniform provisions in the IESBA Code of Ethics (“the Code”). Therefore, we also believe that it would be beneficial to provide supplemental guidance, such as application materials of the Code and/or staff Q&As, regarding the treatment of “connected parties” in relation to auditor independence, and support the application of the conceptual framework in Section 120 of the Code. This would enable jurisdictional standard setters to provide consistent consideration factors for professional accountants based on the conceptual framework.

Our responses to the specific questions raised by the IESBA are as follows:

1. Does the Code’s definition of related entity capture all relevant parties that need to be included in the auditor’s independence assessment when auditing CIVs/pension funds?  
Please provide reasons for your response.

(Comment)

We believe that the definition of related entities in the Code does not clearly capture all relevant parties that need to be included in the auditor's independence assessment when auditing CIVs/pension funds.

While the definition of related entities in the current Code is based on five types of relationship identified on the basis of the concept of “control” or “significant influence,” the Code does not define “control” or “significant influence,” nor does it refer to accounting standards, etc. for these concepts. If an investment scheme has an organizational or governance structure similar to a conventional corporate structure, it is possible for an audit team to appropriately determine whether a relevant party of an investment scheme is a related entity based on whether there is “control” or “significant influence” between the investment scheme and the relevant party by referring to accounting standards, etc. applied in the jurisdiction. However, for investment schemes that do not have organizational or governance structures similar to conventional corporate structures, the circumstances of investment scheme systems and their organizational structures vary by jurisdiction, and it is considered difficult to capture the relationship between the investment scheme and the relevant parties based on the concepts of “control” or “significant influence.”

The questions in this Section pertain to an audit of a CIV/pension fund where a Connected Party to the Scheme meets the criteria set out in paragraph 35, i.e., the Connected Party is:

- (a) Responsible for its decision making and operations;
- (b) Able to substantially affect its financial performance; or
- (c) In a position to exert significant influence over the preparation of its accounting records or financial statements.

2. Do you believe the criteria set out above are appropriate and sufficient to capture Connected Parties that should be considered in relation to the assessment of auditor independence with respect to the audit of a CIV/pension fund?  
Please provide reasons for your response.

(Comment)

There are various types of investment schemes around the world, and some schemes have organizational or governance structures similar to conventional corporate structures. We believe that the investment schemes to be considered in the CP are those that do not have such organizational or governance structures. As stated in our comment for Question 1, for investment schemes that have organizational or governance structures similar to conventional corporate structures, the scope of

their related entities would be determined based on the definition of related entities in the current Code.

On the other hand, for investment schemes that do not have organizational or governance structures similar to conventional corporate structures, the current definition of related entities in the Code might not capture the “connected parties” that may be relevant to the assessment of the auditor independence. Therefore, when an audit team determines that the level of “connectedness” is high in light of the interests, relationship or circumstances between the investment scheme and the “connected party”, the audit team might decide to include the “connected party” within the scope of entities of which the audit team should be independent.

While we believe that the criteria set out in paragraph 35 of the CP are appropriate to consider in identifying “connected parties” that might be highly “connected” to investment schemes that do not have organizational or governance structures similar to conventional corporate structures, paragraph 24 of the CP states that it is important to differentiate between other parties that provide routine and mechanical services and those that are (a) responsible for the decision-making and operation of the Investment Scheme, (b) able to substantially affect its financial performance, or (c) in a position to exert significant influence over the preparation of the Scheme's accounting records or financial statements.

For this purpose, we believe that an audit team should first determine whether the entity falls under the category of “other parties that provide routine and mechanical services,” and then, for those who do not fall under such a category, the audit team should evaluate the level of “connectedness” between the entity and the investment scheme based on the criteria in (a), (b), or (c). If the level of “connectedness” is determined to be high in substance, we believe it is appropriate that the entity be identified as a “connected party” of which the audit team should be independent in the audit of the investment scheme.

3. Where there are such Connected Parties, do you believe that the application of the conceptual framework in Section 120 of the Code is sufficiently clear as to how to identify, evaluate and address threats to independence resulting from interests, relationships, or circumstances between the auditor of the CIV/pension fund and the Connected Parties?  
If not, do you believe the application of the conceptual framework in the Code as applicable to Connected Parties associated with Investment Schemes warrants additional clarification?  
Please provide reasons for your response.

(Comment)

The conceptual framework set out in Section 120 of the Code has long been established in practice, and we believe the provisions in the Code are sufficiently clear. On the other hand, with respect to investment schemes that do not have organizational or governance structures similar to conventional

corporate structures, we believe that it would be useful to provide practical consideration factors in applying the conceptual framework in the application materials and/or staff Q&As, if necessary. The reason for this is that the circumstances of investment scheme systems and their organizational structures vary by jurisdiction.

4. Do you believe that the conceptual framework in Section 120 of the Code is consistently applied in practice with respect to the assessment of auditor independence in relation to Connected Parties when auditing a CIV/pension fund?  
Please provide reasons for your response.

(Comment)

The conceptual framework set out in Section 120 of the Code has long been established in practice, and we believe the provisions in the Code are sufficiently clear. Therefore, we believe that it has been appropriately applied based on the auditor's professional judgment depending on the circumstances of respective audit engagements. On the other hand, with respect to consistent application in audit engagements of investment schemes that do not have organizational or governance structures similar to conventional corporate structures, examples of consideration factors could be included in the application materials and/or staff Q&A, if necessary, since these would be useful in practice in applying the conceptual framework.

In Japan, there is a well-established practice of stating in the auditor's report that the auditor is independent of certain specified parties (i.e., investment trust management companies for publicly offered investment trusts and unlimited liability partners for investment limited partnerships) that are assumed to have a high level of "connectedness" in the audit of a particular investment scheme. Although there is no additional or specific provision or guidance on the assessment of auditor independence for these specified parties and other parties, such practice reflects the collective judgment of auditors who are familiar with the audit of particular investment schemes in Japan.

5. Are there certain interests, relationships, or circumstances between the auditor of a CIV/pension fund and its Connected Parties that should be addressed? Please provide reasons for your response.

(Comment)

The circumstances of investment scheme systems and their organizational structures vary by jurisdiction. Therefore, we believe it is appropriate to consider interests, relationships, or circumstances between the auditor of the investment scheme and the "connected party" based on the fundamental principles of the conceptual framework in Section 120, in accordance with the guidance established by the standard setters in each jurisdiction.

6. Does your jurisdiction have requirements or guidance specific to audits of CIVs/pension funds from an auditor independence perspective? If yes, are those requirements included in audit-specific or CIV-specific regulation? Please provide details.

(Comment)

The JICPA Code of Ethics does not contain any provisions that go beyond the provisions in the IESBA Code in relation to the audit of investment schemes. On the other hand, as commented in Question 4, for audit engagements of investment schemes that do not have organizational or governance structures similar to conventional corporate structures, there is a well-established practice in Japan whereby the auditor of an investment trust is independent of both the investment trusts and the investment trust management company, and the auditor of an investment limited partnership is independent of both the investment limited partnership and its unlimited liability partners.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida

Executive Board Member - Ethics Standards

The Japanese Institute of Certified Public Accountants