

In this KLIP, we will cover the next 2 topics:

6. Loans and Guarantees

7. Business relationships

6. Loans and Guarantees

A loan or a guarantee of a loan with an assurance client might create a self-interest threat.

In determining whether a loan or guarantee is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.

A firm, an assurance team member, or any of that individual's immediate family shall neither make nor guarantee a loan to nor accept a loan from, or have a borrowing guaranteed by, an assurance client that is not a bank or similar institution, unless the loan or guarantee is immaterial to both:

- a) The firm or the individual making the loan or guarantee, as applicable; and
- b) The client.

Also, a firm, an assurance team member, or any of that individual's immediate family shall not accept a loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.

Even if a firm receives a loan from an assurance client that is a bank or similar institution under normal lending procedure, terms and conditions, the loan might create a self-interest threat if it is material to the assurance client or the firm receiving the loan.

An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not an assurance team member, from a network firm that is not a beneficiary of the loan.

In addition to the above, a firm, an assurance team member, or any of that individual's immediate family shall not have deposits or a brokerage account with an assurance client that is a bank, broker, or similar institution, unless the deposit or account is held under normal commercial terms.

7. Business Relationships

A close business relationship with an assurance client or its management might create a self-interest or intimidation threat.

The close relationship could be, for example, between assurance client or its management and the immediate family of an assurance team member.

A firm or an assurance team member shall not have a close business relationship with an assurance client or its management unless any financial interest is immaterial and the business

relationship is insignificant to the client or its management and the firm or the assurance team member, as applicable.

With this we come to the end of the KLiP.

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