



National Association of State Boards of Accountancy

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February 2, 2022

Professional Ethics Executive Committee  
c/o Toni Lee-Andrews, Director  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas  
New York, NY 10105

Via e-mail: [ethics-exposedraft@aicpa.org](mailto:ethics-exposedraft@aicpa.org)

**Re: Exposure Draft: Proposed Revised Interpretations and Definition – Loans, Acquisitions and Other Transactions**

Dear Members and Staff of the AICPA Professional Ethics Executive Committee (PEEC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, *Proposed Revised Interpretations and Definition – Loans, Acquisitions and Other Transactions* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following overall comments as well as comments to the specific requests for comment as presented in the explanatory memorandum to the Exposure Draft.

**Overall Comment**

NASBA appreciates the PEEC's efforts in developing revisions to the interpretations and definition of loans, acquisitions and other transactions to the Professional Code of Conduct (Code) based on the evaluation of the amended rules the SEC issued in October 2020.

We noted instances in which the proposed rules do not align with those of either the Securities and Exchange Commission (SEC) or other international standard-setters. From the perspective of State Boards, given our charge as regulators to protect the public interest, consistency of rules and standards is beneficial in regulatory and enforcement matters involving CPAs and firms. We believe the best way to avoid public confusion and enhance the ability of regulators to oversee the profession is to limit the differences so that rules and standards are harmonized as much as possible where appropriate and feasible.

### Comments on Specific Questions

*(a.) Are there any other components of the amended SEC rules that PEEC should consider converging with before it rescinds its temporary policy statements and, if so, why?*

We are not aware of any other components of the amended SEC rules that PEEC should consider converging with before it rescinds its temporary policy statement.

*(b.) Do you agree the proposal should not limit whose expenses are covered by the student loan and why or why not?*

We believe that the PEEC proposal should align with the final SEC amendments and indicate that the expenses should be for the covered person or immediate family member. While we agree that the PEEC's rules should not be more stringent than the SEC's in this area, we do not understand the reasoning behind making them less stringent by permitting student loans for individuals other than the covered person and their immediate family members.

In addition, we note that there is no definition of a student loan in the proposal nor explanation as to why student loans are treated differently than consumer loans. The PEEC should consider providing a definition of a student loan and the considerations that set student loans apart from other loans. We understand the SEC amended rules do not provide guidance on student loan size and term considerations. Nevertheless, we believe that the PEEC should consider providing guidance in this area.

*(c.) 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 PPEC should provide parameters around what is meant by a "short period of time" or should this be left to members' professional judgment?*

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

We believe that PEEC should provide parameters around what is meant by a "short period of time." For State Boards, it would be difficult to enforce the provision without having a more specific timeframe. State Boards that have adopted the Code may find it necessary to define a "short period of time" thereby creating a wide range of definitions and exceptions to the Code.

The request for comment specifically references paragraph .10b of the proposal, which provides the requirements when a member or member's firm will not continue to provide financial statement attest services to the client that is involved in an acquisition or other transaction. The preceding paragraph of the proposal provides the requirements when the member or member's firm continues to provide financial statement attest services to the client. Paragraph .09 a. provides that the interest in or relationship with the new affiliate that would impair independence should end as soon as reasonably possible but no later than six months after the effective date of the acquisition or other transaction. We believe this timeframe - "as soon as reasonably possible but no later than six months" - may be appropriate for both situations.

*(d.) 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 that the three-month delayed effective date provides adequate time to implement the proposals.

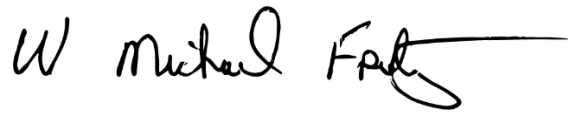
### **Other Comments**

We offer the following comments on other matters in the proposal:

- Rule 1.224.010 Client Affiliates Paragraph .02 a. i. provides an exception from the Independence Rule (1.200.001) when during the period of the professional engagement, a covered member may have a loan to or from an officer or director of an affiliate of a financial statement attest client, unless the officer or director has the ability to affect the decision-making at the financial statement attest client. We assume that this exception applies to circumstances in which the affiliate is not part of the audited entity; however, we recommend additional guidance for clarification.
- Rule 1.224.010 Client Affiliates Paragraph .11 states that even if all the requirements of paragraphs .06-.10 could be met, the member or member's firm should give consideration to the requirements of the "Conflicts of Interest for Members in Public Practice" interpretation under the "Integrity and Objectivity Rule." What is meant by "should give consideration to"? We recommend that more definitive language be used, for example, that the member or member's firm should comply with the applicable requirements of those sections.
- Rule 1.260.010 Loans Paragraph .01 provides that a self-interest threat to the covered member's compliance with the Independence Rule (1.200.001) may exist if a covered member has a loan to or from any officer or director of the attest client with the ability to affect decision-making. Directors and officers are generally assumed to have the ability to affect decision-making in order to carry out their responsibilities. If this provision is retained, we recommend including guidance on how to identify situations in which that may not be the case.

Again, we appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of W. Michael Fritz in black ink, featuring a large 'W' and a long horizontal flourish.

W. Michael Fritz  
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink, written in a cursive style.

Ken L. Bishop  
NASBA President and CEO