



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

Chair of the Accounting Experts Group

Via email

Dr Stavros Thomadakis
Chairman
International Ethics Standards Board for Accountants
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16 September 2015

Exposure Draft: *Responding to Non-Compliance with Laws and Regulations*

Dear Dr Thomadakis

The Accounting Experts Group of the Basel Committee on Banking Supervision welcomes the opportunity to provide comments on the Exposure Draft: *Responding to Non-Compliance with Laws and Regulations*.

We acknowledge the efforts and progress made by the International Ethics Standards Board for Accountants (the Board) since the issuance of its August 2012 Exposure Draft on the same topic in exploring possible ways to meet constituents' concerns. A Code of Ethics with a global reach like the one envisioned by the Board should aim to establish standards that ensure that professional accountants, particularly public accountants performing assurance engagements at entities such as banks, do not turn a blind eye to an act or a suspected act of non-compliance with relevant laws and regulations. When addressing how professional accountants should respond to these situations, the Code should also explain how accountants should consider all relevant aspects of the legal, regulatory and cultural environment at the jurisdictional level.

We believe that the revisions to the Code proposed by the Board in its current Exposure Draft have achieved an appropriate balance when compared to its earlier proposal. It is important that the proposed revisions now distinguish between public accountants and accountants in business (senior and other levels) and ensure that every professional accountant addresses each act or suspected act of non-compliance with relevant laws and regulations that comes to his or her attention in the course of carrying out his or her engagement or employment activities, as applicable. Furthermore, we believe that the proposal's acknowledgement of relevant factors the professional accountant should assess when determining if additional action is needed provides evidence that the Board is mindful of the differences around the globe in legal, regulatory and cultural environments. We welcome the approach in which the professional accountant who has the highest public interest profile, ie a public accountant who audits financial statements, faces the strictest requirements in the Code.

We would like to emphasise that prudential supervision objectives are better served when professional accountants who conduct assurance engagements at

banks communicate with supervisors on a regular basis. In many jurisdictions, legal arrangements have been made to enable communications between auditors and supervisors under an umbrella of confidentiality. That approach facilitates the work of supervisors when engaging with those charged with governance at a particular bank to address matters of significance, including issues related to non-compliance or suspected non-compliance with laws and regulations.

As you are aware, the International Assurance and Auditing Standards Board (IAASB) is working on a project to develop guidance in the area of the relationship between supervisors and auditors. We encourage the Board to interact with the IAASB in such a manner that relevant aspects of the Board's Code of Ethics addressing the disclosure of a matter to an appropriate authority are similarly included in the IAASB's guidance.

If you have any questions regarding our comments, please contact Nic van der Ende, Chair of the Basel Committee's Audit Subgroup (+31 20 524 3008), or Xavier-Yves Zanota at the Basel Committee Secretariat (+41 61 280 8613).

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a series of loops and a final horizontal stroke.

René van Wyk