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January 5, 2022

Professional Ethics Executive Committee  
Professional Ethics Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, 19th Floor  
New York, NY 10036

Via Email to [Ethics-ExposureDraft@aicpa.org](mailto:Ethics-ExposureDraft@aicpa.org)

**Re: Comments on Exposure Draft, Proposed revised interpretations and definition; Loans, acquisitions, and other transactions**

Dear Committee Members:

Grant Thornton LLP appreciates the opportunity to comment on the American Institute of Certified Public Accountants (“AICPA”) Professional Ethics Executive Committee’s (“PEEC”) October 2021 Exposure Draft (“Exposure Draft”) which proposes revised interpretations of the AICPA Code of Professional Conduct (“the Code”) “Loans” (ET sec. 1.260.010), “Loans and Leases With Lending Institutions” (ET sec. 1.260.020), “Immediate Family Members” (ET sec. 1.270.010), and “Client Affiliates” (ET sec. 1.224.010). The Exposure Draft also provided a revised definition in the Code of “beneficially owned” (ET sec. 0.400.06).

Grant Thornton supports PEEC’s proposal to revise these interpretations and definition as part of their convergence efforts. We agree with the revisions made to student loans and consumer loans to align with other regulators. We also support the alignment to beneficial owners when evaluating lending relationships. The proposed revisions related to new affiliates will reduce significant disruption to audit clients when mergers or acquisitions occur. In addition, these revisions provide actions and safeguards that can be evaluated to eliminate or reduce threats to an acceptable level.

While Grant Thornton supports the revisions and definition set forth in the Exposure Draft, we have provided the following comments for PEEC’s consideration.

**General Comments**

Grant Thornton agrees with the need for providing additional guidance when a financial statement attest client is involved with an acquisition or other transaction that results in a new affiliate. This can occur while the attest services are being performed

and the guidance provides actions and safeguards that can be applied to reduce threats to an acceptable level. However, as shared below in our specific comments for consideration, when an attest service will not be continued after the audit report is issued, we believe that allowing members to evaluate whether the attest services could be performed in a reasonable time may be a more appropriate safeguard. Grant Thornton suggests that PEEC consider developing non-authoritative guidance in the format of a frequently asked questions (FAQs) document that highlights various scenarios and examples to assist in the application of the revisions. These scenarios and examples could include where prohibited services or relationships existed with a new affiliate of the attest client and safeguards that members could apply when evaluating the time period to complete the attest service if the firm will no longer be performing the attest service after the report is issued.

#### **Request for Specific Comments**

Below are Grant Thornton's specific comments as requested in the Exposure Draft.

#### **Question 1: Are there any other components of the amended SEC rules that PEEC should consider converging with before it rescinds its temporary policy statement and, if so, why?**

We are in agreement with the components of the amended SEC rules that were considered and do not have any other suggestions for additional components to consider before PEEC rescinds its temporary policy statement.

#### **Question 2: Do you agree the proposal should not limit whose expenses are covered by the student loan and why or why not?**

We agree with the proposal to not limit whose expenses are covered by the student loan. Applying the safeguards for only permitting loans that are acquired before an individual is a covered member, keeping payments current, and not allowing changes to the original terms of the loan, we agree that these loans can be grandfathered as the negotiations of the loan occurred prior to the borrower becoming a covered member. Members will need to determine that all threats can be reduced to an acceptable level with applying appropriate safeguards when evaluating the loans that exist prior to an individual becoming a covered member.

#### **Question 3. When an attest client or its affiliate is involved with a transaction that creates a new affiliate, the proposal provides some relief for existing interests and relationships that impair independence when certain safeguards are met.**

**One such safeguard is that covered members believe they will be able to complete the remaining attest procedures in a "short period of time" (paragraph .10b)**

#### **Do you believe PEEC should provide parameters around what is meant by a "short period of time," or should this be left to members' professional judgment?**

We suggest PEEC consider replacing a "short period of time" with a "reasonable period of time". We believe both terms allow members to apply judgment, however,

we believe members may raise more questions on what PEEC meant by using the term “short period of time” (e.g., 10 days, 20 days, etc.). PEEC should consider providing members guidance or considerations that will assist members with their evaluation or application of professional judgement.

**If you believe parameters should be provided, what should those parameters be and should they be included in the interpretation or in nonauthoritative guidance?**

As noted above, we suggest that PEEC consider providing examples to assist with the application of a short period of time in nonauthoritative guidance. Specific facts and circumstances may lead members to applying a different time period to complete the attest procedures, and at times that may be driven by the attest client versus the member. It may be difficult to provide specific parameters since each client situation may be different. However, through examples or member considerations, PEEC can provide members guidance on what would be acceptable or reasonable in the circumstances. In nonauthoritative guidance, PEEC could incorporate the reasonable third party concept which may assist members in determining a reasonable timeframe in completing the attest procedures. Therefore, this further supports our views as to why we believe PEEC should consider using the term “reasonable period of time” versus “short period of time”.

**Question 4: Do you agree that a three-month delayed effective date provides adequate time to implement the proposals? If not, why not? What period would provide adequate time?**

We agree a proposed three-month delayed effective date provides adequate time to implement the proposal. This should allow members ample time in updating internal guidance and/or policies.

Grant Thornton has no other comments to suggest for consideration.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Anna Dourdourekas, National Partner in Charge, Ethical Standards, at [Anna.Dourdourekas@us.gt.com](mailto:Anna.Dourdourekas@us.gt.com) or (630) 873-2633.

Sincerely,

/s/ Grant Thornton LLP