



Professional Ethics Executive Committee

Open meeting agenda

December 21, 2020
Virtual



Professional Ethics Executive Committee

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Meeting ID: 934 2137 9170 | **Web access:** <https://aicpa.zoom.us/j/93421379170>

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Observers must register: www.aicpa.org/PEECmeeting

2:00 p.m. – 2:05 p.m.	Welcome Mr. Lynch will welcome the committee members and discuss administrative matters.	
2:05 p.m. – 2:15 p.m.	Compliance Audit Task Force Mmes. Miller and Powell will provide an update on task force activities.	
2:15 p.m. – 2:45 p.m.	Inducements Mmes. Dourdourekas and Craig will seek input from committee on the practice aid before issuance.	Agenda item 1A Agenda item 1B
2:45 p.m. – 2:55 p.m.	Information system services Mmes. Dourdourekas and Klepcha will report on the task force's discussions regarding implementation guidance it is considering developing for the revised interpretation.	
2:55 p.m. – 3:10 p.m.	SEC convergence task force Ms. Goria will seek the committee's approval of a non-enforcement policy related to revised independence rules issued by the SEC in October 2020 and to terminate a December 2000 non-enforcement policy.	Agenda item 2A Agenda item 2B
3:10 p.m. – 3:15 p.m.	Statements on Standards for Tax Services Ms. Saunders, Mr. Grzes and Mr. Wiley will provide the committee with a status report on this project.	
3:15 p.m. – 3:20 p.m.	NOCLAR Ms. Lee-Andrews will provide an update.	

220 Leigh Farm Road, Durham, NC, 27707-8110

T: +1.919.402.4500

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3:20 p.m. – 3:30 p.m.	<p>Member enrichment update</p> <p>Ms. Gorla will provide the committee with an overview of the division's member enrichment projects.</p> <p>External links:</p> <ul style="list-style-type: none"> • Plain English Guide to Independence 2020 • SLG implementation tools • Employee benefit plan audits – Common violations reports • Government and not-for-profit audits – Common violations reports 	
	<p>Future meeting dates</p> <ul style="list-style-type: none"> • February 9–10, 2021 (virtual) • May 4–5, 2021 (virtual) 	

Inducements Task Force

Task force members

Anna Dourdourekas (Chair), Tom Campbell, Sharon Jensen, Peggy Ullmann, and Jennifer Kary,
AICPA Staff: Michele Craig and Ellen Gorla

Task force charge

The task force's charge is to consider the revisions made by the International Federation of Accountants' (IFAC) International Ethics Standards Board for Accountants (IESBA) to the IESBA Code of Ethics for Professional Accountants (the IESBA code) pertaining to the offering and accepting of inducements and recommend to the committee the appropriate actions for convergence purposes.

Reason for agenda item

To request the committee's guidance on the draft practice aid before issuance.

Nonauthoritative guidance (practice aid)

At the August 2020 committee meeting, the task force provided the committee with an update on the task force's progress with revisions to the practice aid, which included (see **agenda item 4B**):

- Clarifying that
 - the purpose of the practice aid is to provide guidance on integrity and objectivity for all professional services.
 - the practice aid does not include guidance on independence.
 - members should use the conceptual framework when addressing circumstances other than accepting or offering gifts or entertainment.
 - if a threat is reasonable in the circumstances it would also be at an acceptable level.
- Changing the frequently asked questions to potential scenarios with questions that members may consider using when applying the threats and safeguard approach.
- Increasing the use of the conceptual framework throughout the practice aid with a focus on the first three steps of the conceptual framework approach.
- Adding, the "timing of the action" as a factor that members may consider when determining what is reasonable in the circumstances.
- Changing the phrase "be intended or appear to be intended to influence the outcome or behavior" to "unduly influence an outcome or behavior" that is more in line with the AICPA code.

- Adding general guidance to the examples of practices that members may consider in order to eliminate or reduce significant threats to their integrity and objectivity.

Action needed

Staff requests that the committee provides its guidance on the draft practice aid (**agenda item 4B**) before issuance.

Materials presented

- **Agenda Item 4B:** Draft nonauthoritative guidance for inducements

Practice aid:

Understanding circumstances that may
compromise your integrity and
objectivity

As of XXX, 2020

The practice aid: What's it all about?

The AICPA Code of Professional Conduct (code) currently provides guidance to members on evaluating threats to the members' compliance with the "Integrity and Objectivity Rule" (ET sec. 1.100.001 and ET sec. 2.100.001)¹ regarding the offering or accepting of gifts or entertainment. But what about other circumstances that may create threats to our integrity and objectivity? In such circumstances, the Conceptual Framework for Members in Public Practice (ET sec. 1.000.010) or the Conceptual Framework for Members in Business (ET sec. 2.000.010) should be applied.

The examples and case studies in this practice aid focus on other circumstances that may influence a member's behavior with respect to compliance with the "Integrity and Objectivity Rule" (ET sec. 1.100.001 and ET sec. 2.100.001) only (that is, independence matters *are not* specifically addressed in this practice aid.²) This practice aid applies to all professional services that a member provides to clients or employers.

The code is the only authoritative source of AICPA ethics rules and interpretations. With guidance from the Professional Ethics Executive Committee, the staff of the Professional Ethics Division developed the nonauthoritative content of this practice aid from hotline inquiries to assist members and others in their application of the code.

The guidance in this practice aid does not address the requirements of other standard-setters or regulatory bodies, such as the state boards of accountancy, the SEC, and the U.S. GAO, whose positions may differ from the AICPA.

Terms that are defined in the code are italicized. The first instance of a defined term or code citation links to the code.

¹ All ET sections are located in AICPA Professional Standards

² See "[Offering or Accepting Gifts or Entertainment](#)" interpretation (1.285.010) for independence guidance.

Contents

What circumstances other than gifts and entertainment may threaten your integrity or objectivity?.....	1
Using the conceptual framework to identify and evaluate threats to integrity and objectivity....	1
What factors may help you determine what’s “reasonable in the circumstances?	2
What are some examples of practices that may minimize significant threats to integrity or objectivity?.....	3
Members in public practice: Possible scenarios and considerations.....	4
Political campaign contributions	4
Charitable donations.....	4
Sponsorship	5
Hospitality	5
Members in business: Possible scenario and considerations	6
Vendor relationship.....	6
Case studies.....	8
Case study 1: Volunteer services to a political campaign.....	8
Case study 2: Preferential treatment of immediate family member or close relative	10
Appendix 1-Conceptual framework example.....	12

What circumstances other than gifts and entertainment may threaten your integrity or objectivity?

The AICPA Code of Professional Conduct (code) specifically addresses members receiving and giving gifts or entertainment and how this might create threats to compliance with the “Integrity and Objectivity Rule” (ET secs. 1.100.001 and 2.100.001). But are there other circumstances that could threaten your integrity and objectivity? Of course, there are. The following are some examples of such circumstances:

- Making political or charitable contributions³
- Offering or receiving preferential treatment, rights, or privileges
- Providing or receiving hospitality
- Accepting employment or other commercial opportunities
- Making a mutual recommendation or promotion of a business interest, product, or service
- Entering into activities that result in a relationship between a family member and a client

It is important to understand that not all circumstances you encounter will create threats to your integrity and objectivity; even when they do, you may be able to eliminate or reduce such threats with safeguards so that your integrity and objectivity is not compromised.

Use of the Conceptual Framework for Members in Public Practice (ET sec. 1.000.010) or the Conceptual Framework for Members in Business (ET sec. 2.000.010) will help you determine the effect the circumstances have on your integrity and objectivity. This practice aid focuses on the first three steps of the conceptual framework. The fourth step, documentation, is covered in toolkits⁴ developed by staff to assist you with applying the steps of the conceptual framework. The worksheets within the toolkits can also be used to satisfy the documentation requirement.

Using the conceptual framework to identify and evaluate threats to integrity and objectivity

Circumstances that may compromise your integrity or objectivity can create self-interest, undue influence, and familiarity threats.

³Charitable contributions are included in this document since they are not considered gifts. See paragraph 10 of the [AICPA's Basis for Conclusion Document for Gifts and Entertainment](#).

⁴ For additional guidance on the application of the conceptual framework see the [Members in Public Practice](#) and [Members in Business](#) Conceptual Framework Toolkits.

This means under **Step 1: Identify threats**, you will need to determine if the circumstance you have encountered could allow you to

- benefit, financially or otherwise, from an interest in, or relationship with, a *client*, an *employing organization* or persons associated with the *client* or *employing organization* (self-interest threat).
- subordinate your judgment to an individual associated with a *client*, an individual associated with the *employing organization* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over you (undue influence threat).
- become too sympathetic to a *client's*, a person's or employing organization's interests or too accepting of their work, product or service due to a long or close relationship with them (familiarity threat).

Then under **Step 2: Evaluate the significance of the threat**, you will need to determine if the threat is reasonable in the circumstances. To do this you will need to use your professional judgment to evaluate, whether a reasonable and informed third party would conclude that the circumstances would impair your integrity or objectivity.

If you conclude that the reasonable and informed third party would not conclude the circumstances would impair your integrity or objectivity, then the threat is reasonable in the circumstances and is at an acceptable level. However, if you conclude that a reasonable and informed third party would conclude that the circumstances would potentially impair your integrity or objectivity then you need to try to implement safeguards to reduce the threat created by the circumstances to an acceptable level or change or eliminate the circumstances.

What factors may help you determine what's "reasonable in the circumstances"?

When evaluating the circumstances under step 2 to determine if they are reasonable in the circumstances, you may find the following factors helpful with your assessment. Of course, it may be necessary to consider a combination of factors to determine what's reasonable in the circumstances:

- Nature and timing of the action
- Occasion or reason giving rise to the action
- Cost or value
- Frequency
- Whether the action was associated with the conduct of business
- Extent of participation by others
- Whether the intent of the individual is, or appears to be, to unduly influence an outcome or behavior

What are some examples of practices that may minimize significant threats to integrity or objectivity?

Appearance is an important consideration to the determination of whether there are threats to your integrity and objectivity. How will circumstances be regarded by a reasonable and informed third party with knowledge of all the facts and circumstances? The following are examples of some practices you may consider to eliminate or reduce a significant threat to your integrity and objectivity:

- Formalizing the organization's approval policy for contributions and sponsorships.
- Having a policy of participating only at or below a certain level of donorship (for example, avoid being the platinum sponsor of an event).
- Having a policy of rotating support for charitable causes from year to year.
- Providing guidance to your team for evaluating what is reasonable in the circumstances. Have them consider things like nature, occasion, frequency, value.
- Monitoring the client or vendor relationship if you are regularly sponsoring, making contributions, or providing or receiving hospitality.
- Limiting the amount and frequency of the contribution to a level that is reasonable in the circumstances to either the organization (donor) or the client (recipient).
- Considering the level of contribution the member provides to others and what other donors provide to this recipient.
- Identifying guidelines for client interactions.
- Disclosing any safeguards that have been taken by the organization.

Despite the practices you may have in place, sometimes threats to integrity and objectivity may not be considered reasonable in the circumstances. When this occurs, it is necessary that you implement additional safeguards to reduce these threats to an acceptable level so that they will be considered reasonable in the circumstances. If you find yourself in this situation, the following are examples of some safeguards that you may find helpful:

- Having a member of the firm who is not on the engagement team review the proposed contribution
- Removing from the engagement team any member who is volunteering in a political campaign of a client or whose interaction with the client created a significant threat(s)
- Adding a reviewer to any engagements your organization is currently working on for the client that is also receiving a political or charitable contribution or where an interaction with the client created a significant threat(s)

Members in public practice: Possible scenarios and considerations

Political campaign contributions

Scenario:

A political candidate is associated with a potential client. The potential client issued a request for proposal for consulting services and when preparing its proposal for services, a member identifies that an individual in the firm contributed to the political candidate's campaign.

Considerations:

Questions the member might consider when determining whether the contribution made is reasonable in the circumstances may include:

- What is the political candidate's relationship with the client and what level of influence does this relationship give the candidate over the client?
- Is the contribution in compliance with relevant laws and regulations?
- Is the contribution intended to unduly influence the potential client to select the firm as its service provider?
- Could the contribution be perceived by a reasonable and informed third party to unduly influence the client to select the firm as its service provider?

Charitable donations

Scenario:

A consulting client is requesting that a member join the client's running team for a marathon benefiting a not-for-profit entity. To join the team, the member needs to pledge or obtain pledges to raise funds for the not-for-profit.

Considerations:

Questions the member might consider relevant when determining whether the member's participation in a client's fundraising efforts, impairs, or appears to impair, the member's integrity and objectivity may include:

- Are there others participating in this event and what is their level of participation?
- Is the member's level of participation more than others participating on the running team so as to create a significant *familiarity* threat?
- If the threat is significant, can the member apply safeguards to eliminate the threat or reduce it to an acceptable level.

Sponsorship

Basic sponsorship of a charitable event

Scenario:

A charitable organization is having a fundraising gala event. An officer of one of the firm's consulting clients is on the organization's governing board and will be honored at the fundraising gala. The lead engagement partner requests that his firm sponsor a table at the gala and make a contribution to the charity.

Considerations:

Questions the member might consider when determining whether the charitable contribution is reasonable in the circumstances may include:

- What is the timing and relation to new opportunities or contract renewal for professional services?
- What is the level of sponsorship and how does it align with other sponsors' contributions?
- Does the contribution appear to unduly influence the client's behavior, such as, to retain the member for continued or additional services?

Premier or sole sponsorship of a charitable event

Scenario:

A not-for-profit consulting client is holding a golf outing to raise funds. The client asks the engagement partner if the firm will be one of the premier sponsors of the golf outing and whether the firm will also sponsor the "hole in one" prize.

Considerations:

Questions the member might consider when determining whether being a premier sponsor of a client's charitable event is reasonable in the circumstances may include:

- Is the accounting firm becoming closely identified with the client?
- What is the level of sponsorship and donation to the not-for-profit client compared to other sponsors?
- Would applying safeguards, such as adding a reviewer, reduce the threats to an acceptable level?

Hospitality

Scenario 1:

A member receives an invitation from the CEO of a consulting client requesting the member's presence at her home this weekend for dinner.

Considerations:

Questions the member might consider when determining whether the client's hospitality would compromise the member's integrity and objectivity may include:

- Is there a reason to believe that the CEO's intent is to build a relationship to unduly influence the member's behavior?
- How often does the member attend dinners at the CEO's home?
- Who else from the member's firm and the CEO's company will be attending?

Scenario 2:

What if the invitation in scenario 1 was to the CEO's annual "pig roast" that is a big event held in her backyard? The guest list includes other vendors, the client's customers, and individuals of influence such as, a congressperson that the client supports.

Considerations:

These are questions the member might consider when determining whether the client's hospitality in this scenario impairs or appears to impair the member's integrity and objectivity:

- Does the fact that this event is not limited to only the member enough to reduce threats to an acceptable level?
- What is the nature of the other participants in the event?

Members in business: Possible scenario and considerations

Vendor relationship

Scenario:

A controller of a company has a daughter who recently obtained employment with the company's current accounting software vendor. The controller has been vetting other accounting software vendors because the contract with this current vendor is up for renewal. The company's internal audit has raised a red flag regarding the invoices from the current vendor, such as billing for services not included in the contract. The controller is aware of this issue.

Considerations:

Questions the controller might consider relevant when determining whether continuing vendor relationship, impairs, or appears to impair, the member's integrity and objectivity may include:

- Could it be perceived by a reasonable and informed third party that the daughter's employment influenced the controller's behavior to use that particular vendor rather than thoroughly vetting all vendors and selecting the best one for the company?
- Is there a direct impact on the daughter's employment if the accounting software company does not renew this contract?

- What is the level of severity of the red flag raised by the internal audit team?
- Does the vendor selection process include others in the organization such that the decision does not solely reside with the controller?

Case studies

Case study 1: Volunteer services to a political campaign

The situation

You are part of an engagement team in a firm that provides consulting services to a law firm. The managing partner of the law firm tells you that he will be running in a local election if he gets enough support.

Your firm has a significant portion of its business in the city where the election will take place, so the candidate asks you to volunteer as his campaign treasurer and allow firm staff to volunteer to campaign for him.

You know that taking on the role of campaign treasurer or allowing firm staff to volunteer could create threats to your integrity and objectivity in providing the consulting services.

The applicable guidance

When evaluating this situation you would apply the conceptual framework approach outlined in paragraph.07 of the “Conceptual Framework for Members in Public Practice” (ET sec. [1.000.010](#)) to determine whether there will be any effects on your integrity or objectivity.

Analysis

What threats does this situation present?

Using the conceptual framework, you identify the **familiarity** threat as a possible threat in this situation.

This threat may be present if you or other firm staff who volunteer for the campaign also participate on the consulting engagement. What if a close relationship develops with the candidate as a result of volunteering on the campaign?

How significant is this threat?

Now that you’ve identified the threat that may exist, it’s time to evaluate its significance. In doing so, you consider the appearance and what a reasonable and informed third party would conclude in this situation. Is the threat at an acceptable level? As part of your evaluation you consider whether your client requested similar participation from other vendors and service providers.

What safeguards can you apply?

If you conclude that the threat to compliance with the code is significant, you may consider one or more of the following safeguards:

- Have the work reviewed by someone who is not associated with the consulting engagement. This person can be either inside or outside your firm.

- If you do volunteer as campaign treasurer, stop participating on the consulting engagement.
- Limit participation to only certain individuals.

What does it all come down to?

As with most ethical questions, safeguards are key to compliance. If you already have sufficient safeguards in place or apply the safeguards you identify, such as those in the previous list, then threats to compliance with the “Integrity and Objectivity Rule” (ET sec. 1.100.001) may be at an acceptable level and your firm may continue with the engagement.

In some situations, threats to compliance with the rule may be so significant that no safeguards can reduce or eliminate a threat to an acceptable level. In this case you and your firm may need to terminate the relationship or decline the opportunity to help with the campaign. An example of a threat this significant would be if you or your firm volunteered services to the political campaign with the intent, or the appearance of an intent, to unduly influence your client’s behavior once your client is elected.

Case study 2: Preferential treatment of immediate family member or close relative

The situation

Company B is suing Company A for patent infringement and Company A engages you to provide litigation support. The deadline for you to submit your final analysis of the matter to Company A's CEO and legal counsel is Friday.

The CEO's son and your son play on the same little league team. The CEO is the coach of the team and he decides on the positions and amount of time each child plays during a game. Your son really wants to play 3rd base which he has communicated to his coach, but until now the CEO has refused to play your son in this position and instead has played him in the catcher's position for every game.

You share an initial draft of your analysis with the CEO on the Monday before your Friday deadline. The CEO tells you that he expected a different analysis and doesn't believe your analysis is accurate, nor will it be strong enough to win the case.

Based on the facts and prior conversations with the CEO, you believe the information in the initial draft to be accurate. In addition, you and Company A's legal counsel warned Company A's board of directors and the CEO that it would be difficult to win this case based on the facts and complexity of the matter.

The next day, Tuesday, the CEO provides you with new facts and tells you he expects a new analysis based on these facts. The CEO stresses that if Company A doesn't win this case, they may need to file bankruptcy. You tell the CEO that you will review the updated analysis. Later that evening, your son informs you that the coach just assigned him to 3rd base.

The applicable guidance

You decide to analyze this situation using the "Conceptual Framework for Members in Public Practice" (ET sec. [1.000.010](#)) to determine whether there are threats to your integrity or objectivity because the "Offering or Accepting Gifts or Entertainment" interpretation (ET sec. 1.120.010) is not applicable to the CEO's last-minute decision to change the position your son will be playing in the next game.

Analysis

What threats does this situation present?

Application of the conceptual framework helps you identify the following threats.

If you don't change your analysis and Company A loses their case, Company A may not allow your firm to continue with the litigation engagement or other potential engagements. Additionally, the CEO may not permit your son to play his favorite position during the little league games. This could mean the **undue influence** and the **self-interest** threats may be present.

Because your son and the CEO's son play on the same team, it's possible you may approach the CEO's new facts with less skepticism and more leniency. This indicates the **familiarity threat** may also be present.

How significant are these threats?

Now that you have identified the threats, it's time to consider their significance. Here are some things to think about:

- How would the CEO offering your son the 3rd base position appear to a reasonable and informed third party aware of all the facts and circumstances?
- Is the CEO known to unduly influence others' behavior?
- What is your relationship with the CEO outside of the engagement that could increase threats to your integrity and objectivity?

What safeguards can you apply?

If you conclude that threats to compliance with the code are significant, here are some examples of safeguards you may consider:

- Have Company A's legal counsel and board of directors verify the new facts.
- Get representation from Company A's management (other than the CEO) on all information for the case.
- Have the work reviewed by someone who is not associated with the litigation engagement. This could be someone inside or outside of your firm.

What does it all come down to?

If you have the appropriate safeguards in place or apply additional safeguards you identify, such as those in the previous list, then threats to compliance with the "Integrity and Objectivity Rule" (ET sec. 1.100.001) may be at an acceptable level and you may continue with the engagement.

In some situations, when it appears the intent of preferential treatment is to unduly influence your behavior, threats to compliance with the "Integrity and Objectivity Rule" (ET sec. 1.100.001) may not be at an acceptable level and there may be no safeguards that can eliminate the threats or reduce them to an acceptable level. This is true even if the preferential treatment is not for you but is for an immediate family member or close relative and even if the action is clearly insignificant.

Appendix 1-Conceptual framework example

The following example was used to complete the conceptual framework worksheet:

You are part of an engagement team in a firm that provides consulting services to a law firm. The managing partner of the law firm tells you that he will be running in a local election if he gets enough support.

Your firm has a significant portion of its business in the city where the election will take place, so the candidate asks you to volunteer as his campaign treasurer and allow firm staff to volunteer to campaign for him.

You know that taking on the role of campaign treasurer or allowing firm staff to volunteer could create threats to your integrity and objectivity in providing the consulting services.

When evaluating this situation you would apply the conceptual framework approach outlined in paragraph.07 of the “Conceptual Framework for Members in Public Practice” (ET sec. [1.000.010](#)) to determine whether there will be any effects on your integrity or objectivity and consider what a reasonable and informed third party that is aware of the circumstances would conclude.

Summary of the relationship or circumstances	Step 1 Identify threats	Step 2 Evaluate the significance of threat	Step 3 Identify and apply safeguards	Step 4 Evaluate the effectiveness of safeguards
An owner of your client asked that you volunteer as his campaign treasurer for his campaign.	<i>Familiarity threat:</i> What if a close relationship develops with the candidate as a result of volunteering on the campaign?	Has your client requested similar participation from other vendors and service providers?	Have the work reviewed by someone who is not associated with the consulting engagement. This person can be either inside or outside your firm.	Examples of safeguards identified in step 3 may reduce the threat to an acceptable level.

Summary of the relationship or circumstances	Step 1 Identify threats	Step 2 Evaluate the significance of threat	Step 3 Identify and apply safeguards	Step 4 Evaluate the effectiveness of safeguards
			If you do volunteer as campaign treasurer, stop participating on the consulting engagement.	
An owner of your client asked that you allow firm staff to volunteer and campaign for him.	<i>Familiarity threat:</i> What if a close relationship develops with the candidate as a result of volunteering on the campaign?	Has your client requested similar participation from other vendors and service providers?	Limit participation to only certain individuals.	Examples of safeguards identified in step 3 may reduce the threat to an acceptable level.

Summary of the relationship or circumstances	Step 1 Identify threats	Step 2 Evaluate the significance of threat	Step 3 Identify and apply safeguards	Step 4 Evaluate the effectiveness of safeguards
Conclusion	<p>As with most ethical questions, safeguards are key to compliance. If you already have sufficient safeguards in place or apply the safeguards you identify, such as those listed in this table, then threats to compliance with the “Integrity and Objectivity Rule” (ET sec. 1.100.001) may be at an acceptable level and your firm may continue with the engagement.</p> <p>In some situations, threats to compliance with the rule may be so significant that no safeguards can reduce or eliminate a threat to an acceptable level. In this case you and your firm may need to terminate the relationship or decline the opportunity to help with the campaign. An example of a threat this significant would be if you or your firm participate in the political campaign with the intent to influence your client’s behavior once your client is elected.</p>			

Draft PEEC Enforcement Policy

0.600 New, Revised, and Pending Interpretations and Other Guidance

0.600.010 New and Revised Interpretations and Other Guidance

.01 Periodically, new or revised authoritative ethics *interpretations* and other guidance are issued.

Publication of the text of a new or revised pronouncement or a notice with a link to the text of a new or revised authoritative *interpretation* and other guidance in the *Journal of Accountancy* constitutes notice to *members*. Hence, the effective date of the *interpretation* and other guidance is the last day of the month in which the pronouncement or notice is published in the *Journal of Accountancy*, unless otherwise noted. The Professional Ethics Division takes into consideration the time that would have been reasonable for the *member* to comply with the pronouncement. This section lists the citation and title of any new or revised *interpretation* or other guidance for a period of 12 months after its effective date. When an *interpretation* or other guidance is not yet effective, it will appear as a pending *interpretation* or other guidance (see "[Pending Interpretations and Other Guidance](#)" [0.600.020]).....

0.600.020 Pending Interpretations and Other Guidance

.01 Periodically, new or revised authoritative ethics *interpretations* and other guidance are issued. This section lists the titles and citations of any pending new or revised *interpretations* or other guidance until they are effective and notes whether early application is permitted or encouraged. Once the *interpretation* or other guidance becomes effective, it will appear under the "[New and Revised Interpretation and Other Guidance](#)" section of the preface [0.600.010].....

0.600.030 Non-Enforcement Policies

.01 Periodically non-enforcement policies are issued. This section lists any non-enforcement policies that are in effect:

- Temporary Non-Enforcement Policy Statement of the AICPA Professional Ethics Executive Committee Related to Amendments of Rule 2-01 of Regulation S-X.

On October 16, 2020 the Securities and Exchange Commission (SEC) announced that it adopted final amendments to certain auditor independence requirements in Rule 2-01 of Regulation S-X (SEC amendments). The SEC amendments will be effective on June 9, 2021, with early adoption permitted. On November 17, 2020 the Professional Ethics Executive Committee (PEEC) agreed to evaluate the ~~final~~ SEC amendments and determine ~~what~~ if any revisions should be made to the AICPA Code of Professional Conduct (code) in light of the SEC amendments. While this evaluation is underway, PEEC will consider a member to be in compliance with the code if the member complies with these SEC amendments or the existing code ~~requirements~~. Once PEEC completes its evaluation, this non-enforcement policy will be rescinded. (Adopted December XX, 2020)

PEEC enforcement policy

Non-Enforcement Policy Statement of the AICPA Professional Ethics Executive Committee

As to any effective independence requirement of the Independence Standards Board (ISB) or Securities and Exchange Commission (SEC) that is less restrictive than an independence requirement of the American Institute of Certified Public Accountants (AICPA):

The AICPA Professional Ethics Executive Committee (PEEC) will not consider a member's independence to be impaired if the member complies with an ISB or SEC independence requirement that is less restrictive than an AICPA independence requirement on the same subject unless members are given notice of the PEEC's rejection of the ISB's or SEC's less restrictive requirement or PEEC issues a new or revised independence requirement on that subject.

(Adopted by the PEEC on December 1, 2000. Rescinded on December xx, 2020.)