



American Institute of CPAs
1211 Avenue of the Americas
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April 30, 2012

Phoebe W. Brown
Secretary of the Board
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 039

Dear Ms. Brown:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the Public Company Accounting Oversight Board's (PCAOB) Rulemaking Docket Matter No. 39, *Proposed Amendments to Conform Board Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications* (Proposed Rule), as it relates to auditors of brokers and dealers registered with the Securities and Exchange Commission (SEC). The AICPA is the world's largest association representing the accounting profession, with nearly 377,000 members in 128 countries. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, and federal, state and local governments. The AICPA also develops and grades the Uniform CPA Examination. It is from this diverse perspective that we provide our comments and recommendations.

In accordance with the Sarbanes-Oxley Act of 2002, we applaud the PCAOB's continual efforts to improve auditing and auditor accountability with respect to listed entities. The AICPA has consistently supported the PCAOB's new oversight and rulemaking authority granted as a result of Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).¹ Indeed, the AICPA endorsed Section 982 of the Dodd-Frank Act and continues to believe that this rulemaking will provide important investor protections.

Since April 27, 2009, the AICPA has consistently recommended expanded PCAOB oversight over auditors of broker-dealers by specifically supporting the proposition that auditors of public (listed) broker-dealers, as well as non-public broker-dealers *that perform clearing or custodial functions* [emphasis added], should be subject to registration, inspection and enforcement by the PCAOB, but that the PCAOB's oversight should not extend to auditors of non-public broker-dealers that do not perform clearing or custodial functions (i.e., introducing broker-dealers).² Because the risk associated with these audits (i.e., introducing broker-dealers) is minimal, and because the accounting profession's existing state regulatory regime provides a robust level of protection, the PCAOB should be focusing its resources on those audits of highest risk rather than extending new oversight over auditors of introducing-broker dealers.

We acknowledge that last June, the SEC proposed to amend SEC Rule 17a-5 to mandate that the rule's required reports be prepared in accordance with PCAOB audit and attestation standards. Under the Proposed Rule, if the SEC adopts its proposed amendments to SEC Rule 17a-5 or provides "other direction that auditors of brokers and dealers are to comply with PCAOB standards," the PCAOB's auditing, attestation, quality control and

¹ [February 15, 2011, AICPA comment letter](#) to the PCAOB Re: Proposed Temporary Rule for an Interim Program of Inspection Related to the Audits of Brokers and Dealers, PCAOB Rulemaking Docket Matter No. 32.

² [April 27, 2009 AICPA Press Release](#), "AICPA Offers Specific Regulatory Reforms to Promote Transparency, Investor Protections."

independence standards would then apply to audit, attest, and other engagements for brokers and dealers as required by Section 17 of the Exchange Act and SEC Rule 17a-5.

We appreciate, as noted in the AICPA's August 26, 2011 comment letter to the SEC's proposal,³ the SEC's intention to facilitate the ability of the PCAOB to set standards for, and implement its inspection authority over, broker-dealers' independent public accountants. However, as expressed in that comment letter, we are convinced that the SEC should not require that the audits or attestation reports for non-public broker-dealers reports be performed in accordance with PCAOB standards until the PCAOB has established the scope for its permanent inspection program. We similarly contend that requiring auditors of non-public broker-dealers to follow PCAOB quality control, ethics and independence standards is not warranted until decisions with respect to a final, permanent inspection program's scope are reached. Instead, the PCAOB should use its interim inspection program to gather critical information so that it can *methodically determine* which broker-dealers its final inspection rule should encompass in order to gain a full appreciation of the effect of applying certain PCAOB rules and standards to the auditors of non-public broker-dealers. Until the PCAOB determines which non-public broker-dealers will be subject to its permanent oversight, we believe that the additional burden and costs of requiring a transition to new standards will be significant and, perhaps, ultimately unnecessary.

Finally, we have consistently advocated that the inclusion of all auditors of all broker-dealers is overbroad, with no demonstrable proof that any benefits outweigh the costs of compliance and oversight. However, in the event that the PCAOB's permanent inspection program ultimately includes all such auditors, we will support both an SEC and PCAOB requirement that PCAOB standards apply to these auditors. We respectfully request that in such a scenario, the SEC and PCAOB consider the time and resources that will be needed by the auditors of smaller broker-dealers to revise their systems of quality control and conduct required training on PCAOB audit and attestation standards.

We appreciate the opportunity to comment and welcome the opportunity to serve as a resource to the PCAOB on these issues. If we can be of further assistance, please contact me at (212) 596-6197.

Sincerely,



Susan S. Coffey, CPA
Senior Vice President – Public Practice and Global Alliances

cc:

PCAOB
James R. Doty, Chairman
Lewis H. Ferguson, Member
Jeanette M. Franzel, Member
Jay D. Hanson, Member
Steven B. Harris, Member
Martin F. Baumann, Chief Auditor and Director of Professional Standards

SEC
Michael Macchiaroli, Trading and Markets

³ [August 26, 2011 AICPA comment letter](#) to the SEC Re: File Number S7-23-11; Broker-Dealer Reports.