



January 27, 2014

Professional Ethics Executive Committee
Attention: Lisa A. Snyder, Director
Professional Ethics Division
American Institute of Certified Public Accountants
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Via e-mail: lsnyder@aicpa.org

Re: Comments on Exposure Draft, Omnibus Proposal AICPA Professional Ethics Division Proposed Revised and New Interpretations

Dear Ms. Snyder and Committee Members:

Grant Thornton LLP (“Grant Thornton”) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (“AICPA”) Professional Ethics Executive Committee’s (“PEEC”) recently issued Exposure Draft (“ED”) *Proposed Revised and New Interpretations*, which proposes revisions to Ethics Interpretation 102-2 “Conflicts of interest for members in public practice” (ET 102-2) and provides a new Ethics Interpretation 102-7 “Conflicts of interest for members in business” (ET 102-7) under Rule 102.

We strongly support the AICPA’s position to strengthen the ethics and independence of its members, both in public practice and business. We concur with the PEEC’s proposal to revise ET 102-2 and introduce a new interpretation, ET 102-7. We believe providing this additional proposed interpretation is appropriate due to the different considerations applicable to members in public practice and those in business.

Grant Thornton agrees that revisions to ET 102-2 are necessary to further clarify what constitutes a conflict of interest and we support the inclusion of additional supporting examples of potential conflict of interest situations. We also support PEEC’s decision to incorporate specific guidance, including disclosure and consent requirements, in the proposed revisions. This will further assist members in the identification and evaluation of conflicts of interest.

We further agree with the position that members, in order to maintain their objectivity and integrity, should implement safeguards to assist in eliminating or reducing threats, to an acceptable level, when addressing conflicts of interest. We believe the PEEC’s revisions are consistent with the risk-based approach to a member’s responsibility for identifying and evaluating threats under the Ethics Interpretation 100-1, *Conceptual Framework for AICPA Independence Standards*, and with the proposed Codification project.

Other comments

Grant Thornton has identified the following comments to further enhance the clarity and consistency of the ED for PEEC's consideration:

Additional examples of conflicts of interest

Although Grant Thornton understands that the examples of conflicts of interest are not meant to be all-inclusive, based on the types of conflicts of interest that are identified within our firm, Grant Thornton requests consideration of including the following specific examples:

- **Transaction Advisory Services** – Grant Thornton does not believe that “corporate finance services” in the first bullet adequately captures the number of conflicts of interest that occur from providing transaction advisory services. Corporate finance services includes working with one client to actively market that entity, operations or a segment of that entity, a subsidiary, or some piece of that entity to many potential acquirers. We believe that these professional services are quite different from providing either buy-side or sell-side due diligence (financial, tax, information systems, or integration) services. Based on the types of conflicts of interest that are identified within our firm and to more clearly conform to International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) which lists transaction advisory services as the first example, we believe that one of the examples should highlight that conflicts of interest may occur when performing due diligence services for a prospective buyer or investor when the acquisition target is an audit, attest, tax, or advisory client. In addition to the second bullet that discusses providing assistance concurrently to two prospective buyers or investors related to the same target, the target itself may be a financial statement attest client or other attest client, tax services client, or advisory services client. Therefore, we believe that a member’s understanding of the nature of these conflicts could be clarified through clarification or enhancement of the examples pertaining to these types of services.
- **Expert and litigation support services** – While Grant Thornton agrees that providing expert or litigation support services to two clients regarding the same matter is a conflict of interest, we also believe that if a member or the member’s firm was providing attest or nonattest services to one of the litigants or potential litigants that providing expert or litigation support services to the other litigant or potential litigant should also be considered as a potential conflict of interest. We understand that in determining the extent of the conflicts, the member being considered to provide litigation support services and expert services frequently will disclose all identified professional relationships within the member’s firm and network firm, if known, for the legal counsel to evaluate the extent of that member’s conflicts of interest. If the information on the professional service relationship is important for the legal counsel to know, Grant Thornton would conclude that from a reasonable and informed third party perspective, the potential litigation or expert service assignment would be equally important from the client’s perspective. Therefore, we would recommend additional consideration of the litigation or expert services example.

General and specific disclosure

We believe that general disclosure may not be sufficient when, subsequent to the issuance of the general disclosure in the engagement letter or other agreement, specific conflicts of interest are identified. There are many factors and circumstances that may change during the course of an engagement which could give rise to conflicts of interest requiring specific disclosure and consent. To comply with the standard, the firm may also need to further analyze the conflict of interest to evaluate the significance of the threat, including applicable safeguards and make specific disclosure to the clients or parties to the conflict of interest. Depending on the specific facts and circumstances, Grant Thornton believes that a member may not completely grasp from the general disclosure requirement that additional specific disclosure may be necessary as well. For example, Grant Thornton understands that it is common to have a general disclosure in transaction advisory services engagement letters since it is possible that a firm may be requested to provide due diligence services to several potential acquirers or investors in the same target. If, however, the firm discovered that this target was also an attest or nonattest client, then specific disclosure may also be required to meet the requirements of ET 102-2.

Recommendation for development of practice aid or FAQs to assist members in identifying and resolving conflicts of interest

Certain relationships can create conflicts of interest, or the appearance of such, which may impair members' objectivity and integrity. Therefore, additional guidance would help members identify, evaluate, and resolve conflict of interest issues. For example, PEEC should consider providing illustrative documentation and FAQs in a practice aid format, similar to those pertaining to network firm implementation guidance, the 2011 Yellow Book independence revisions, and other general topics. Specifically, the following can be documented (for members in public practice and for those in business):

- Additional conflict of interest scenarios, including illustrations of identification, evaluation, and resolution, to assist members in complying with the requirements of the standard. In addition, PEEC should consider developing a flowchart which illustrates the steps members should take when addressing potential conflicts of interest.
- Examples of “qualitative and quantitative factors” that may be considered in evaluating the significance of the threat, including potential safeguards that may be applicable to mitigating or eliminating the threat.
- Other examples of potential safeguards that may be utilized in mitigating or eliminating threats. In addition, PEEC should consider clarifying the role of a reviewer assigned, as a safeguard, to evaluate conflicts of interest, and whether it should be separate from an engagement quality control review performed by an engagement quality review partner (or partner equivalent).
- Guidance (or possible templates) to assist members in documenting conflicts of interest and their resolution, including identified threats and applied safeguards. Developing templates for obtaining written consent (e.g., waiver letters) should also be considered.

- Examples of situations which would merit third party consultation and identification of such potential third parties (e.g., AICPA Ethics Hotline, regulators, legal counsel) without violating the Confidential Client Information Rule.
- Notification to members in public practice that conflicts of interest, or their appearance, may exist even when independence is not impaired.

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We would be pleased to discuss our letter with you. If you have any questions, please contact Jeff Burgess, National Managing Partner of Professional Standards, at Jeff.Burgess@us.gt.com or (704) 632-3940.

Very truly yours,

Grant Thornton LLP