

MEMO# 35653

March 20, 2024

ICI and IDC File Supplemental PCAOB NOCLAR Comment Letter

[35653]

March 21, 2024

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 and IDC File Supplemental PCAOB NOCLAR Comment Letter

On March 18, 2024, the Investment Company Institute and Independent Directors Council filed a joint supplemental comment letter on the Public Company Accounting Oversight Board's (PCAOB) proposed amendments to the auditing standards related to a company's noncompliance with laws and regulations (NOCLAR).

Since the filing of our August 2023 comment letter, the PCAOB staff published a briefing paper^[1] and hosted a public virtual roundtable^[2] to obtain additional insights from commenters, stakeholders, and experts as they work toward a final recommendation to the Board. In addition, IDC and ICI staff, and independent directors from a variety of fund complexes met with Board Members of the PCAOB and their counsel and advisers.

Our supplemental comment letter emphasized that our views have not changed and that we continue to recommend 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.

Jason Nagler
Senior Director, Fund Accounting & Compliance

Lisa C. Hamman
Associate Managing Director
Independent Directors Council

Notes

[1] See PCAOB Staff Briefing Paper: Roundtable Discussion of Proposed Amendments to PCAOB Auditing Standards Related to a Company's Noncompliance with Laws and Regulations, available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/news/events/noclar-roundtable/noclar-roundtable-briefing-paper.pdf?sfvrsn=6a0fd9a2_3

[2] See <https://pcaobus.org/news-events/events/event-details/pcaob-staff-virtual-roundtable-on-noclar-proposal>

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