



April 3, 2024

Submitted by email (comments@pcaobus.org)

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006

RE: PCAOB Rulemaking Docket Matter No. 054

Dear Sir or Madam:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I am writing in response to the *Proposals Regarding False or Misleading Statements Concerning PCAOB Registration and Oversight and Constructive Requests to Withdraw from Registration*, PCAOB Release No. 2024-001 (the “Proposal”), issued by the Public Company Accounting Oversight Board (“PCAOB”) on February 27, 2024.² The Proposal would institute a new rule prohibiting a registered public accounting firm, and its associated persons, from making false or misleading statements regarding the firm’s PCAOB registration status, and would amend the PCAOB’s registration mechanism to include a process for the constructive withdrawal of firms from PCAOB registration.³ NASAA supports the Proposal as a means to maintain confidence in the work of PCAOB registered firms and as important measures meant to further the agency’s investor protection efforts.

NASAA has previously noted in comments to the PCAOB that investors rely on audited financial statements to be an accurate and complete representation of a company’s financial condition.⁴ The investing public benefits from the PCAOB’s oversight of member accounting firms to find and remedy deficiencies in broker-dealer and issuer audits and in the firms that

¹ Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA’s membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

² The Proposal is available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-054/2024-001-registration.pdf?sfvrsn=51869da_4.

³ *Id.* at 3-4.

⁴ Letter from NASAA President Claire McHenry to the PCAOB Office of the Secretary re: *PCAOB Rulemaking Docket Matter No. 053* (Nov. 13, 2023), https://www.nasaa.org/wp-content/uploads/2023/11/NASAA-Comment-Letter-re-PCAOB-Rulemaking-No-053_11-13-2023.pdf.

perform those audits. Further, the federal securities laws require certain companies and broker-dealers to have their financial statements audited by PCAOB member accounting firms.⁵ The significance of PCAOB registration and the extent of PCAOB oversight of member accounting firms should therefore be clear and not subject to misrepresentation.

The PCAOB has stated that registration, in and of itself, should not be viewed as an indication of the quality of a public accounting firm's professional services.⁶ The Proposal would help ensure that the mere fact of registration could not be used to mislead broker-dealers, issuers, or the investing public into believing that through PCAOB registration, a public accounting firm will necessarily deliver, for example, the "highest level of service and expertise" to clients.⁷ NASAA supports measures that promote the reliability of information available to investors as well as measures focused on preserving the integrity of the securities markets and the role of agencies tasked with oversight of market participants. This includes measures that affect critical services such as financial statement audits.

NASAA also appreciates the PCAOB's decision to create a mechanism to deal with firms that repeatedly allow their registrations to lapse.⁸ Under the Proposal, the PCAOB would treat a registered firm's failure to pay its annual fees and file annual reports for at least two consecutive reporting years as a constructive withdrawal from registration. By keeping registration records updated through this mechanism, a broker-dealer or issuer engaged in the process of selecting an appropriate audit firm would have greater confidence that the accounting firm it hires is registered and in good standing with the PCAOB.

For these reasons, NASAA encourages the PCAOB to adopt the Proposal. Should you have any questions about this letter, please contact either the undersigned or NASAA's General Counsel, Vince Martinez, at (202) 737-0900.

Sincerely,



Claire McHenry
NASAA President and
Deputy Director
Nebraska Bureau of Securities

⁵ *Id.*

⁶ PCAOB Release 2003-011F, *Frequently Asked Questions Regarding Registration with the Board* (Dec. 4, 2017) at 4, https://pcaobus.org/Registration/Information/Documents/Registration_FAQ.pdf.

⁷ Proposal at 7.

⁸ *Id.* at 9.