

December 17, 2021

Mr. Brian S. Lynch
Chair, AICPA Professional Ethics Executive Committee
AICPA
220 Leigh Farm Road
Durham, NC 27707

Via email: ethics-exposedraft@aicpa.org

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

Dear Mr. Lynch:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 21,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

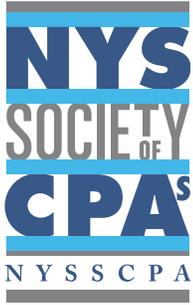
The NYSSCPA's Professional Ethics Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Victoria L. Pitkin, Chair of the Professional Ethics Committee, at (312) 670-0538, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, which appears to be 'Rumbi Bwerinofa-Petrozzello'. The signature is written over a faint, light blue watermark of the NYSSCPA logo.

Rumbi Bwerinofa-Petrozzello
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**AICPA PROFESSIONAL ETHICS DIVISION EXPOSURE DRAFT: *PROPOSED
REVISED INTERPRETATIONS AND DEFINITION – LOANS, ACQUISITIONS, AND
OTHER TRANSACTIONS***

December 17, 2021

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Steven J. Leifer
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New York State Society of Certified Public Accountants

Comments on

AICPA Professional Ethics Division Exposure Draft: Proposed Revised Interpretations and Definition – Loans, Acquisitions, and Other Transactions

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide comments on the AICPA's Professional Ethics Executive Committee's (PEEC) Exposure Draft, *Proposed Revised Interpretations and Definition – Loans, Acquisitions, and Other Transactions* (the Proposal).

General Comments

Loans to or from an officer or director of an attest client

The Proposal would permit loans to or from an officer or director of an attest client if the officer or director does not have the ability to affect the decision-making at the attest client (Sec. 1.224.010.02 a. i. and ii.). This approach appears to ignore the need for the *appearance of independence*, which is important in establishing the reliability of the financial statements.

Third parties using financial statements often have no knowledge of how or whether an officer or director can affect decision making. A loan to or from a prominent officer or director on its face raises a question about independence and this provision does not address that concern. From an enforcement standpoint the provision as drafted would be effective. But from a third party's perspective as a user of the financial statements, the presence of these loans can raise issues as to the independence of the auditor and so the exception to the rule should not be allowed.

Documentation

In certain instances (e.g., Sec. 1.224.010.12) the Proposal requires that a member should *consider* documenting the facts and conclusion for reaching a certain result. Documentation should be *required*, so that there is no question as to the basis for and reasoning behind the conclusion.

Specific Comments

We offer the following responses to the request for specific comments as listed in Paragraph 41 of the Proposal.

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

Response: No, there are no other components of the amended SEC rules that we believe the PEEC should consider addressing.

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

Response: We agree. The borrower's liability to repay the loan is the same. There is no reason to distinguish between whose expenses are covered by the loan.

Question c: 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?

Response: We believe "short period of time" is vague and should be defined or explained.

Question d: Does a three-month delayed effective date provide adequate time to implement the proposals?

Response: A three-month delayed effective date is adequate to implement the proposals. The heightened current merger and acquisition activity makes these issues particularly relevant. Therefore, a three-month delayed effective date is warranted.