



Financial Reporting Council

# Revised Ethical Standard

Key changes

January 2024

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List of key proposals included in the FRC's consultation and the policy outcome following the FRC's consultation:

Key proposals consulted on	Summary of stakeholder feedback	Outcome
An additional restriction on fees derived from entities related by a single controlling party.	Some concerns were raised from smaller firms that if they were to breach the aggregate fee threshold then they could be caught in a downward spiral - having to withdraw from an engagement could lessen their overall fee income, and bring other engagements above fee limits.	The FRC is retaining this restriction but will continue to engage with those practitioners who raised concerns.
An extension of prohibitions of tax services to controlling shareholders of unlisted entities.	Respondents queried the proportionality of any such prohibition.	The FRC will be enhancing the independence risk assessment for these services rather than specifically prohibiting them.
Revisions of breach reporting by firms.	Consultation responses were predominantly opposed to the changes that related to controls, and the expanded definition of an inadvertent breach. Respondents argued that the quality of controls related to ethics, and ethical breaches, is better dealt with in the Quality Management Standard (ISQM1).	The FRC has withdrawn some of that material as it would be likely to drive inconsistent reporting behaviours.
Removal of the Other Entity of Public Interest (OEPI) category from the Ethical Standard once the government's revised Public Interest Entity (PIE) definition becomes effective.	Respondents unanimously supported the removal of the OEPI category, but only once a final statutory definition becomes effective.	The FRC does have the power to amend or withdraw the OEPI category, and given the unanimous nature of stakeholder feedback it is highly likely that the FRC will do so once details of any new statutory definition are known.



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