



AN INTRODUCTION TO  
INDEPENDENCE FOR SPOUSES AND  
SPOUSAL EQUIVALENTS



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## Welcome!

Welcome, and thank you for taking the time to learn about personal independence requirements at Deloitte<sup>1</sup>.

If your spouse or spousal equivalent works for Deloitte, you may already be familiar with the term “auditor independence” as it relates to their profession. The purpose of this tool is to help you have a better understanding of the concept of personal independence, which is a key component of meeting our professional responsibilities.

As you’ll see, personal independence affects not only our own professionals, but also their spouses or spousal equivalents and their dependents. Before we go any further, let’s first explain what we mean by a “spousal equivalent”—you could look at it as another way of saying “domestic partner.”

We define a Spousal Equivalent as:

- a civil union in which the applicable law does not define the parties as spouses;
- a domestic partnership registered with a governmental body;
- a domestic partnership declared by the parties for joint coverage under an employer health and welfare benefit plan; or
- when the parties hold themselves out as married.

For ease of reference in this tool, we will refer to both spouses and spousal equivalents together as your “spouse.” Just keep in mind that whenever you see or hear “spouse,” we are referring to both because they are treated the same under our regulatory requirements.

Your careful attention to these compliance matters will help in our ongoing efforts to protect, preserve, and enhance our reputation—for Deloitte, our clients and our people.

But what exactly does independence compliance mean to you? Why is it important for you to understand this when you are not actually working for Deloitte yourself?

The simple explanation is that the regulators consider your financial relationships directly attributable to your spouse. Since your spouse *does* work for Deloitte, that means certain policies impact you as well.

The independence requirements cover a variety of topics. Even your employment and related financial benefits will be evaluated to make sure there are no independence conflicts.

Unless you’ve worked in the public accounting profession or a related organization, the concept and requirements around independence may be completely foreign to you. It’s important for you to be informed, have discussions, and make decisions with your spouse to help him or her comply with independence policies.

## Introduction to independence

<sup>1</sup> As used herein, “Deloitte” means Deloitte LLP and its subsidiaries. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for the legal structure of Deloitte LLP and its subsidiaries.

## What is independence?

Independence can be described as integrity, professional skepticism, intellectual honesty, objectivity, and freedom from conflicts of interest both in fact and appearance. Independence can touch on a wide range of topics from the services provided by Deloitte right down to your own personal finances, as the spouse of a Deloitte professional. For example, did you know that if you want to purchase stock in a company, you will need to investigate whether your spouse is allowed to invest in that particular company? Some level of independence requirements will apply to you both.

## Why is it important?

As one of the largest professional services organizations, we must meet certain regulatory requirements. Not only do we, as an organization, have to comply with certain independence requirements, but our professionals (including their spouses) do as well. By complying with the independence requirements, we satisfy certain expectations of our regulators while also maintaining the trust of our clients and the public and protecting Deloitte's reputation.

## Who does it affect?

Independence obligations apply not only the Deloitte professional, but also their immediate family members (e.g., spouse and dependents). The SEC (Securities & Exchange Commission) and AICPA (American Institute of Certified Public Accountants) view spouses and dependents as equivalent to the Deloitte professional in many situations. *All* Deloitte professionals have some level of independence obligations, which are determined by the specific role they perform within Deloitte. As their career progresses, additional independence policies will apply to them, and, in turn, those additional independence policies will apply to you as well.

## When does it take effect?

As soon as a professional joins Deloitte, he/she and his/her spouse and dependents are bound by our independence policies. If you were not considered a spouse at that time your current spouse joined Deloitte, remember that once this changes and you do become a spouse or spousal equivalent, that is when the independence policies will apply to you.

If you're not a spouse yet, it is recommended that you have open discussions regarding your financial relationships before you take that step in order to prepare for any impact that the independence requirements may have on you.

Additionally, certain life events, such as buying a new house or having children, can bring changes to your and your spouse's personal financial relationships in the future, which you'll be required to report and resolve as appropriate.

In general all new financial relationships should be cleared ahead of time, and then reported for independence purposes within 10 calendar days.

## How do you comply?

Deloitte uses a shorthand way of summarizing the parameters of our independence policies that will be applicable to you and your spouse by assigning each professional a **Ruleset** and **Scope** based in part on the type of work they do or the services they provide. There are numerous tools, resources and people

available to help you and your spouse navigate through the independence requirements and their application to your own circumstances.

Independence is a personal matter, and as you will see, there are many aspects to it. It's impossible for us to cover all the policies in a matter of just a few minutes. You and your spouse should have an open dialogue about your financial relationships. Don't assume that a particular type of financial relationship doesn't matter. It's best for your spouse to be fully aware of both your current financial relationships and potential changes that you are considering so that he or she can report them and monitor them as appropriate.

As you continue to explore, think about how independence could impact your personal situation as the spouse of a Deloitte professional.

## Independence areas

As a Deloitte professional, your spouse needs to be able to demonstrate independence both in fact and appearance. The fact aspect is largely covered by the SEC and the AICPA rules which clearly state which financial relationships and employment relationships are subject to independence considerations. Appearance is essentially the ability to show that objectivity has been maintained with respect to any given Deloitte client. As you continue to explore this site, you will find examples of how independence is demonstrated in fact and appearance through compliance with the independence requirements.

## Financial relationships

Several types of financial relationships are covered by our independence policies, such as loans, insurance, brokerage accounts, benefit plans, stocks, and mutual funds. The rules apply by taking into account the facts and circumstances of the situation.

You may have heard the term "Restricted Entity" from your spouse. This is the term we use to refer to all of our audit clients and their affiliates. If someone wants to invest in a particular Restricted Entity or enter into another financial relationship, they should first verify whether it is "restricted" for them based on their Ruleset and Scope. If it is restricted for that individual, they should not acquire the financial interest or enter into the financial relationship. Similarly, if an individual has an existing financial relationship and that company becomes restricted for them, they may need to divest.

For example, if you or your spouse have a financial relationship with a company that becomes a Deloitte audit client, this relationship may be one that our independence policies do not permit. In that case, you will need to take action to resolve any outstanding independence issues.

You should be aware that a resolution might result in you having to take a loss on an investment, prepaying a loan that still has favorable rates, or otherwise incurring a cost.

Commonly overlooked financial situations to consider:

- **Your current employer benefit plan:** This is a financial relationship that will need to be considered when your spouse is reporting his/her holdings, and you should work together to make sure that none of the underlying holdings are restricted for your spouse—even if those underlying holdings are diversified mutual funds.
- **Non-U.S. financial holdings:** When considering your financial relationships, remember that your spouse should include and report anything you may own overseas. You may have lived or

worked abroad and therefore may have a former employer benefit plan, or foreign investments and bank accounts; or you may have a home in another country. All of these need to be evaluated as your spouse reports your holdings.

- **Assets under your control or influence:** There may be situations where you have control or influence over the assets of someone else. For example, having an active power of attorney over another person; acting as an executor of an estate; serving as trustee or co-trustee of a trust; owning or having control over a business. If any of these apply to you, you should know that all the assets over which you have control or influence are attributable to you and your spouse should report them as such.
- **Former employer benefit plan:** If you were previously employed by another company, chances are you have an Employee Benefit Plan (EBP) from that company. You might assume that since you have left your old company you don't need to worry about the EBP from your previous employer. This is not the case. The plan and the investments are still a financial relationship and as such are attributable to you, even if you don't work for that employer any more, and your spouse will also need to report these holdings. In addition, if your spouse is hired or promoted to a manager or above position at Deloitte, you are expected to roll over your prior U.S. employer EBPs to either a current employer's benefit plan or a self-directed IRA with a permissible brokerage firm within 60 days.

### ***Financial relationship tools***

At this point, you might be thinking to yourself, "Wow, there are a lot of financial relationships to consider." So, how do we help you both to manage it all?

While it is each professional's responsibility to monitor and maintain independence, we also provide a number of tools which make it easier to manage compliance with our independence policies.

- **Listing of audit clients:** All Deloitte professionals have access to certain tools such as a list of audit clients and their affiliates, so that you can both see some of the financial relationships that are restricted. The primary search tool is sometimes referred to as the "Restricted Entity list" or "DESC" (Deloitte Entity Search & Compliance) System.
- **System for monitoring financial relationships:** Managers and above (who have more independence requirements) have access to even more tools. If your spouse is at this level, you may have heard about the "Tracking & Trading" System; this is a system they are required to use to record and help monitor their financial relationships (including, but not limited to, loans, insurance, mutual funds and other investments).

Managers and above can also use this tool to research future financial relationships they are considering. If you are considering a new financial relationship and your spouse does not find it in DESC, they should check the Tracking & Trading System as another source. They can even enter the holding ahead of time and go through the steps to determine if it is restricted for their Ruleset and Scope (a process called "pre-clearing").

- **Automated tool for reporting and monitoring brokerage accounts:** If you have a spouse who is at the manager level or higher, you are probably also aware that we have a tool that allows automatic downloads of financial holdings from an authorized brokerage account to an individual's Tracking & Trading System, which significantly decreases the effort required of professionals to timely report and monitor their brokerage account holdings. This tool is known as the Broker Data Import Program (BDIP).

Professionals at this level are required to enroll and use only approved, participating

brokers and to promptly enroll any new accounts they establish. This applies to both regular trading accounts as well as IRAs and other specific purpose accounts that are set up as brokerage accounts. In order to better monitor compliance as it relates to mutual funds, we also have a policy that requires all new US mutual fund purchases to be made through a BDIP-enrolled account (rather than purchased directly from the organization). This is intended to make reporting in Tracking & Trading easier on our professionals and reduce the chances of an inadvertent independence issue.

## **Employment relationships**

Another area of independence which impacts many Deloitte professionals is the employment relationships of their spouses, their dependents, and their close relatives (which includes parents, step-parents, and siblings). Note that these rules generally do not apply to your own parents, step-parents or siblings—only those of the Deloitte professional.

Question to consider: Does it matter where you work?

It could matter where you work. It all depends on your spouse's role at Deloitte and what role you have in your company.

If you are employed by a Restricted Entity, your spouse will report this in his or her periodic independence representation. We then analyze the facts and circumstances to see if there would be a conflict under any of the regulatory rules that apply to that specific client. Your spouse does not have to wait for his or her independence representation to report your employment at a Restricted Entity. This can and should be reported as soon as possible so that we can analyze the situation and provide you with the guidance you need for your situation.

For example: When you are employed at a Restricted Entity, this can bring additional independence considerations, such as:

- What type of position do you hold?
- Will your spouse provide services to the client or its affiliates?
- Do you have an employee benefit plan with, or investments in, the Restricted Entity (such as company stock)?

If you are employed by a Restricted Entity, or you are considering accepting such employment, your spouse should reach out to National Office (Independence) to discuss the facts and circumstances to determine whether any steps need to be taken to resolve any employment relationship concerns.

## **Other business relationships**

Other business relationships can include closely held investments—such as if you plan on investing in a business or going into business with friends/relatives, or if you've already done so. If you and/or your spouse are in partnership with other people, or have a similar investment in another type of closely held business, you should discuss it with National Office (Independence) so that they can evaluate whether there are any independence considerations and also provide you and/or your spouse with guidance on how your spouse should manage and report these situations.

Examples:

- Partnership
- Limited Liability Company

What should you do if you or your spouse have a closely held business such as a partnership with other people or a limited liability company?

You should discuss it with National Office (Independence) so that they can evaluate whether there are any independence considerations and provide you and your spouse with guidance on how to manage and report those situations.

## Life events

Now that you have a basic understanding of the requirements, let's look at how these requirements are applied when certain events or milestones happen in your life, which can affect your family structure, finances, investments, and employment. This is what we mean when we refer to "life events."

The impact and any resulting independence consideration for you and your spouse that arises from a life event should be carefully looked at, reported, and reviewed.

Life events to consider:

- **Additions to your family:** Whether it is the birth or adoption of a child, or gaining a dependent because you are starting to care for an elderly parent or a sick relative, an addition to your family could have a significant impact on your financial relationships. Everything these individuals have are attributable to your spouse, and must be in compliance. These events should trigger the review of any new financial relationships that become attributable to you as a result of the event. Consider the following:
  - Are you planning to open a 529 plan, UGMA, UTMA or other savings vehicle for a child?
  - Has anyone gifted your child stocks, bonds, or other financial interests?
  - Did you make any changes to your life insurance?
  - Are you now acting as power of attorney or trustee for another individual?
  - If you gain a dependent who already has established financial relationships, have you evaluated them for compliance with independence policy?
- **Purchasing a new home:** Purchasing a new home—whether it's a primary home, a vacation home, or an investment property—is a time-consuming process. It also brings a number of new financial relationships. Consider the following:
  - Will you acquire a new mortgage?
  - Will you acquire property insurance on the new property?
  - Will you acquire a new line of credit or home equity loan?
  - Does this purchase mean that one of your other properties is no longer your primary residence?
- **Establishing, having influence over, or being named beneficiary of a trust:** If you establish or have influence over a trust, the assets of the trust are attributable to you and therefore your spouse. Placing assets in a trust does not relieve you of your independence responsibilities. Even being named as a beneficiary of a trust may have independence implications depending on the facts and circumstances. Consider the following:
  - How much influence do you have over the trust or the trustee?



- If you set up a trust or have influence over one, where is the trust held? What assets are in it?
- If you are a trust beneficiary, are you aware of what is in the trust? Do you know if it is material to you?
- **Transferring to a new office:** In an organization like Deloitte, transfers to a new office location are not uncommon. You may also have your own career where an office transfer is possible. Whatever the reason, transferring to a new location is certainly an event that requires a lot of planning, and you should consider the independence implications as you do so. Consider the following:
  - Are you purchasing a new home or a new vehicle?
  - Transferring to another office may impact the entities that are restricted for your spouse. Have you checked to see if you will need to divest of any of your current holdings?
  - If you are transferring because your Deloitte spouse is accepting a new role, will his or her Ruleset or Scope change, which may impact your future financial planning?

## Helpful tips

In many cases, you'll want to check policy before taking any action. Here are a few helpful tips for maintaining compliance.

- **Financial decisions:** Always make new investment decisions together and contact National Office (Independence) with any questions or concerns.
  - Don't try to make the determination yourself as to whether an entity is restricted or not. While looking at the auditor of the company is a good first step, many clients that we don't audit are also restricted because they are affiliated with our audit clients.
  - Do not open a 529 Plan without discussing it first with your spouse and having him or her check whether it is restricted. A plan could be restricted because it is sponsored by a Restricted Entity, or because the underlying investment options are restricted.
  - If you are thinking of refinancing your mortgage, no matter how appealing the interest rate is, please check whether the loan is permitted before you take it out. There is a chance it has become restricted since you took out the original loan, which could be an independence issue.
  - When obtaining any type of loan, do not wait until you are ready to sign the loan documents before you check whether it's restricted. If you find out at the last minute that it is restricted for you, having to find a new lender will delay the closing of your loan.
- **Check all current financial relationships to maintain compliance and resolve any instances of non-compliance:** Issues of non-compliance should be resolved within 10 days or you can contact National Office (Independence) for help if your situation is a complex one that may take longer to resolve.
- **Life events:** Be mindful of changes due to certain life events and work with your spouse to keep current with all your financial and employment relationships and validate compliance.

## Thank you

Thank you for taking the time to learn about independence and what it means to you and to your spouse's career at Deloitte. As you've learned, independence is a far-reaching topic. Personal independence, as

the name suggests, is personal to you and your spouse. Deloitte recognizes that everyone's situation is different. We know this a lot of information to take in and there are a lot of requirements to understand.

Investing a small amount of time now to research and understand independence will be well worth your while and will save you and your spouse time in the long run. Though all this may seem like a lot of work remember that independence policies are based on requirements set by our regulators. Deloitte appreciates all the effort that spouses and family members make on a daily basis to help our professionals fulfill their responsibilities. Thank you for your attention to this important topic!

Please feel free to call or email National Office (Independence) for help with evaluating your personal independence circumstances. The Compliance HelpDesk is a resource that is available to spouses of all Deloitte personnel, and it can be a first port of call for questions you may have related to personal financial independence. Spouses of Deloitte personnel can contact the Compliance HelpDesk with any independence questions. Deloitte personnel must complete and submit a form before spouses can contact the Compliance HelpDesk.

For questions, contact the Compliance HelpDesk:

- 1 877 TO-CMPY (+1 877 862 6759) and press 8 for spousal support
- [compliancehelpdesk@deloitte.com](mailto:compliancehelpdesk@deloitte.com)

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