

August 21, 2023

**VIA E-MAIL TO COMMENTS@PCAOBUS.ORG**

Ms. Phoebe W. Brown  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006

**Re: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (PCAOB Rulemaking Docket Matter No. 051)**

Dear Ms. Brown:

Federated Hermes, Inc. and its subsidiaries ("**Federated Hermes**")<sup>1</sup> submit this comment letter to the Public Company Accounting Oversight Board ("**PCAOB**") regarding the PCAOB's request for comments on its proposed amendments to PCAOB auditing standards related to the auditor's responsibility for considering a company's noncompliance with laws and regulations, including fraud, in an audit.<sup>2</sup> Federated Hermes appreciates the PCAOB's objective to "*protect investors from the resulting harm of noncompliance with laws and regulations when the effect of such noncompliance has a material effect on the financial statements*"<sup>3</sup>, but believes the scope of the Proposal is an overreach. Federated Hermes shares the same concerns as those outlined in the Coalition of Business Trades comment letter on the Proposal (the "**CBT Letter**"), including that public companies already have stringent compliance with applicable law and regulation obligations. In addition, the CBT Letter properly notes that, if adopted, the Proposal would drastically expand the scope of an audit and will, unnecessarily, substantially increase audit costs. Federated Hermes encourages the PCAOB to conduct a thorough cost-benefit analysis before moving forward with the Proposal.

Further, Federated Hermes strongly agrees with and supports the comments of the Investment Company Institute (the "**ICI**") and the Independent Directors Council ("**IDC**"), as set forth in their jointly filed comment letter regarding the Proposal (the "**ICI/IDC Letter**"), that registered investment companies ("**Funds**") should be excluded from the Proposal, given their already highly regulated nature.

---

<sup>1</sup> Federated Hermes, Inc. (NYSE: FHI) is a global leader in active, responsible investment management, with \$704.0 billion in assets under management as of June 30, 2023. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker-dealers.

<sup>2</sup> The PCAOB proposed amendments to its auditing standards related to an auditor's consideration of a company's noncompliance with laws and regulations in the performance of an audit. PCAOB Release No. 2023-003; (June 6, 2023) at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/pcaob-release-no.-2023-003---noclar.pdf?sfvrsn=fe43e8a\\_4](https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/pcaob-release-no.-2023-003---noclar.pdf?sfvrsn=fe43e8a_4) (the "**Proposal**").

<sup>3</sup> *Id.* at 4.

Ms. Phoebe W. Brown  
August 21, 2023  
Page 2 of 2

The ICI/IDC Letter properly identifies that Funds are subject to an ever-increasing body of federal and state laws and regulations, including the Investment Company Act of 1940, which aim to protect investors, maintain fair and efficient markets, and facilitate capital formation. Funds are required to maintain thorough disclosure and are subject to ongoing reporting requirements, as well as regulatory inspections and examinations. Federated Hermes has concerns that the Proposal would create conflicts with a Fund's existing requirements as promulgated by its regulators.

The Proposal is unwarranted, both for public companies and especially with respect to Funds, and would lead to unintended ramifications, including unwarranted increased costs for shareholders.

\* \* \*

Federated Hermes appreciates the opportunity to comment on the Proposal. Please let us know if you have any questions or comments on this submission.

Sincerely,



George F. Magera  
General Counsel

cc: Barbara Vanich, Chief Auditor, PCAOB  
Jessica Watts, Senior Associate Chief Auditor, PCAOB  
Lisa Calandriello, Associate Chief Auditor, PCAOB  
Kevin Lombardi, Assistant Counsel, PCAOB