



July 2, 2024

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE, Washington, DC 20549–1090

Re: Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards [Release No. 34–100276; File No. PCAOB– 2024–01]

Dear Secretary Countryman:

Better Markets¹ appreciates the opportunity to comment on the above-captioned Proposed Rule on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards adopted by the Public Company Accounting Oversight Board (“PCAOB” or “the Board”).²

We first note that the fundamental obligation of auditors in reviewing financial statements is to assure the “fair presentation” of a company's financial position that is not misleading to investors. We therefore applaud the PCAOB for its proposal to extend auditors’ evaluation of fairness in AS 2810 beyond “mere technical compliance with the applicable financial reporting framework” to more broadly “prohibit the financial statements and company disclosures from being materially misleading.”

This proposed rule is an important step to align PCAOB standards with case law holding that fair presentation requires more than adherence to generally accepted accounting principles. To effectively combat fraud, the Board must adopt fair presentation standards for auditors that do not solely rely on technical compliance with accounting rules. Recent events have demonstrated the pressing need to strengthen auditing standards to protect markets, investors, and the public interest. The collapse of Silicon Valley Bank, Signature Bank of New York, and others exemplify

¹ Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies – including many in finance – to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans’ jobs, savings, retirements, and more.

² Securities and Exchange Commission, *Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards*, 89 FED. REG. 49730 (June 11, 2024), <https://www.federalregister.gov/documents/2024/06/11/2024-12691/public-company-accounting-oversight-board-notice-of-filing-of-proposed-rules-on-general>.

how accounting practices can obscure material losses in plain sight, leading to grave harm when a firm is forced to sell assets at a fair market value for a loss.³

It is critically important that auditors must disrupt the pattern of overvaluing assets and understating liabilities, which misleads investors by giving them an inaccurate understanding of the financial viability of companies. In the absence of strong PCAOB fair presentation standards that go beyond technical generally accepted accounting principles compliance, inaccurate and misleading presentations of companies' financial condition are more likely to go unchecked, thus facilitating accounting fraud, greenwashing, and other practices that pose threats to investors.

We therefore commend the Board for issuing this proposed rule, and we urge the SEC to adopt the rule as written.

CONCLUSION

We hope these comments are helpful as the Board finalizes this meritorious Proposal.

Sincerely,



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³ Amanda Blanco, *Signs of SVB's failure likely hidden by obscure 'HTM' accounting designation. Are reforms needed?*, FEDERAL RESERVE BANK OF BOSTON (Dec. 14, 2023), <https://www.bostonfed.org/news-and-events/news/2023/12/silicon-valley-bank-failure-accounting-designation-held-to-maturity-obscure.aspx>; William M. VanDenburgh & Philip J. Harmelink, *Bank Failures Highlight the Shortcomings of Held-to-Maturity (HTM) Accounting: Behind the Crises at Silicon Valley, Signature, and First Republic*, THE CPA JOURNAL (May 2024), <https://www.cpajournal.com/2024/05/07/bank-failures-highlight-the-shortcomings-of-held-to-maturity-htm-accounting-2/>.