Regulatory Briefing

Summary of key regulatory actions, initiatives and draft legislation affecting audit, capital markets, corporate governance and tax

Implications for companies and their auditors

January 2016

pwc

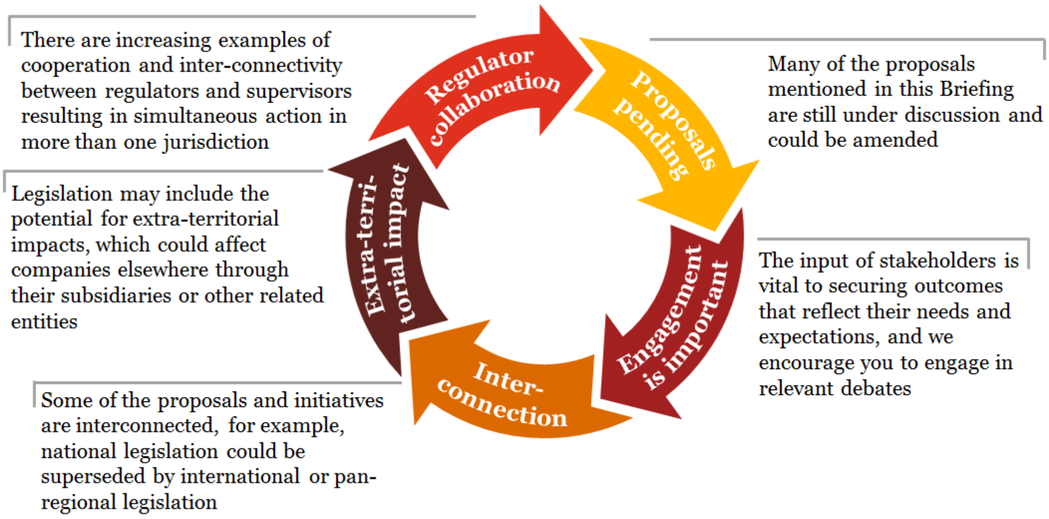
~ *Page left blank intentionally* ~

Introduction

We are pleased to present this new issue of the Global Regulatory Briefing to you. This outlines some of the current developments affecting audit, financial reporting, capital markets, corporate governance and tax. While a number of these initiatives have been around for some time, new far reaching developments are emerging.

The audit developments are still dominated by the EU Audit Legislation and its transposition into national law in the EU Member States and the three European Economic Area countries. We are also seeing various initiatives aiming to adapt the EU's tax laws in the aftermath of Luxleaks, as well as the release of the OCED/G20 Base Erosion and Profits Shifting (BEPS) Project. Globally, the OECD/G20 principles of corporate governance have started a far reaching debate and will likely influence the reform of many national codes and regulations.

We recommend you consider the following as you are reading this Briefing:



Where the developments are relevant to you, here are some things you might want to consider doing:

- In addition to directly responding to a consultation, you can get involved in influencing the development and outcome of the regulations by meeting with or writing to the sponsors or lead organisations for the various initiatives.
- Refer to the Additional Information section of this Briefing for how to register comments and/or participate in the debates.

To learn more:

- Copies of the original documentation from the sponsors of the proposed legislation and other current and proposed initiatives are available via the links provided at Appendix A, including (where relevant) details for responding to or commenting on proposals, etc.
- Further information is also available on the PwC website at: www.pwc.com/regulatory-debate and from your PwC relationship partner.

This Briefing is arranged in two sections, each of which is organised by theme and country:

- **'Key Developments':** Covering a range of regulatory actions, initiatives and draft legislation being undertaken or considered around the world that could affect the way businesses report and their governance. It also looks at next steps, and as appropriate, gives PwC's views and suggests possible actions by stakeholders to engage in the various debates
- **'Watch list':** Summaries of other actions, initiatives and legislation being considered around the world where there has been no recent change

Contents

'Watch-list' of other developments

‘Key developments’

In this section we summarise a range of key regulatory developments around the world, both new and previously reported, where there has been action or change since the last Briefing in September 2015. This includes **audit and financial reporting, capital markets, corporate governance and tax**. We also cover next steps, and as appropriate, PwC’s views and actions/possible opportunities for stakeholders to engage in the debates.

Audit Reform

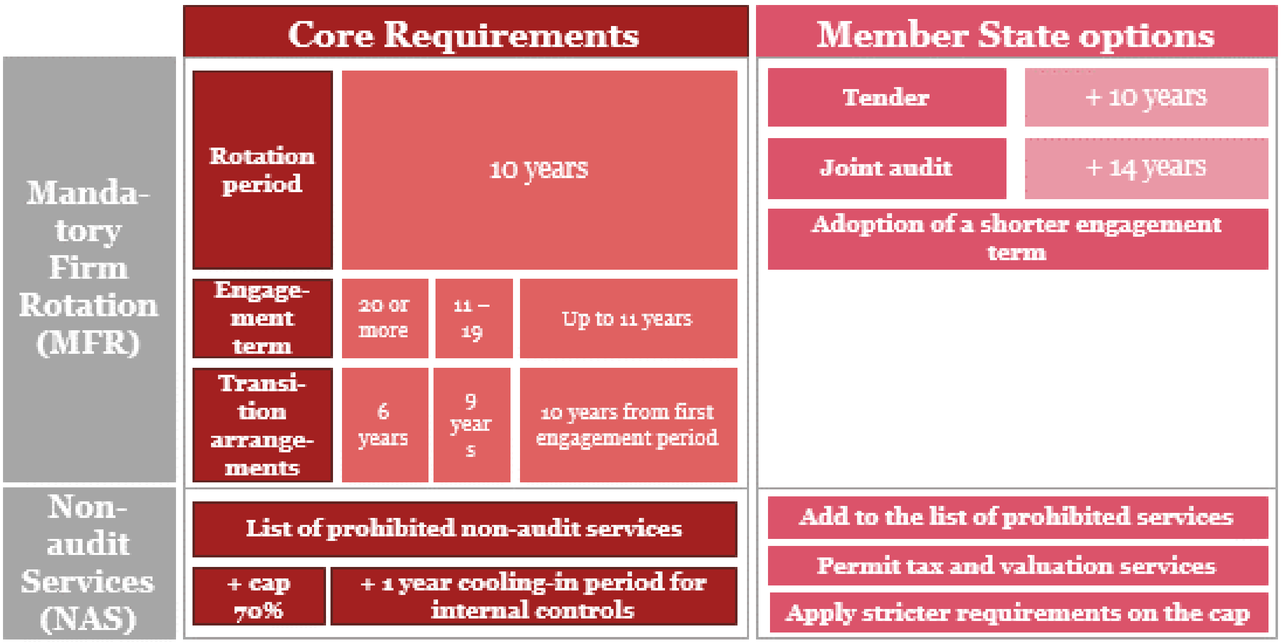
European Union

European Union Institutions:
Implementation of statutory audit legislation

The new EU audit legislation was adopted by the EU institutions in April 2014; its provisions will be applicable from the first financial year starting on or after 17 June 2016. The legislation is also applicable to Liechtenstein, Iceland and Norway (as members of the European Economic Area (EEA).

For further reading on the core requirements of the EU Audit Legislation please refer to our fact sheets which are published and frequently updated.

The legislation introduces the following core requirements and Member State options applicable for EU public interest entities (PIE):



Current position

Member States are in the process of drafting national legislation, in order to:

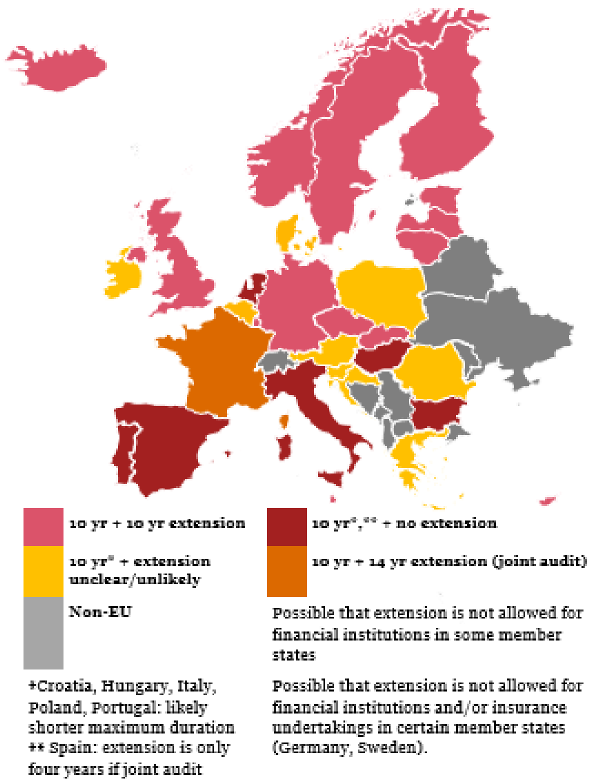
- Transpose the provisions of the Directive into national law
- Align existing legislation with the provisions of the Regulation
- Implement (or not) the Member State options.

The following table shows the latest status of the transposition into national law by country:

Country	Status		
	Preparation (draft/consultation)	Parliament (engaged)	Adopt-ed
Austria	Sept 2015		
Belgium	**Discussions underway**		
Bulgaria	Oct 2015	Dec 2015	
Croatia	**Discussions underway**		
Cyprus	Nov 2015	Dec 2015	
Czech Rep.	Aug 2015	Oct 2015	
Denmark	Nov 2015	Feb 2016	
Estonia	Oct 2015	Jan 2016	
Finland	Partial transposition		
France	Nov 2015	Mar 2016	
Germany	June 2015	Dec 2015	
Greece	Dec 2015	Jan 2016	
Hungary	**Discussions underway**		
Iceland	July 2015		
Ireland	Sept 2015	Nov 2015	
Italy	**Discussions underway**		
Latvia	Oct 2015	Jan 2016	
Lithuania	Oct 2015		
Liechtenstein	**Discussions underway**		
Luxembourg	Dec 2015		
Malta	**Discussions underway**		
Netherlands	Aug 2015	Feb 2016	
Norway	**Jul 2015**	**Mar 2017**	
Poland	Jul 2015		
Portugal			✓
Romania	Jul 2015	Dec 2015	
Slovakia			✓
Slovenia	Nov 2015		
Spain			✓
Sweden	Oct 2015	Mar 2016	
UK	Nov 2015	Mar 2016	

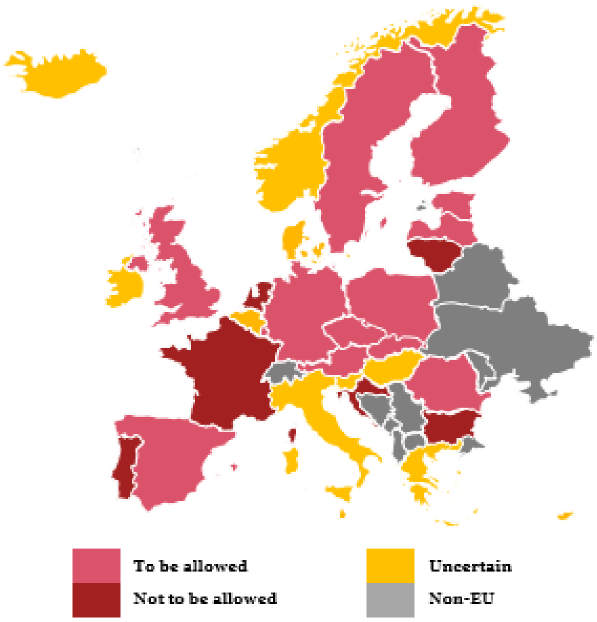
Our understanding of the potential position which might be adopted by the Member States on key issues are illustrated below.

Potential outcome of Member State Options
Mandatory Firm Rotation (January 2016)



Caution: this preliminary analysis may be subject to change

Potential outcome of Member State Options
Tax and valuation services (January 2016)



Caution: this preliminary analysis may be subject to change

- **Austria** – is expected to:
    - Allow tax and valuation services for companies outside the banking sector
    - Maintain the 70% limit for the cap
- There remains a possibility that the MFR period of 10 years would not be extended for financial institutions or insurance undertakings.

- **Czech Republic** – It is expected that the Czech law will take up the Member State options that allow flexibility to PIEs and their audit committees, allowing the:
    - Tax and valuation services
    - Initial period of 10 years to be extended by another 10 years in case of a tender ("the 10 + 10 MFR period on the basis of a tender")
    - PIE definition to be reduced to the minimum requirements in the Directive.

- **Denmark** – A final bill is expected to be presented to the Parliament in February 2016; the current draft does not propose stricter rules than the minimum requirements in the legislation
- Tax services and valuation services will be allowed
- The PIE definition will be reduced to the minimum requirements of the Directive
- 10 + 10 MFR period on the basis of a tender and 14 years in case of joint audit ("the joint audit option").

- **Finland** – A government proposal for modifying the Auditing Act is to be presented to the Parliament early in 2016. Finland is expected to:
    - Adopt 10 + 10 MFR period on the basis of a tender, is also likely to adopt the joint audit option
    - Not add to the list of restricted NAS
    - Allow tax services and valuation services
    - Adopt the 70% limit for the cap
    - Reduce the definition of PIE to the minimum requirements of the Directive.

- **France** – A draft law is expected to be released in early 2016
- The expectation is that France will keep the joint audit option. It is not yet clear how France will incorporate the non-audit services restrictions into its current white list of permissible services
- A cap of 70% is likely to be included in the proposal.

- **Germany** – The draft legislation was released in December 2015, and includes the 10 + 10 MFR period, but not for financial institutions or insurance undertakings
- Tax and valuation services will be allowed, under certain conditions.

- **Ireland** – the Irish government is expected to release its transposition plans in early 2016
- Parliamentary elections will be held at the end of March or April.

- **Italy** – A draft law has yet to be released, however it is expected that Italy will enable the member state options in a way that is close to the current national legislation

- **Luxembourg** – The Ministry of Justice is finalising the draft legislation which is expected to follow the minimum requirements of the legislation.

- **The Netherlands** – A bill to change MFR from 8 to 10 years, and partner rotation from 7 to 5 years has been submitted to Parliament
- The MFR transition arrangements of the Regulation will be followed
- The Netherlands is expected to maintain its very restrictive principle of permissible non-audit services, as already incorporated in Dutch Law

- **Poland** – A legislative draft was released towards the end of 2015. Major proposals include:
    - The inclusion of all financial services entities in a 'quasi PIE' definition
    - For PIEs - an 8-year maximum period for MFR with the possibility to extend by a further 2 years in exceptional circumstances
    - Tax and valuation services would be allowed
    - The 70% cap would also apply to non-PIEs and an additional 50% cap would be introduced for tax and valuation services
    - Key audit partner rotation - every 4 years for PIEs and 7 seven years for non-PIEs
    - Minimum two years audit tenure

- **Portugal – legislation has been adopted by the Parliament and has become effective as of 1 January 2016**
- MFR after a second or third mandate depending if they are of 4 or 3 years respectively. It can be further extended up to a maximum of 10 years, if approved
- A cap for permissible non-audit services has been set at 30% of the audit fee
- Portugal has **not** taken the option to allow certain tax and valuation services

- **Slovakia – legislation was adopted in December 2015**
- Legislation includes the 10 + 10 MFR period on the basis of a tender
- Tax and valuation services would be allowed, with the exception of general tax advice
- The PIE definition includes large commercial entities outside the financial sector and a few governmental entities

- **Spain – Legislation was adopted in June 2015**
- MFR was established for the audit of PIEs every 10 years, with the joint audit option allowed. The option to renew for a further 10 years on a public tender of the audit was not taken up
- Certain tax and valuation services are allowed
- For calendar year reporting, the provisions of the Spanish law for PIEs will be applicable to the audits for 2017 and not the audits for 2016
- The Spanish definition of a PIE has been significantly reduced.

- **Sweden** – the draft recommendations would allow:
  - Tax and valuation services
  - The 10 + 10 MFR period on the basis of a tender, and the joint audit option, except for financial institutions or insurance undertakings
  - Adoption of minimum definition of PIE

- **UK** – Following consultations by BIS and the FRC which ended last December, the release of the final draft legislation is not expected until April 2016
- The UK is expected to allow:
  - The 10 + 10 MFR period on the basis of a tender
  - Tax and valuation services.

We still encourage stakeholders to engage with respective governments and participate in this process.

We recommend that Member States adopt options in a way that allows maximum flexibility for companies and their audit committees.

In particular we recommend to:

- Adopt the maximum duration of a term of 10 years
- Allow the 10+10 MFR period on the basis of a tender
- Ensure maximum consistency and avoid increasing the patchwork of rules across the EU, which would adversely impact multi-national companies
- Allow the provision of certain tax and valuation services (which are subject to satisfying auditor independence requirements, as well as pre-approval by the audit committee)

Auditor Reporting

Global

IAASB:
Auditor reporting ISAs series

The IAASB has now finalised the revisions and conforming amendments to the 800 series of reporting ISAs dealing with special reporting situations. They bring the structure and content of these auditor's reports into alignment with the new ISA 700 reporting model. However, there is more discretion on whether to include key audit matters.

These revised ISAs will become effective at the same time as the enhanced reporting standards in the 700 series – for audit reports of financial statements issued on or after 15 December 2016.

The Board also finalised the revision to ISA 720, *The auditor's responsibilities relating to other information*. These revisions include more extensive disclosure in the auditor's report about the auditor's responsibilities with respect to other information in the annual report and the outcome of them in the audit. The revised ISA also clarifies – and raises the bar – on the auditor's expected work effort in relation to that information.

PCAOB:
Disclosure of the engagement partner and other accounting firms participating in an audit

On 15 December, 2015, the PCAOB released the final rules and amendments to its auditing standards requiring disclosure of the name of the engagement partner and information about other accounting firms that took part in the audit. This includes information about other firms within the same network as the group auditor. This information will be filed by the auditor with the PCAOB on a new PCAOB form, Auditor Reporting of Certain Audit Participants ("Form AP") and will be searchable on the PCAOB's website. The rules must be approved by the SEC.

Disclosure of the engagement partner will be required for audit reports issued on or after 31 January 2017 (or three months after SEC approval of the rules, whichever is later), while disclosure of information about other accounting firms will be required for audit reports issued on or after 30 June, 2017.

Auditing Standards

Global

IAASB:
Invitation to Comment addressing professional scepticism, quality control and group audits

In December 2015, the IAASB issued a significant and broad reaching consultation that will shape its standard setting agenda for the foreseeable future.

Areas being considered

The consultation is important because it could lead to fundamental revisions to the Board's quality control and group audit standards – standards that have a significant impact on our work.

The possible areas of focus in the ITC were drawn from input received from independent audit regulators on areas in which they identify consistent issues in their inspections, and input from audit firms and other stakeholders to the Clarity ISA post-implementation review.

The Board's view is that the most relevant public interest issues related to professional scepticism, quality control and group audits are:

- Fostering an appropriately **independent and challenging sceptical mind-set** of the auditor
- Enhancing **documentation of auditor's judgments**
- **Keeping ISAs fit for purpose**, including considering whether they contain robust, yet sufficiently flexible, requirements and guidance to drive appropriate engagement partner and engagement team performance, including the quality of multi-national audits
- Encouraging **proactive quality management** at the firm and engagement level
- Exploring **transparency** and its role in audit quality
- Focusing more on firms (including networks) and their **internal and external monitoring and remediation** activities, including strengthening engagement quality control review
- Reinforcing the need for **robust communication and interactions** during the audit

In addition to the main consultation paper, the IAASB released a companion document, an Overview of the ITC, designed at obtaining feedback from investors, audit committees, and preparers. The Board also plans a series of roundtables and outreach events around the world to obtain the input a broad range of stakeholders.

Next steps

The deadline for comment on both documents is May 16, 2016.

A separate revision of ISA 540 on auditing accounting estimates is also underway, in part to ensure that there is adequate guidance for auditors when IFRS 9's expected loss requirements come into effect.

Capital Markets Reform

European Union

European Commission:
Capital Markets Union (CMU)

On 30 September 2015, the EC published its Capital Markets Union (CMU) Action Plan setting out the actions that will be taken to put the CMU in place by 2019.

Accompanying its Action Plan, the EC put forward the following two immediate steps with the release at the end of September 2015 of proposals for:

- A Regulation aimed at reviving European securitisation markets
- Revised prudential calibrations for banks in the Capital Requirements Regulation and an adjustment to the "Solvency II" legislation to make it easier for insurers to invest in infrastructure and European Long Term Investment Funds.

Subsequently, in November 2015, the EC released draft proposals to revise the **Prospectus Directive**. The EC proposes to change the original Directive into a Regulation. The proposed changes are intended to lower existing barriers to entry to European capital markets, by clarifying the circumstances when a prospectus is needed, the information required to be included in it, and by streamlining the process for approval of prospectuses. The proposal has been transferred to the Council and the EP. When these institutions have agreed their positions, Trilogue negotiations can start to reach an agreement on a final text.

In December 2015, the EC also released a Green Paper on **retail financial services**. This seeks views on how to improve choice, transparency and competition in retail financial services to the benefit of European consumers and how to facilitate true cross-border supply of these services. It also discusses the impact of digitisation on retail financial services with a view to promote innovative solutions in this area in the EU. The deadline for response is 18 March 2016.

The overarching goals of the CMU are:

- The creation of a single market for capital by removing barriers to cross-border investments
- Increasing competition to reduce the cost of raising capital
- Improving access to financing for all businesses around Europe (in particular, help small and medium enterprises (SMEs) raise finance more easily)
- Diversifying the funding of the economy by matching supply to demand
- Maximising the benefits of capital markets so they can support economic growth and job creation
- Helping the EU to attract investments from around the world and become more competitive.

Next steps

The Council of Ministers has already established its position on the proposals for the Securitisation Regulation and the revisions to the prudential calibration for banks in the Capital Requirements Regulation. The EP Committee is in the process of drafting its report. The negotiations with the EP on the final version of the legislation will begin as soon as the EP committee has adopted its report.

PwC views

We support the overall goals of the CMU, however, we believe there are a number of barriers regarding the integration of capital markets within the EU, which we believe need to be addressed by the EC.

We accept the EC premise that market based financing is under-developed. The market is dominated by loan-based finance, with a lack of alternatives, and the EU capital markets are heterogeneous and concentrated. Equally there are signs that some integration of the capital markets is taking place but there remain several barriers to the emergence of the CMU.

We see five key areas that would support the development of market-based finance and further integration of capital markets in the EU:

- There is a need to fully understand the function of the capital market and identify precisely the blockages regarding its integration (be they economic, institutional or cultural) and what additional work is needed to fully identify the main challenges of the CMU (as proposed by the EC) and how these issues can be addressed

- Improving cross-border distribution of capital will expand choice both for investors and companies seeking funding, and lead to higher growth. Policies which are directly focused on facilitating and supporting cross-border investment flows must be the first priority and should be promoted at the regulatory level. This change will require harmonisation of the legal and tax framework and implementation of a more harmonised framework of insolvency rules
- Minimising the asymmetry of information between investors and borrowers across the EU will help to promote investment, especially at the cross-border level. Achieving this will enable investors to access information in a more transparent way, significantly reduce their cost of seeking information, and lead to better financing and investment conditions
- Care is needed to ensure that any action does not unintentionally negatively impact the market. The banks play an important role in capital markets as the main current providers of corporate finance, especially to SMEs. The CMU initiative aims to reduce this over-reliance and promote alternative sources of financing. However these should not be substitutes for bank-based finance. The banks' role and expertise remain significant for the development of a CMU. In particular, the bank's role in credit origination is crucial and they remain in a competitive position in assessing creditworthiness
- Promoting diversified sources of financing would reduce dependency on banking loans. Despite an increase in available funds and the fact that banks can be allies for capital markets integration, there is still a significant need to develop alternative means of financing. Among these alternatives, private equity, private placement and crowdfunding have emerged as vehicles for channelling funds from investors to firms, especially SMEs. It is important that any new rules recognise changes needed to existing legal frameworks, and in many instances the development of new ones to enable these new forms of financing to become realistic alternatives to banking loans.

Business secrets

To achieve improved protection of unpublished know-how and business information against any unlawful access, use and publication, the EC published a proposal for a Directive in 2013. The proposal established a definition of a trade secret and set out the means for victims of the misappropriation of such a secret to obtain reparation. In December 2015, the three EU institutions reached an agreement on the final text.

Definition of a trade secret (information which meets all of the following requirements):

- Is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question
- Has commercial value because it is secret
- Has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

Victims of the misuse of trade secrets will be able to defend their rights in court and seek compensation. However, this will not be possible if a trade secret was acquired, used or disclosed for the following purposes:

- Exercising the right to freedom of expression and information as set out in the Charter of Fundamental Rights of the EU, including respect for freedom and pluralism of the media
- Revealing a misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest
- Disclosure by workers to their representatives as part of the legitimate exercise of their representative functions in accordance with Union or national law, provided that such disclosure was necessary for that exercise
- Protecting a legitimate interest recognised by Union or national law.

Next steps

The text needs to be formally approved by the EP and the Council, expected in early 2016. Member States will have a maximum of two years to incorporate the new provisions into domestic law.

European Deposit Insurance Scheme (EDIS)

Proposals for a euro-area wide EDIS for bank deposits are out. The scheme would be developed in three stages. It would consist of a re-insurance of national Deposit Guarantee Schemes (DGS), moving after three years to a co-insurance scheme, in which the contribution from the EDIS will progressively increase over time. As a final stage, a full EDIS is envisaged in 2024.

Banking Union: Single Resolution Mechanism (SRM)

The SRM became fully operational on 1 January 2016, implementing the Bank Recovery and Resolution Directive in the EU. Its remit is to ensure an orderly resolution of failing banks with minimum impact on the real economy and on public finances of the participating Member States and beyond. The SRM will come into force when a bank is in severe financial difficulties (e.g. failing banks), signalled by the Single Supervisory Mechanism (SSM). A single resolution board (SRB) will be set up, consisting of representatives from relevant national authorities, the SSM and the EC to decide when and whether to place the bank in resolution, and will set up a scheme for how this will be done and how the SRM will be used. This scheme will then be approved or declined by the EC. National resolution authorities will then be responsible for executing the scheme, overseen by the SRB.

European Securities and Markets Authority (ESMA):

Legislation to enhance transparency of Securities Financing Transactions (SFTs)

The Regulation on reporting and transparency of securities financing transactions (SFTs) was adopted by all the relevant EU bodies and published on 23 December 2015. The Regulation strengthens transparency in three core ways by requiring:

- Transaction reporting to trade repositories to improve systemic risk monitoring
- That investments funds disclose SFT activity in offering documents and periodic reports
- That counterparties are informed of and expressly consent to the risks and consequences of rehypothecation (defined as practices by banks and brokers of using, for their own purposes, assets that have been posted as collateral by their clients) before collateral is reused.

Next steps

The Regulation will become applicable in all EU Member States in phased periods from the date ESMA's regulatory technical standards have been approved. The technical standards will focus on transaction reporting fields, the timeliness of reporting and the parameters of rehypothecation disclosure.

Delays in the go-live date of certain Markets in Financial Instruments Directive (MiFID) provisions

ESMA has said IT issues related to transaction reporting, transparency requirements and position reporting mean that ESMA is looking to delay the go-live date of MiFID II. The EP, which also needs to agree, informed the EC that they are ready to accept a one-year delay of entry into force.

Next steps

The EC, EP and the Council will meet informally to discuss the possible delay and whether this would apply to all or just a selected part of the MiFID package.

PwC views

The EC has acknowledged that there has been a considerable volume of legislation enacted or which in the process of implementation or development in the aftermath of the financial crisis that impacts the capital markets and their major participants. There is a recognition of the need to 'take stock' – to allow governments, regulators and companies sufficient time to ensure effective implementation and operation – and to more fully understand the benefits achieved.

Much of this legislation has included new reporting, transparency and disclosure requirements. These frequently require potentially significant changes in the ways companies report on their activities and financial results. We believe it is important for companies to analyse the impact of the varied requirements on their particular business, stay informed of the latest developments, and for them to engage as appropriate with EU and national governments and with business and professional organisations to influence and inform any future measures.

Americas

USA

Securities and Exchange Commission (SEC):
Approval of final crowdfunding rules

In December 2015 the SEC approved final rules to allow equity "crowdfunding" for businesses (that is, the practice of funding a project or venture by raising monetary contributions from a large number of people). As part of the 2012 JOBS Act, a company can raise up to $1 million per year in an unregistered securities offering. The SEC in October 2013 unanimously proposed crowdfunding rules, but further action was stalled amid hopes that Congress would address some of the agency's concerns about investor protections and applicability for businesses. As the agency did not receive any congressional action, the SEC decided to move forward with its vote to finalise the rule.

PwC view

Crowd funding is one of a number of examples of new financing approaches that are proving popular with new start-ups and SMEs. It is an area of financial services operating as part of the 'collaborative economy' which is largely un-regulated. This situation allows a great degree of flexibility but also presents risks (for example, fraud, money laundering/terrorist financing, information asymmetry, and lack 0f issuer and investor experience and due diligence, etc.). It is important that any attempts to 'regulate' this source of investment funds do not impose undue burdens on companies that restrict their ability to raise the finance to fund investment and growth. Equally it should be sufficient to protect investors and companies.

This position is supported by the International Organisation of Securities Commissions (IOSCO). In its statement accompanying its 'Crowdfunding 2015 Survey Responses Report', it stated that "*it is important for regulators and policy makers to balance the need for supporting economic growth and recovery with that of protecting investors*." Crowdfunding often operates via the internet or mobile platforms which, of course, have no geographic boundaries, presenting cross-border issues for investors and regulators alike. We believe it is important regulators coordinate their efforts – to both mitigate risks to investors and to ensure open access to these sources of funding.

Corporate Governance

Global

Organisation for Economic Cooperation and Development (OECD):
Principles of Corporate Governance

The leaders of the Group of Twenty nations (G20) formerly endorsed the OECD Principles of Corporate Governance on 15-16 November, 2015. This endorsement shows the potential influence of the updated Principles. The OECD has actively encouraged discussion on the Principles, holding roundtable meetings in Russia, Indonesia and Thailand in recent months.

PwC views

The Principles have had a significant impact on updates of corporate governance codes, for example, in New Zealand and the Philippines. In future we expect to see similar developments in many emerging markets due to the need to uplift national standards to meet the expectations of global investors regarding corporate governance.

The Principles and subsequent changes to national Codes will impact the role and responsibilities of those charged with governance and oversight of the audit, including audit committees. They will also often impact the reporting requirements of audit committees and the auditor. We therefore recommend to carefully analyse the impact of these requirements for your business and stay informed of the latest developments.

European Union

Poland

Warsaw Stock Exchange (GPW):
Exchange Supervisory Board approves new code of corporate governance

On 13 October, 2015, the GPW Exchange Supervisory Board approved a new code of corporate governance, "Best Practice of GPW Listed Companies 2016". The new Code was developed by the GPW Corporate Governance Consultation Committee, comprised of representatives from market participants including the Polish Financial Supervisory Authority (KNF). The Code's new structure reflects EC recommendations where a "comply or explain" approach is applicable. The new rules entered into force on 1 January, 2016.

Sweden

Swedish Corporate Governance Board (SCGB):

Revised Swedish Corporate Governance Code

The revised Swedish Corporate Governance Code became applicable 1 November, 2015. The revisions, the first to the code since 2010, result from a multi-year effort by the SCGB engaging stakeholders on corporate governance issues. While the SCGB classifies the revisions as "minor", the updates reveal the SCGB's effort to harmonize the Code with EC corporate governance recommendations. Areas of focus include the:

- Quality of corporate governance reporting ("comply or explain")
- Shareholder rights directives
- Directive on non-financial information
- Directive and Regulations on auditors and audits.

The SCGB noted that further updates to the Code will be necessary. One reason is to reflect additional EC corporate governance recommendations into Swedish law.

Federation of European Accountants (FEE):

The impact of the audit reform on audit committees in Europe

FEE has published a briefing paper on the EU audit reform's impact on audit committees. The paper highlights the developing role of the audit committee in Europe and provides an overview of the related changes to corporate governance best practice. The paper also provides for a number of recommendations.

PwC views

We welcome the initiative by FEE and highlight how the briefing paper can be helpful in providing guidance on the EU Audit Legislation's impact on corporate governance requirements. However, we are aware that certain questions remain, which can only be resolved by guidance provided by the European Commission or Member States.

Asia Pacific

Fiji

Ministry of Justice:

Companies Act 2015

A new Companies Act (the Act) entered into force on 1 January, 2016. It has extensive sections regarding the duties and responsibilities of Directors and management, and there are also new requirements for auditors, which include:

- Registration with the Ministry of Justice
- Provision of an independence declaration by the auditor to the directors of the company when signing off the audit report
- Report to the Registrar of Companies within 28 days, where:
  - they suspect a contravention of the Financial Reporting requirements outlined in the Act
  - there is an attempt by any person to unduly influence the audit or manipulate a person involved in the audit, or
  - there is an attempt to otherwise interfere with the proper conduct of the audit

Significant financial penalties have now been introduced for non-compliance with the various provisions of the Act.

Philippines

Securities and Exchange Commission (SEC):

Publication of the Philippine Corporate Governance Blueprint

On November 14, 2015, the SEC published the "Philippine Corporate Governance Blueprint" (CG Blueprint), the organisation's corporate governance roadmap for the next five years. The CG Blueprint provides recommendations and mechanisms for strengthening corporate governance in the Philippines, particularly in relation to the G20/OECD Principles of Corporate Governance and the ASEAN Corporate Governance Initiative.

Singapore

Accounting and Corporate Regulatory Authority (ACRA):

ACRA introduces Audit Quality Indicators (AQI) Disclosure Framework

In October 2015, the ACRA introduced an AQI Disclosure Framework, based on observations from its inspections of auditors and discussions with auditors and audit committees. The ACRA noted the significance of industry input into the formation of the framework. The AQI Disclosure Framework comprises eight quality markers:

- Time spent by senior audit team members
- Years of audit experience and industry specialization
- Average training hours and industry specific training
- Results of external and internal inspections
- Compliance with independence requirements
- Headcount in quality control functions
- Staff per partner/manager ratio
- Degree of personnel losses.

Even though audit committees of all listed entities in Singapore may voluntarily adopt the framework from 1 January, 2016, onwards, it is expected that most companies will comply.

Africa

South Africa

Independent Regulatory Board for Auditors (IRBA):

IRBA mandates disclosure of audit tenure

On 4 December, 2015, the IRBA published a rule which requires all auditor's reports on Annual Financial Statements to disclose the number of years which the audit firm has been the auditor of the entity. The IRBA will monitor compliance with the new rule on all Annual Financial Statements of public interest entities for periods ending on or after 31 December 2015.

Tax reform

Global

Organisation for Economic Cooperation and Development (OECD):

Review of international tax rules

The OECD's "Action Plan on Base Erosion and Profit Shifting" (BEPS) set out to re-align taxation between countries in accordance with the location of economic activities and value creation.

This BEPS project had been initiated by the G20 countries but it effectively also encompassed the other OECD Member States from the outset.

As the project progressed, engagement in the discussions was extended to other large non-OECD states and representatives of developing countries.

Current position

The OECD published 'final' reports in relation to all 15 BEPS Action items in October 2015. The reports were approved by G20 Finance Ministers on 8 October and then by their Country Leaders on 15-16 November.

The UN, IMF, World Bank and OECD are developing toolkits to assist "lowest income countries" to implement the outcomes of the BEPS project, so far as they are relevant to those countries or to address related issues. A framework is being agreed for all countries to participate in further BEPS work on an equal footing.

Although the project has been formally concluded, many commentators are referring to it as the end of phase 1 and the beginning of phase 2. There is additional work to be done – for example on attribution of profits to permanent establishments, transfer pricing (financial transactions, use of profit split methods, hard-to-value intangibles) and development of the multilateral instrument to amend tax treaties – as well as implementation and monitoring of the agreed actions.

PwC views

The final outcomes of the 15 Actions were largely as reported on in earlier editions of this Briefing.

Implementation by different countries is underway but there are concerns over potential lack of consistency. These concerns relate to the views that:

- Some of the specific BEPS recommendations are complex and countries may not implement them in full
- In other instances, the recommendations leave countries with optional routes to take (including some of them being best practices rather than standards)
- Countries may also decide to implement their own approaches unilaterally, independent of the BEPS recommendations.

In particular, while various problems relating to digital business are dealt with in specific BEPS actions, there is a view that countries are being encouraged to adopt other methods where they think appropriate on a 'trial-basis'.

The process of global implementation will take at least the next couple of years and the issues faced by developing countries run deeper than BEPS into building the necessary capacity to build and administer effective tax regimes.

Within the context of the EU and the impact on its 'single market' philosophy, potential inconsistency and delayed action have been recognised and a Directive is to be proposed that legislates for BEPS. Member States will be required largely to implement the OECD recommendations, although there are divergent opinions on certain issues and subject matter where the EC proposes the EU should go further (see below).

We would also like to see governments, and businesses, taking on board the need to create more public awareness and understanding of tax. We have also encouraged businesses to provide more information, not just figures, within their financial statements about their tax strategies and to tell the wider story. We want to see people continuing engagement in debating the issues around tax transparency in its various forms.

European Union

EU sharing of tax rulings:

EU Directive amendments for mandatory exchange of various tax agreements

The EC's 18 March 2015 Tax Transparency Package (TTP) included a proposal for legislation to require automatic exchange of information within the EU on various cross-border tax rulings. The proposal was to amend the existing Directive 2011/16/EU on administrative cooperation in the field of taxation, under which Member States had shared very little information with one another about their tax rulings. This has been at least partly because it has been at the discretion of the Member State to decide whether a tax ruling might be relevant to another EU country.

The initial EC proposals gave rise to issues, described in previous editions of this Briefing, including concerns about the nature of the rulings to be covered, the sharing mechanism and the number of such rulings. This was particularly the case, if there were as initially proposed to be a 10 year 'look-back' (which "coincides" with the EU State Aid rules recovery period) and potential access and use by the EC for future State Aid investigations as "market information".

Current position

On 8 December 2015 ECOFIN (the EU's Economic and Financial Affairs Council) adopted amendments requiring mandatory exchange of various 'cross border tax rulings' and 'advance pricing arrangements (APA)' (both defined fairly widely). The new rules will have to be applied from 1 January 2017 (with a five year look back to earlier rulings or APAs). In the meantime, existing obligations to exchange information between Member States will stay in place.

The new rules will ensure that where one Member State issues such a ruling or APA, any other Member State affected is in a position to monitor the situation and the possible impact on its tax revenue. The information will have to be communicated by Member States within three months following the end of the half of the calendar year during which the advance cross-border rulings or APAs have been issued, amended or renewed. Restricted to legal persons the information will include among other details identification of the entity obtaining the ruling or APA (plus the group to which it belongs) and any Member State likely to be concerned together with any entity in that Member State likely to be affected. A description of the relevant business activities or transactions or series of transactions can be provided in abstract terms so as to respect business secrecy or public policy.

Member States receiving the basic set of information will be able to request further information, including the full text of the ruling or APA. The EC will also develop a central directory, where the information exchanged will be stored, and this will be accessible to all Member States. It will also be available to the EC, but solely to the extent required for monitoring the correct implementation of the Directive.

For rulings and APAs issued before 1 January 2017, the five-year look-back applies as follows:

- If rulings and APAs were issued, amended or renewed between 1 January 2012 and 31 December 2013, such exchange of information shall take place if they are still valid on 1 January 2014
- If rulings and APAs are issued, amended or renewed between 1 January 2014 and 31 December 2016, such exchange of information shall take place irrespective of whether they are still valid or not.

PwC views

The sharing of tax rulings was largely regarded as the most important element of the TTP. It will be interesting to see how Member States will implement this in practice given the potentially wide definitions, and also whether it will lead to a change in tax authorities' attitudes to the granting of rulings and APAs.

The burden of the look-back process is potentially reduced by giving Member States the option to exclude rulings and APAs issued to companies (other than those conducting mainly financial or investment activities) with an annual net turnover of less than €40m at a group level, if such rulings and APAs were issued, amended or renewed before 1 April 2016.

Where provisions of international treaties, in the framework of which bilateral/multilateral APAs with third countries were concluded, do not permit the disclosure of such APAs, basic information relating only to the requests that lead to the APAs' issuance will be automatically exchanged. More information on bilateral/multilateral APAs with third countries can be spontaneously exchanged, provided certain conditions are met.

EU anti-tax avoidance package, CCTB and CCCTB:

EU anti-BEPS measures, common corporate tax base and formulary apportionment

Another key element of the 18 March Tax Transparency Package, and resulting 17 June Action Plan on Corporate Taxation, was '*to make corporate taxation fairer and more efficient within the Single Market*'.

Two key initiatives are being considered:

- Introduction of a framework to ensure effective taxation where profits are generated
- Re-launching of the Common Consolidated Corporate Tax Base (CCCTB).

Current position

The EC appears intent on issuing proposals combining these two elements. That combined package seems set to be put forward as a three stage process, broadly:

- A 'quick win' anti-tax avoidance package, whereby elements of the common corporate tax base (CCTB) proposals could be adopted largely in line with the OECD's BEPS recommendations (see above)
- Establishment of a standardised and mandatory way of calculating taxable profits across the EU (together with an interim cross-border loss-sharing regime)
- Mandatory consolidation across the EU according to the CCTB and an apportionment based on certain formulas to individual Member States.

The EC had published a consultation in relation to the CCCTB, which closed on 8 January 2016, addressing elements of these proposals. The change from an optional system to one that is mandatory for all EU companies which are part of a group (or a divisionalised company with a head office and permanent establishments) is a key revision to the previous discussions on CCCTB in recent years.

Regarding anti-tax avoidance, draft proposals will be published shortly for adoption by the EC potentially as early as 27 January 2016. But a view of the details of recent discussions was published in the form of a note entitled "Presidency consolidated text addressing anti-BEPS measures". It suggests that the proposals will largely legislate for Member States to implement the OECD BEPS recommendations, although there are divergent opinions on certain issues and subject matter where the EC proposes the EU should go further.

The common tax base proposals are likely to include the establishment of a special tax accounting system rather than starting with audited financial statements and using tax computations to calculate all the tax adjustments. With minimal derogation to Member States, this may feature, by way of example:

- Deductible expenses that would have to be "incurred in the direct business interest of the taxpayers" (potentially including 50% of qualifying entertainment expenses up to a specific cap)
- Comprehensive definitions of when profit on sale of goods/ services are realised
- A mark-to market adjustment in relation to financial assets and liabilities only when they form part of a short-term trading book
- Detailed tax depreciation rules with no ability to disclaim
- A restriction on the offset of carried forward losses of [x%, to be determined] of the tax base.

The original consolidation proposals, which are still technically on the table, base the formulary apportionment on an allocation key to be determined by politicians. The key for these destination sales consists of the two elements staff figures (50% employee numbers and 50% payroll costs) and fixed tangible assets.

PwC views

In principle we welcome initiatives that reduce the compliance burden for businesses and remove tax obstacles to cross border activity as these are essential conditions to create an attractive environment where businesses can grow in an international context. We consider that this should be the focus of any CCCTB initiative, bearing in mind its origins (i.e. it started as an initiative driven by multinational groups to remove complexity). However, we believe that the current CCCTB proposals raise a number of significant issues:

- A staged approach to implement certain anti-base erosion measures would not achieve the objectives of removing cross border obstacles and reducing administration. Progressing all desired elements of a CTB in one stage would be desirable as we anticipate that the agreement of the consolidation approach may delay the whole initiative
- In particular, the allocation keys will not necessarily lead to the alignment of profits with value-creating activities and therefore may not fully align with the intended outcomes of the OECD BEPS project. For example, based on the above allocation keys, a group which located the majority of its staff in one territory whilst maintaining its key people and main decision making functions in a different territory would be required under the CCCTB to allocate a part of its profits to that first territory which is higher than an allocation in line with the OECD principles of substance and value creation
- We also note that a CCCTB system would not address the treatment of transactions between enterprises in EU Member States which have implemented CCCTB and enterprises in non-EU territories.

These provisions require unanimity to be approved as EU-wide law. There appears to be differences in the levels of support for particular elements:

- Fairly broad support for a Directive as the means to ensure consistent implementation of the OECD BEPS recommendations across the EU
- Less clarity about some Member States wanting to go further, particularly as regards the general anti abuse rule, exit rules and a switch-over clause
- Ambiguity about the support for the mandatory CCTB based on problems achieving consensus in previous discussions
- Less likelihood that there will be wide support for the consolidation element, even though it would resolve intra-EU loss relief and intra-EU transfer pricing issues.

However there may be Member States which wish to adopt some of these proposals, using the "enhanced cooperation" procedure.

EU debate on fiscal state aid:

Investigations involving specific tax rulings or regimes

As part of investigations into unauthorised State Aid given by EU Member States (plus Iceland, Liechtenstein and Norway), the EC recently focused on tax rulings. It selected for specific review four rulings, each granted to a particular Multinational Enterprise (MNE), by three different Member States (Luxembourg, Ireland and Netherlands) and a Belgian tax measure which, when accompanied by specific rulings, applies to a range of MNEs. The specific details of these were discussed in previous editions of this Briefing.

Current position

In October 2015 the EC announced its final decisions in two of its formal State Aid investigations involving rulings which were transfer pricing agreements. These decisions concerned agreements with the tax authorities in Luxembourg and the Netherlands. The EC has now formally decided that both companies benefitted from unlawful State Aid as, in their view, the agreements did not reflect market conditions. The EC has ordered recovery of the aid, which amounts to €20-30m for each company.

Luxembourg, the Netherlands and the companies have said they'll appeal the EC's decisions. Both involved transfer pricing questions but the EC's press release of 21 October 2015 on the verdicts was very high level and we are still waiting for the confidentiality bar on the full decisions to be lifted.

In December 2015, the EC announced a probe into the tax deals between Luxembourg and another MNE. The opening documents are not yet published beyond the comments in the EC's press release of 3 December. The EC appears to be questioning whether the application of the exemption from Luxembourg tax under the US-Luxembourg treaty in particular circumstances (when there is no taxation in the US) amounts to State Aid. This could potentially mark a broader line of thinking that might have significant implications.

In January 2016, the EC announced that selective tax advantages granted by Belgium under its "excess profit" tax regime are illegal under EU State Aid rules. According to the EC's press release of 11 January 2016, the regime has benefitted at least 35 MNEs mainly from the EU, who must now 'return' unpaid taxes to Belgium of around €700m. The regime broadly reduced the corporate tax base of the companies by between 50% and 90% on the basis of a ruling to discount for so-called "excess profits" that allegedly result from being part of a multinational group. The EC goes on to state that its in-depth investigation: *"...showed that the scheme derogated from normal practice under Belgian company tax rules and the so-called 'arm's length principle'. This is illegal under EU State Aid rules"*.

We are still waiting for decisions in the other two investigations involving specific MNEs with operations in Luxembourg, and Ireland.

PwC views

Further litigation before the European Courts appears likely and in that situation the Court of Justice of the EU will ultimately have the final say on the validity of the EC's decisions, which could take several years. It should be noted from previous cases that the courts do not necessarily agree with the EC's views on various aspects of State Aid.

EP's ECON report on corporate tax policies:

Increasing transparency, coordination and convergence

The EP's Economic and Monetary Affairs Committee (ECON) has worked on an 'own initiative report' on increasing transparency, coordination and convergence to corporate tax policies in the EU. The draft report was described in the September 2015 edition of this Briefing. Apart from matters already discussed above, the Committee called for:

- More extensive sharing of tax rulings than was ultimately agreed by ECOFIN
- The introduction of common definitions for "permanent establishment" and "economic substance" to ensure that profits are taxed where value is generated plus a Common Corporate Tax Base (CCTB) as a first step to be later followed by consolidation (CCCTB).

The report also included a wide range of general and specific recommendations.

Current position

After discussion of over 1,000 amendments, the report 2015/2010(INL) was adopted as a Parliamentary Resolution and passed by the Parliament. In the report, MEPs ask the EC, inter alia, to table proposals for:

- Country-by-country reporting on profit, tax and subsidies by June 2016
- Introducing a "Fair Tax Payer" label
- A common European Tax Identification Number
- Legal protection of whistle-blower,
- Improving cross-border taxation dispute resolution mechanisms
- A new mechanism whereby Member States should inform each other if they intend to introduce a new allowance, relief, exception, incentive, etc. that may affect the tax base of other,
- Estimating the corporate tax gap (corporate taxes owed minus what has been paid)

- Providing guidelines regarding “patent boxes” so as to ensure they are not harmful
- An EU definition of "tax haven" and counter-measures for those who use them
- Improving the transfer pricing framework in the EU.

EP own legislative initiative reports such as this to submit a proposal pursuant to Article 225 Treaty on the Functioning of the European Union (TFEU), are governed by the 2010 Framework Agreement on Relations between the EP and the EC. The EC is required to report on the concrete follow-up of the request within three months following adoption of the corresponding Resolution in plenary (i.e. before 16 March 2016).

Article 225 prescribes that the EC must come forward with a legislative proposal at the latest after one year or it must include the EP's proposal in its annual Work Programme. If the EC does not submit a legislative proposal, it must give the EP detailed explanations of the reasons for not doing so.

PwC views

The EC is expected to look at the final ECON report in conjunction with the TAXE report (discussed below), since both have now been adopted by the EP, but will probably give a joint and comprehensive reaction to the various resolutions, many of which overlap.

TAXE I report on tax rulings etc.:

Special Committee’s final outcomes

As a Special Committee (On Tax Rulings and Other Measures Similar in Nature or Effect) TAXE had limited access rights to internal EU and national documents and it could not legally oblige EU officials or any other parties to appear at hearings. Despite this there was considerable engagement, though only a handful of MNEs agreed to discuss the corporate environment and their tax situation.

TAXE presented its first fact-finding report in July 2015 (as discussed in our September edition of this Briefing). A number of the proposals covered areas also being considered by the ECON Committee, as discussed above, although the findings of the TAXE Committee were considered by many to be expressed more radically.

TAXE organised a further series of meetings with representatives of MNEs. The resulting discussions included MEPs putting questions to the various tax or public relations people who attended, although little new detail emerged than had been publically available previously. TAXE requested an extension of the period for its investigations to allow it to continue its investigations.

On 25 November the EP's Plenary Session adopted TAXE's final report 2015/2066(INI). Despite the Committee’s mandate referring specifically to tax rulings (and similar measures), this final report still covered broadly the same ground as the ECON report, above. Before the vote took place, the EP's President confirmed that the report concluded TAXE’s mandate. Any further investigations would require a new Special Committee ("TAXE II").

PwC views

The recommendations of TAXE I are not binding on the EU Institutions. Their significance will depend largely on the EC’s reactions to the recommendations included in the EP’s ECON Own-Initiative Report which requires a specific response from the EC on the actions its proposes to take. As noted above, it is likely that the EC will give a joint and comprehensive reaction to the various resolutions in both ECON and TAXE I reports.

TAXE II terms of reference:

Status and expectations for the new Special Committee

A new TAXE II committee with similar membership was formed and its mandate with a six month remit was endorsed by the EP on 2 December 2015.

The EP’s press release stated that TAXE II would “*focus on harmful corporate tax regimes and practices at European and international level*” and broadly the mandate reflects that and translates it into efforts to:

- Build on the work done in TAXE I previously, in particular to tackle unresolved issues (and look at how Member States and institutions follow up the resolutions of TAXE I)
- Look into the work of the EC in the areas of State aid and taxation (and examine Member States' compliance with tax legislation)
- Look into companies' aggressive tax planning.

Current position

At its first meeting on 17 December 2015, members of TAXE II re-elected Alain Lamassoure (EPP, FR) to be the chair of the committee, as for TAXE I. No further business was discussed.

PwC views

The various political parties/ alliances seem to have differing views as to the most effective use of the additional time allotted. PwC will continue to engage with MEPs and others in relation to TAXE II. We may be requested to provide further information or to attend meetings and will be keen to see how we may be able to assist them.

Asia Pacific

Australia

Parliament of Australia

Tax transparency enhanced

In a move intended to create greater transparency regarding the affairs of multinationals operating in Australia, new legislation will require certain entities with global revenue of A$1 billion or more to prepare general purpose financial statements and lodge them with the Australian Taxation Office (ATO). These statements will then be provided to the Australia Securities and Investments Commission (ASIC) and available to the public. The new law will also expand the scope of the existing tax transparency measures, under which the ATO is required to publish income and tax details for certain large companies, to include Australian-owned private companies with revenues of A$200 million or more.

The public release of this information means that tax is no longer a private matter between a company and the tax authority, and boards will need to take a much more proactive view of their company's tax strategy and its communication.

Current position

The first public release of information (primarily covering public groups, and in respect of the 2013-14 income year) occurred on 17 December 2015.

Americas

USA

House of Representatives

Potential vote on International Tax Reform in 2016

In January 2016 the Chairman of the House's Ways and Means Committee announced his intentions to hold a committee vote on international tax reform this year. The Chairman expressed urgency to revamp tax rules for multinational corporations this year, saying if successful the effort "allows us to focus in 2017 on the rates and the design" for comprehensive tax reform. Where to spend the revenue from repatriation, however, remains a major sticking point as Democrats want to use it for infrastructure and Republicans believe the money should be used to lower tax rates.

PwC views

Coupled with the OECD/G20 initiatives, the developments in the US on inversions and wider revisions to international tax rules and the initiative in Australia provide further evidence that the focus on the taxation of multinational enterprises is not limited to the European Union. The EU may be the most active currently in terms of the breadth and scope of its activities but we expect to see further initiatives to address public concerns regarding the location of economic activity and the payment of taxation. A number of governments have also expressed interest in using the tax system to impose penalties on companies who undertake certain activities.

We believe it is important for international companies to be aware of these developments, particularly in countries where they have subsidiaries, to analyse the potential impacts and to follow up on future developments. This could be particularly important to address growing demands for reporting in terms of locations of economic activity and taxation and disclosures at a group level.

'Watch list' of other developments

Here we summarise other regulatory developments around the world where no substantive action or change has occurred since the last Briefing in September 2015

Audit Reform

Asia Pacific

Cambodia

Ministry of Finance:
Draft Law on Accounting and Auditing

A draft law was previously released which would make a number of significant changes to local accounting & auditing laws, including:

- Mandatory audit firm rotation at least every five years for all listed companies
- Criminal offences / sanctions for auditors in certain scenarios
- A three year "cooling off" period for accounting services to audit clients
- Restrictive independence related measures for auditors & their families.

The Draft Law was originally to be discussed at the National Assembly in October 2015, but this has since been put on hold so that further consultation can take place with the profession. The profession is now considering how they can work with the Ministry of Economy and Finance on implementation when the law is passed.

Auditor Reporting

Americas

Canada

Auditing and Assurance Standards Board (AASB):
Consultation on the adoption of new IAASB Auditor Reporting Standards

The AASB indicated it will adopt the final IAASB auditor reporting standard and ISA 720 (revised) but will defer the effective dates. It has issued an Invitation to Comment asking for views on whether:

- The proposed effective dates give stakeholders sufficient time to implement the new auditor reporting standards?
- Staged implementation will allow appropriate reporting on key audit matters to be established?
- Toronto Stock Exchange (TSX) listed entities are the appropriate cut off point for the staged implementation?
- Any types of entities not listed on a recognised stock exchange should be considered to be listed entities within the definition in the new auditor reporting standards?
- There any unintended consequences of the AASB's interpretation of the definition of a listed entity?

The deadline for comments has been extended to 5 February, 2016.

US

PCAOB:
Auditor reporting proposals

The PCAOB consulted on a Proposed Auditing Standard on the auditor's report and the auditor's responsibilities for other information in August 2013.

Current position

The PCAOB's 2013 proposals included:

- A new section providing insight into **Critical Audit Matters** (CAM) describing the matters of most significance in the audit or involved the most difficulty
- Potential revision of the requirements regarding reporting on '**going concern'**
- A **conclusion on** the outcome of the auditor's **consideration of the other information** contained in a Company's annual report
- A statement regarding the **auditor's independence**
- Enhancements to existing standard language **describing the audit and the auditor's responsibilities**
- **Disclosure of the year the auditor began** serving consecutively as the company's auditor

PwC views

There is consistency between the models of the various regulators and standard setters for enhanced auditor reporting. All of them envisage a more bespoke and informative auditor's report that will supplement the binary "pass/fail" audit opinion with greater insight about the audit and key areas of focus in it.

We welcome the move to make audit reports more informative, discursive and insightful by the PCAOB, IAASB and other national standard setters and regulators. Now that the IAASB's new reporting ISAs are issued, they are increasingly being adopted in national standards (e.g., among others in South Africa, Australia, Singapore, Thailand).

Implementation across our global network is underway and brings opportunities and challenges for auditors, audit committees and management alike. Our aim is for audit reports that are insightful and tailored to the company. We believe it is hugely important that we get this right and also recognise that we will all be on a learning curve. It will take time for the new-style reports to fully mature.

Next steps

The PCAOB's re-proposal on the auditor's reporting model is expected by Q2 2016.

The staff consultation on going concern is also expected by Q2.

The PCAOB staff are continuing to evaluate the comments received on the proposals regarding other information and will be making a recommendation to the PCAOB at a later date.

Corporate Governance

Asia Pacific

Hong Kong

Hong Kong Institute of Certified Public Accountants (HKICPA):
Proposed law shifts regulatory power to Financial Reporting Council (FRC)

In October 2016, the Legislative Council plans to consider a bill that would shift more regulatory power from the HKICPA to the FRC. In the past power to investigate suspected audit failures was shifted from the HKICPA to the FRC following the international practice of audit regulation by an independent non-accountancy body.

In addition the new reform measures would also allow FRC to handle practice reviews and to discipline accountants. Currently the FRC forwards its investigation findings to the HKICPA to decide on disciplinary action.

Japan

Financial Services Agency (FSA):
Review of effectiveness of the Stewardship and Corporate Governance Codes

The FSA's Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code (Follow-up Council) held its second and third council meetings in October and November 2015. The Follow-up Council, a joint FSA-Tokyo Stock Exchange initiative, promotes on-going improvements in corporate governance to improve economic performance and growth. Subjects receiving increased attention include:

- Role of the board
- Appointment and dismissal of top management
- Cross-shareholdings
- Company-institutional investor dialogue.

New Zealand

New Zealand Stock Exchange (NZX): Review of corporate governance reporting requirements

In November 2015, the NZX released a discussion document to begin a review of the corporate governance reporting requirements within its Main Board Listing Rules. The NZX is drawing from the Financial Markets Authority (FMA) "Corporate Governance in New Zealand Principles and Guidelines" handbook, the Australian Securities Exchange's (ASX) "Corporate Governance Principles and Recommendations", and the G20/OECD "Principles of Corporate Governance", to frame potential amendments. Feedback is sought on issues including:

- Adoption of "comply or explain" reporting
- Harmonization with FMA and ASX principles
- Existing mandatory requirement for auditor rotation every five years

The deadline for feedback is 29 January, 2016. The NZX plans to publish for comment a consultation paper with proposed rule changes in the second quarter of 2016. Implementation of the amended rules is scheduled for late 2016.

Taiwan

Taiwan Stock Exchange (TWSE): Corporate Governance Centre issues draft stewardship principles

In December 2015, the TWSE issued a draft of "Stewardship Principles for Institutional Investors" to promote fulfilment of stewardship responsibilities by institutional investors. The draft Principles complement the existing "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", which focuses on promoting governance of the board. In publishing the draft Principles, the TWSE notes that institutional investor stewardship has become a "significant doctrine" in the international community, citing efforts in the UK, Japan, Malaysia, and others. The draft comprises six major principles:

- Establish and disclose stewardship policies
- Establish and disclose policies on managing conflict of interests
- Pay continued attention to investee companies
- Establish and disclose clear policy on voting and voting results
- Periodically disclose status of fulfilment of stewardship responsibilities to clients or beneficiaries.

Comments on the draft are due by 5 February, 2016.

Corporate Governance Evaluation Indicators

The TWSE announced the 2016 Corporate Governance Evaluation Indicators and commenced the evaluation in January. The objective of evaluation is to improve corporate governance and to provide best practices and benchmarks for listed companies based on 103 indicators like:

- minimum director attendance rate at the AGM to be one third
- annual reports disclosed at least fourteen days prior to the day of the AGM
- overall attendance rate of 80 percent for board meetings

Unlike evaluations in previous years, the TWSE will publish the rankings of all companies, rather than limiting the disclosure to those entities in the 20th and 50th percentiles. In addition, the TWSE stated the thresholds of many existing indicators will be raised for the 2016 evaluation. The objectives of the evaluation are to:

- Shape corporate governance culture and guide the stable development of enterprises
- Reward outperformers and encourage benchmarking

- Meet international standards and enhance the international image
- Disclose information, expand participation, and enhance capital market quality

The evaluation result is scheduled to be announced in early 2017.

India

Ministry of Corporate Affairs:
Committee to address implementation issues on the 2013 Companies Act

The 2013 Companies Act is effective via implementation rules from April 1, 2014 – however certain provisions include transitional arrangements (for example, MFR). Amendments to Rules under the Companies Act have been made, to ensure alignment with the new legislation.

The Ministry of Corporate Affairs has set up a committee to address implementation issues related to the Act. The committee is currently drafting significant amendments to the Rules under this Act, after conducting public consultation and collating responses from various sub-groups formed under the committee. Provisions relating to mandatory firm rotation, non-audit services and internal control over reporting are expected to have been reviewed.

It is expected that a Companies (Amendment) Bill will be introduced within a budget session in February 2016.

European Union

European Commission:
Shareholder's Rights Directive and Corporate Governance Statement

To improve corporate governance within the EU, in 2014 the EC put forward proposals to revise the shareholders' rights directive. These included provisions to ensure that listed companies can identify their shareholders and transparency rules for proxy advisors, asset managers and institutional investors, such as pension funds and insurance companies. It also included provisions to increase transparency and influence of shareholders on "related party" transactions.

The EP plenary partially adopted a resolution in July 2015 but MEPs decided not to close the first reading, but instead to enter into informal talks with member states with a view to seeking an agreement on the final text.

The EPs recommendations include:

- **Shareholder say on director's pay** - enabling shareholders to vote at least every three years on a company's remuneration policy for directors. This policy should state clear criteria for awarding fixed and variable remuneration, including all bonuses and benefits, as well as the main contract terms, including details of supplementary pension or early retirement schemes. The policy should also explain how the pay and employment conditions of employees are taken into account and how it contributes to the long-term interests of the company.

  "Relevant stakeholders", in particular employees, should be entitled to express their views, via their representatives, on the remuneration policy.
- **Country-by-country tax reporting requirement (CBCR)** - to improve tax transparency, a requirement was added for "large undertakings and public-interest entities" to publish information, country by country, on profit or loss before tax, taxes on profit or loss, and public subsidies received. Companies with more than 500 employees and a balance sheet total of €86 million or a net turnover of €100 million should also disclose information on tax rulings.

Current position

Trilogue negotiations between the three institutions are on-going. The outcome of these debates is difficult to predict especially as neither the EC nor the Council supports the EPs view on inclusion of Country-By-Country Reporting (CBCR) into this Directive. The EC plans to publish a proposal on CBCR in March 2016.

Proposal for a Regulation on structural measures improving the resilience of EU credit institutions

In January 2014, the EC suggested parameters for restructuring EU banks in its proposed regulation on structural measures improving the resilience of EU credit institutions. The EC's proposal followed options put forward in the October 2012 Liikanen report on the EU banking sector.

For certain large banks, the EC proposed:

- **Banning proprietary trading** in financial instruments and commodities
- **Granting powers to national supervisors** to require the transfer of high-risk trading activities (e.g. market making, complex derivatives, and securitisation) into separate legal entities within a group

Current position

The Council of Ministers agreed its negotiating stance in June 2015. This agreement provided the mandate for further negotiations with the EP which would start after the EP has adopted its preferred position. But, the EP's ECON committee responsible for the Directive is still trying to gather a political majority behind a compromise.

Gender balance of non-executive directors of listed companies

In 2012, the EC adopted a proposal for a Directive with the aim of attaining a level of 40% representation of the under-represented sex in non-executive board-member positions in publicly listed companies, with the exception of small and medium enterprises. The proposed legislation would require priority to be given to the candidate from the under-represented sex if equally qualified.

Current position

The EP already adopted its report in 2013 and again urged the Council last December to do the same. But the Council is in disagreement as some Member States don't see the need to regulate this. The Dutch Presidency which started in January 2016 will continue to try to resolve the deadlock.

Regulatory Fitness and Performance Programme (REFIT)

In December 2012, the EC's Regulatory Fitness and Performance Programme (REFIT) committed to a process of screening all EU legislation for unnecessary burdens and weaknesses, in order to make EU law simpler and to reduce regulatory costs without compromising policy objectives.

The EC announced that in 2016, fitness checks will be done, among others, on existing Consumer legislation, in the area of Energy and Climate Policy in order to assess the consistency and administrative burden of reporting obligations and to identify opportunities to simplify and alleviate reporting obligations stemming from EU environmental law.

Consultation on the EU regulatory framework for financial services

The EC extended its deadline to 31 January 2016 for its call for evidence on the EU regulatory framework for financial services. The EC is looking for empirical evidence and concrete feedback on unnecessary regulatory burdens, inconsistencies and gaps, rules giving rise to unintended consequences and rules affecting the ability of the economy to finance itself and growth.

According to Commissioner Hill, due to the financial crisis, the EC had to legislate at speed and introduced a wide range of measures. But now, an environment that supports investment needs to created and a check that the cumulative impact of these rules hasn't had any unintended consequences is needed.

Digital Single Market

To improve access to digital goods and services, facilitate the expansion of digital networks and services, and increase the growth potential of the digital economy across Europe, the EC adopted its Digital Single Market Strategy in May 2015.

The Strategy contains 16 measures to be taken around three pillars:

- Better access for consumers: copyright, VAT regimes, cross-border contract rules
- Creating the right environment conditions and a level playing field for digital networks and innovative services: reform of telecom rules, review of e-privacy Directive, Establishment of a Cybersecurity contractual Public-Private Partnership
- Maximising the growth potential of the digital economy: European Cloud, Priority ICT Standards Plan, New e-Government Action Plan including an initiative on the 'Once-Only' principle and an initiative on building up the interconnection of business registers.

A step towards the Digital Single Market is the EU institutions' agreement on the **Data Protection Package** which consist of two instruments:

- A General Data Protection Regulation to give consumers more control over how their data is used and retained. The law will also expand the potential liability for companies. Currently, only the data controller is liable for data breaches in the EU. The new Regulation will make both the controller and the data processors jointly liable for any damages. Simply put, if a retailer hires an outsourcing firm to manage its customer databases, the retailer is the controller and the outsourcing firm the processor. Companies that don't abide by the rules will face fines up to 4 percent of global sales

- A second new directive on data transfers for policing and judicial purposes which will guarantee increased protection of personal data, allowing at the same time national law enforcement bodies in the EU to exchange information faster and more effectively.

Next steps

The new rules will take effect two years after publication of the law in the Official Journal, expected early 2016.

European Securities and Markets Authority (ESMA):

Guidelines on sound remuneration policies under the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive and Alternative Investment Fund Managers Directive (AIFMD)

In July, 2015, ESMA released a consultation on new guidelines on remuneration policies under the 2014 UCITS Directive and amendments to those under the July 2013 AIFM Directive. The consultation was open until October 23, 2015. ESMA has indicated its intention to finalise the new guidelines and publish its report in Q1 2016 – to meet the March 18, 2016 implementation date of the 2014 UCITS Directive. The proposals will especially impact asset management companies managing UCITS funds and AIFMs managing AIFs, their trade associations, and institutional/retail investors into such funds.

Professional ethics

Global

IESBA:

Proposals for revisions to the Code of Ethics for Professional Accountants (the Code)

IESBA is currently considering revisions to the Code, the most significant relate to:

- Long association of personnel and rotation provisions and the impacts on independence and audit quality
- Non-compliance with laws and regulations (NOCLAR)
- Safeguards approach to independence

Long association of personnel & rotation provisions

IESBA wish to ensure the provisions still provide robust and appropriate safeguards against familiarity and self-interest threats arising from long association with an audit client.

Current position

In summary, the changes previously proposed by IESBA to the code and to partner rotation requirements, include:

Section 290: audits and reviews

- No change to those subject to rotation (Key Audit Partners (KAPs))
- No change to the maximum 7 year term on for all KAPs
- No change to the cooling-off period for KAPs other than the EP and engagement quality control reviewers (EQCRs)
- If the facts and circumstances are such that rotation of an individual is a necessary safeguard (even when not mandated) then a cooling off period should apply.

Section 291: Non-audit assurance

- limiting the application of the provisions to assurance engagements "of a recurring nature".

Next steps

IESBA at its December 2015 meeting approved a re-exposure of certain elements of its proposals to reflect feedback received regarding Section 290:

- A proposed increase in the cooling-off period for the EQCR with respect to audits of listed entities (5 years) and audits of PIEs other than listed entities (3 years)
- A proposal to provide an alternative to elements of partner rotation requirements for PIE audits where jurisdictions have established different regulatory safeguards

to address threats created by long association

- A change in the approach to establishing the required cooling-off period for a KAP who has acted as an engagement partner or EQCR for only part of the seven-year time-on period.

The re-Exposure Draft is expected to be issued in January 2016 with a 90-day comment period.

PwC views

Like IESBA we encourage audit committees to share their views. Familiarity and self-interest threats arising from long association with audit clients can impact the credibility of the profession and therefore also the assurance provided to financial information prepared by corporates. Such outcomes could undermine confidence in the audit and the stability of the capital markets.

Non-compliance with laws and regulations (NOCLAR)

Current position

In May, 2015, the IESBA released a re-exposure draft of proposals focused on establishing a new framework for auditors and other professional accountants in public practice (PA) and business (PAIBs) to assist them in deciding how best to act in the public interest when they come across or suspect an act of non-compliance with laws and regulations (NOCLAR). This addressed the importance of ethical decisions by professional accountants and the crucial role of management and those charged with governance in addressing such acts. The consultation closed on September 4, 2015 and responses were considered during IESBA's December 2015 meeting.

The feedback indicated broad support for the revised proposals, although the Board will continue to consider and refine some matters as it finalises the final standard, notably in relation to:

- Communication of NOCLAR matters between component and group auditors
- Whether the auditor's communication of the facts and circumstances concerning the instance of NOCLAR or suspected NOCLAR to the competent authority should be subject to the client's consent.
- Where professional accountants have reason to believe an imminent breach of a law or regulation would cause actual or substantial harm to the entity's stakeholders or the general public, whether the professional accountant would be permitted under the Code to disclose the matter to an appropriate authority without following the response framework set out in the proposed provisions.

Click here for the IESBA 'quick guide'.

Next steps

The IESBA expects to finalise the standard at its March 2016 meeting.

PwC views

We acknowledge that the NOCLAR proposals from IESBA are important. They set expectations for senior-level and other professional accountants in business, as well as for their auditors and other professional accountants they may hire to perform other non-audit services. We expect that members of the International Federation of Accountants (IFAC) (e.g. ICAEW, ICAS) will adopt the provisions as a 'minimum standard' unless prevented by law/regulation.

Safeguards project

In December the Board approved an exposure draft of certain proposed changes to the code. It deals with a review of the conceptual framework and the sections relating to its general application for all professional accountants, as well as for professional accountants in public practice.

The Board believes that its proposals, which also include more robust application material to explain threats to compliance with the fundamental principles, will support professional accountants in fulfilling their responsibility to act in the public interest, and with respect to audits of financial statements, contribute to supporting audit quality.

The ED is available for comment on the IESBA website prior to March 21, 2016.

Additional Information

PwC Points of View

PwC's views on a number of key proposals and major areas of debate raised by commentators and stakeholders, and possible alternative proposals are available in more detail at: www.pwc.com/regulatory-debate and include:

- **Independence**: at the heart of who we are
- **Mandatory firm rotation** – other changes would be better for investors (including new annexes addressing issues specific to banks)
- **Auditor's scope of services**
- **Governance and transparency** of the audit: a critical role for the audit committee
- **Benefits of scale**: the context and the explanation
- **Competition and choice** in the audit market
- **Effective audit committee oversight** of the external auditor and audit: a comprehensive periodic review

PwC EU audit legislation Fact Sheets

PwC has produced a series of 'Fact Sheets' on the key measures included in the legislation which are available at: www.pwc.com/regulatory-debate and include:

- **Mandatory audit firm rotation** for PIEs
- New requirements for **audit committees** (or their equivalent) relating to their oversight of the performance of the audit
- Additional **restrictions** on the provision of **non-audit services** by the statutory auditor to their PIE audit clients
- New requirements regarding **reporting by the statutory auditor**
- The definition of **Public Interest Entities** (PIEs)

PwC EU audit legislation Briefings

PwC has also produced a Briefing Note on potential, unintended, extra-territorial impacts of the EU audit legislation:

- Consideration of potential unintended **extraterritorial impacts**

How to participate in the debates?

The sites referred to in Appendix A provide access to original documentation on the proposals and initiatives highlighted in this Briefing. Where appropriate they also indicate how to register comment or participate in consultations.

In respect of the EU audit legislation, the best route to input to discussions on implementation is to contact an appropriate official of a member state government or the national audit regulator.

Contacts

If you would like more information on any of the initiatives described in this briefing, please contact your PwC relationship partner.

Appendix A: Links to regulatory proposals, initiatives & actions

Key developments

Audit Reform

European Union	
EC and Member States	
EU statutory audit regulatory framework	http://ec.europa.eu/finance/auditing/reform/index_en.htm#maincontentSec1
Directive:	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0056&from=EN
Regulation:	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537&from=EN
Corrigendum:	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537R(01)&from=EN

Auditor Reporting

US	
Disclosure of the engagement partner and other accounting firms participating in an audit	http://pcaobus.org/News/Releases/Pages/PCAOB-adopts-disclosure-rules-Form-AP-12-15-15.aspx

Auditing Standards

Global	
Invitation to Comment addressing professional scepticism, quality control and group audits	http://www.ifac.org/news-events/2015-12/iaasb-seeks-feedback-standard-setting-activities-enhance-audit-quality

Capital Markets Reform

European Union	
Capital Markets Union (CMU)	http://ec.europa.eu/finance/capital-markets-union/docs/building-cmu-action-plan_en.pdf http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015PC0472 http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2015/0473/COM_COM(2015)0473_EN.pdf http://eur-lex.europa.eu/resource.html?uri=cellar:036c16c7-9763-11e5-983e-01aa75ed71a1.0006.02/DOC_1&format=PDF http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2015:630:FIN
Business secrets	http://data.consilium.europa.eu/doc/document/ST-15382-2015-REV-1/en/pdf

European Deposit Insurance Scheme	http://ec.europa.eu/finance/general-policy/docs/banking-union/european-deposit-insurance-scheme/151124-proposal_en.pdf
Banking Union: Single Resolution Mechanism	http://ec.europa.eu/finance/general-policy/banking-union/single-resolution-mechanism/index_en.htm
Legislation to enhance transparency of Securities Financing Transactions	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_337_R_0001&from=EN
USA	
Approval of final crowdfunding rules	https://www.politicopro.com/f/?id=00000150-b8e3-d08a-a1ff-fae7c2b80001
IOSCO statement	https://www.iosco.org/library/pubdocs/pdf/IOSCOPD521.pdf
IOSCO Survey	http://www.iosco.org/library/pubdocs/pdf/IOSCOPD520.pdf

Corporate Governance

Global	
Principles of Corporate Governance	http://www.oecd.org/corporate/principles-corporate-governance.htm
Roundtable Russia	http://www.oecd.org/daf/ca/2015russiancorporategovernanceroundtable.htm
Roundtable Indonesia	http://www.oecd.org/daf/ca/AgendaIndonesia2Dec2015.pdf
Roundtable Thailand	http://www.oecd.org/daf/ca/2015-oecd-asian-roundtable-on-corporate-governance.htm
European Union	
Poland	
Exchange Supervisory Board approves new code of corporate governance	http://www.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf
Sweden	
Revised Corporate Governance Code	http://www.corporategovernanceboard.se/media/69763/svenskkodbolagsstyrn_eng_2015_151124.pdf
FEE	
The impact of the audit reform on audit committees in Europe	http://www.fee.be/images/publications/company_law/160115_Impact_of_audit_reform_on_audit_committee.pdf
Asia Pacific	
Fiji	
Companies Act 2015	http://www.parliament.gov.fj/getattachment/Parliament-Business/Acts/Act-No-3-Companies.pdf.aspx
Philippines	
Publication of the Philippine Corporate Governance Blueprint	http://www.sec.gov.ph/docs_home/SEC_Corporate_Governance_Blueprint_Oct_29_2015.pdf
Singapore	
ACRA introduces Audit Quality Indicators (AQI) Disclosure Framework	https://www.acra.gov.sg/Publications/Guides/Audit_Quality_Indicators_Disclosure_Framework/
Africa	
South Africa	
IRBA mandates disclosure of audit tenure	http://www.paab.co.za/index.php/audit-news-news-42/913-4-december-2015

Tax Reform

Global	
OECD, G20, G7	
Debate on changes to the international tax system to address transparency and fairness	
G8 Communique	http://www.g20.org/documents/
OECD Base erosion and profit shifting	http://www.oecd.org/ctp/BEPSActionPlan.pdf
BEPS Country by Country Reporting Implementation Package	http://www.oecd.org/ctp/transfer-pricing/beps-action-13-country-by-country-reporting-implementation-package.pdf
BEPS Action Items	http://www.oecd.org/ctp/beps.htm
OECD The Multilateral Convention on Mutual Administrative Assistance in Tax Matters	http://www.oecd-ilibrary.org/taxation/the-multilateral-convention-on-mutual-administrative-assistance-in-tax-matters_9789264115606-en
G20 Final Communique	https://g20.org/wp-content/uploads/2015/02/Communique-G20-Finance-Ministers-and-Central-Bank-Governors-Istanbul.pdf
European Union	
EU Institutions	
EC – BEPS measures	http://data.consilium.europa.eu/doc/document/ST-14544-2015-INIT/en/pdf
EC – Press release	http://europa.eu/rapid/press-release_IP-15-5880_en.htm
EC – Press release	http://europa.eu/rapid/press-release_IP-15-6221_en.htm
EC – Press release	http://europa.eu/rapid/press-release_IP-16-42_en.htm
EP – ECON: Increasing transparency, coordination and convergence	http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2015-0457&language=EN&ring=A8-2015-0349
EP – TAXE I: final report	http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0408+0+DOC+XML+V0//EN#BKMD-8
EP – Special Committee on tax rulings	http://www.europarl.europa.eu/news/en/news-room/content/20150206IPR21203/html/Parliament-sets-up-a-special-committee-on-tax-rulings
EP – TAXE II members	http://www.europarl.europa.eu/resources/library/media/20151202RES05870/20151202RES05870.pdf
EP – TAXE II terms of reference	http://www.europarl.europa.eu/resources/library/media/20151202RES05870/20151202RES05870.pdf
EP – TAXE II press release	https://polcms.secure.europarl.europa.eu/cmsdata/upload/263da7b8-c4bc-4576-818e-6c53bee8d700/Press%20release_021215_Plenary.pdf
EC - State Aid information enquiry on **tax rulings** practice	http://europa.eu/rapid/press-release_IP-14-2742_en.htm
EC - State Aid investigation relating to **transfer pricing**	http://europa.eu/rapid/press-release_IP-14-663_en.htm
UK – investigation into tax avoidance	http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2010/tax-avoidance-role-large-tax-accountancy-firms-follow-up/
Asia Pacific	
Australia	
Tax transparency enhanced	http://parlinfo.aph.gov.au/parlInfo/download/legislation/sched/r5549_sched_dd169a12-f9aa-4abc-b5bd-d837b5588ae9/upload_pdf/Tax%20Laws%20Amendment%20(Combating%20Multinational%20Tax%20Avoidance)%20Bill%202015_in%20place%20of.pdf;fileType=application/pdf#search="legislation/sched/r5549_sched_dd169a12-f9aa-4abc-b5bd-d837b5588ae9" (http://parlinfo.aph.gov.au/parlInfo/download/legislation/sched/r5549_sched_dd169a12-f9aa-4abc-b5bd-d837b5588ae9/upload_pdf/Tax Laws Amendment %28Combating Multinational Tax Avoid

Americas	
USA	
Potential vote on International Tax Reform in 2016	http://www.pwc.com/us/en/tax-services/publications/assets/2016-tax-policy-outlook.pdf

'Watch-list' of other developments

Corporate Governance

Asia Pacific	
Hong Kong	
Proposed law shifts regulatory power to Financial Reporting Council	http://www.scmp.com/business/companies/article/1896847/hong-kong-accounting-group-fights-changes-government-over-audit
Japan	
Review of effectiveness of the Stewardship and Corporate Governance Codes	http://www.fsa.go.jp/en/refer/councils/follow-up/index.html
New Zealand	
Review of corporate governance reporting requirements	https://nzx.com/files/static/cms-documents/Review%20of%20corporate%20governance%20reporting%20requirements%20-%20discussion%20document%20-%202%20November%202015%20(final).pdf
Taiwan	
Corporate Governance Centre issues draft stewardship principles	http://cgc.twse.com.tw/promoteEvent/promoteEventArticleEn/278
Corporate Governance Evaluation Indicators	http://cgc.twse.com.tw/pressReleases/promoteNewsArticleEn/829
India	
Committee to address implementation issues on the 2013 Companies Act	http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf
European Union	
EU Institutions	
EC: Shareholders Rights Directive: 2007 Directive	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007L0036&rid=1
Accounting Directive	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN
2014 Proposals to amend	http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1398680488759&uri=COM:2014:213:FIN
Prospectus Directive consultation	http://ec.europa.eu/finance/consultations/2015/prospectus-directive/index_en.htm
IAS Regulation	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008R1126&from=EN
Extractive Industries Transparency Initiative (EITI) Standard	https://eiti.org/files/English_EITI_STANDARD.pdf
Disclosure of non-financial and diversity information	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN

Directive	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN
Proposal on structural measures improving the resilience of EU credit institutions	http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2014:0043:FIN:EN:PDF
Guidelines on sound remuneration policies under the UCITS and AIFM Directives	http://www.esma.europa.eu/content/Guidelines-sound-remuneration-policies-under-UCITS-Directive-and-AIFMD
Guidelines on sound remuneration policies under the UCITS and AIFM Directives - consultation	http://www.esma.europa.eu/system/files/2015-1172_cp_on_ucits_v__aifmd_remuneration_guidelines.pdf
Legislation to enhance transparency of Securities Financing Transactions (SFTs)	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_337_R_0001&from=EN
Digital Single Market Strategy	http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0192&from=EN
Digital Single Market law	http://static.ow.ly/docs/Regulation_consolidated_text_EN_47uW.pdf

Auditor Reporting

US	
PCAOB: Proposals relating to naming the audit partner in the auditor's report (Rule Making Docket 29)	http://pcaobus.org/Rules/Rulemaking/Pages/Docket029.aspx

Professional Ethics

Global	
IESBA: proposed revisions to the Code of Ethics:	
Consideration of long association and rotation	http://www.ifac.org/ethics/projects/long-association-senior-personnel-including-partner-rotation-audit-client
Exposure Draft – August 2014	https://www.ifac.org/sites/default/files/publications/files/IESBA-Long-Association-Exposure-Draft.pdf
Non-compliance with laws and regulations	http://www.ifac.org/ethics/projects/responding-non-compliance-laws-and-regulations http://www.ifac.org/ethics/projects/responding-suspected-illegal-act
▪ Re-exposure draft	http://www.ifac.org/system/files/publications/files/IESBA-Non-Compliance-with-Laws-Regulations-Exposure-Draft.pdf
▪ Quick-guide	http://www.ifac.org/system/files/publications/files/IESBA-At-a-Glance-Non-Compliance-with-Laws-Regulations-Exposure-Draft.pdf