

MEMO# 35394

August 8, 2023

ICI & IDC File PCAOB NOCLAR Comment Letter

[35394]

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TO: ICI Members
Investment Company Directors
Accounting/Treasurers Committee
SEC Rules Committee
Tax Committee SUBJECTS: Audit and Attest
Audit Committees
Compliance
Fund Accounting & Financial Reporting
Fund Governance
Operations
Tax RE: ICI & IDC File PCAOB NOCLAR Comment Letter

On August 7, 2023, the Investment Company Institute and Independent Directors Council filed a joint comment letter in response to the Public Company Accounting Oversight Board's (PCAOB) proposed amendments to the auditing standards related to a company's noncompliance with laws and regulations^[1].

The proposal would significantly increase an auditor's obligations to identify, evaluate, and communicate noncompliance by, among other things, mandating that the auditor employ procedures designed to detect any noncompliance that could have an indirect effect on financial statements.

The ICI/IDC letter recommends the PCAOB exclude funds from the proposal for the following reasons:

- Funds have unique structures that differ significantly from that of operating companies.
- Funds already are subject to a robust regulatory framework within which their investment adviser, CCO, and board of directors all have both general and specific responsibilities, including under a dedicated and well-established compliance program rule.
- Funds are subject to stringent SEC disclosure and reporting requirements, as well as SEC inspections and examinations.

- The Proposed Amendments do not include any economic analysis of the impact on Funds and their shareholders, which is essential to any standard setting that impact Funds.

Jason Nagler
Senior Director, Fund Accounting & Compliance

Lisa C. Hamman
Associate Managing Director
Independent Directors Council

Notes

[1] See Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations And Other Related Amendments, PCAOB Release No. 2023-003 (June 6, 2023)(the Proposed Amendments), available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/pcaob-release-no.-2023-003---noclar.pdf?sfvrsn=fe43e8a_2.

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