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Invested in America

September 15, 2015

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: SEC 17 CFR Part 240
Release No. 33-9862: 34-75344 File No. S7-13-15

Mr. Fields:

The Global Financial Institutions Accounting Committee ("GFI") of the Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to provide comments on the Securities and Exchange Commission's (the "Commission") concept release *Possible Revisions to Audit Committee Disclosures* (the "Concept Release").[2]

Audit committees play a critical role in the capital markets by broadly overseeing the financial reporting process, including overseeing the independent auditor. We believe that there has been considerable progress made over the last several years to improve the quality and relevance of audit committee disclosures, and we are concerned that a set of prescriptive disclosure requirements would undo the progress that has been made. Any changes to the disclosures regarding oversight of the auditor, the audit committee's process for appointing or retaining the independent auditors (auditors), and the qualifications of the audit firm and certain members of the engagement team, should be enunciated as broad principles. Such principles would allow companies to tailor their disclosures to be meaningful in the context of their specific circumstances and governance practices. They would also give companies the flexibility to continue to build upon existing best practice disclosures and provide the appropriate context. A detailed set of requirements is likely to result in boiler-plate disclosure at best.

[1] SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] See Release No. 33-9862, *Possible Revisions to Audit Committee Disclosures* (July 8, 2015) [80 FR 38995]. ("Concept Release" or "Release No. 33-9862").

Our comments are made in the context of our industry's regulatory disclosure requirements and focus on ensuring that audit committee disclosures provide relevant information to investors while supporting the continuation of robust interactions between the audit committee and the auditor. We believe that the existing board of directors' oversight framework prescribed by state law,[3] inclusive of common law legal precedents regarding a director's "duty of care" and "duty of loyalty," should remain as the foundation for all board oversight and that existing safe harbor provisions for audit committee disclosures are retained and expanded to cover any new requirements[4].

The GFI supports a disclosure regime that reinforces the trust and confidence investors have in our capital markets. We note that investors benefit from disclosures that are relevant (i.e., having significant and demonstrable bearing on the matter at hand)[5] to their investment decisions. Within our detailed response, we note certain instances where we believe incremental information is, in fact, relevant. For instance, we agree with the proposals to require disclosure describing (1) the overall roles and responsibilities for board governance inclusive of all committees and (2) the reasons for a decision made by the audit committee to retain the auditors when the majority of shareholders voted to not ratify the re-appointment. We agree with Director Higgins of the Division of Corporation Finance that the purpose of disclosure is to "provide investors the information they need to make informed investment and voting decisions" and we agree with the emphasis in the Disclosure Effectiveness Initiative on "ensuring that companies continue to provide information that is relevant to the investment and voting decisions of today's investors".[6] However, we believe that many of the additional disclosures that are discussed in the Concept Release would not provide relevant, decision-useful information to investors. We strongly encourage the Commission to avoid proposals that may be well intentioned but that lead to disclosure overload.

We support disclosures that inform investors about the policies and procedures that audit committees have with which they fulfill their oversight responsibilities. However, disclosures of details of conversations that may compromise confidential business information or involve complex judgments should not be required. Furthermore, disclosure of such conversations may have the effect of restricting robust

[3] See e.g., Model Business Corporations Act (MBCA) §8.30.

[4] See Instruction 1 to Item 407(d) of Regulation S-K and paragraph (e) (v) of Schedule 14A. Under existing safe harbors for audit committee reports, unless a company specifically requests that it be treated as soliciting material or specifically incorporates the information in a document filed under the Securities Act or the Exchange Act, the required disclosure would not be considered "soliciting material" "filed" with the Commission or subject to Regulation 14A or 14C or to the liability provisions of Section 18 of the Exchange Act. When adopting these safe harbors in 1999, the Commission declined to adopt a safe harbor that would address liability under Section 10(b) of the Exchange Act (and Rule 10b-5 thereunder). See Release No. 34-42266, *Audit Committee Disclosure*, (Dec. 22, 1999) [64 FR 73389].

[5] Relevant [Def. 1a]. (n.d.) In Merriam Webster Online, Retrieved July 30, 2015, from http://www.merriam-webster.com/dictionary/relevant.

[6] Speech by Keith F. Higgins, October 3, 2014, available at https://www.sec.gov/News/Speech/Detail/Speech/1370543104412.

interactions and exchange of information that occurs between the audit committee and the independent auditors.

Lastly, we have concerns that the disclosures suggested in the Concept Release would unintentionally raise an audit committee member's fiduciary duties above those determined by state common law, and above those of other corporate directors. As you are aware, directors of a Delaware corporation owe two fiduciary duties: care and loyalty. The Delaware courts in *Wayport, Inc. Litigation,* Cons., C.A. No. 4167-VCL (Del. Ch. May 1, 2013) added that "the duty of disclosure is not an independent duty, but derives from the duty of care and loyalty…. The duty of disclosure arises because of the application in the specific context of the board's fiduciary duties . . . Its scope and requirements depend on context; the duty does not exist in a vacuum."[7] We are concerned that the disclosures contemplated by the Concept Release could inadvertently result in heightened governance requirements for members of the audit committee.

Our detailed comments in the Appendix are structured into five sections to address the major sections in the concept release — Section I: Focus on Audit Committee oversight of the auditor; Section II: Audit Committee's process for appointing or retaining the auditor; Section III: Qualifications of the Audit Firm and Certain Members of the Engagement Team Selected by the Audit Committee; Section IV: Location of Audit Committee disclosures in SEC filings; and Section V: Applicability to smaller reporting companies and emerging growth companies.

SIFMA's GFI Accounting Committee would like to thank the Commission for the opportunity to provide feedback on this Concept Release. We would be pleased to discuss our comments or answers to any questions that the Staff or the Commissioners may have. If the Staff of the Commission (Staff) or the Commissioners would like to discuss our comments, please contact me at [redacted].

Regards,

Mary Kay Scucci, PhD, CPA
Managing Director
SIFMA

[7] See Delaware Fiduciary Duty of Disclosure Explained by Chancery, available at http://www.delawarelitigation.com/2013/05/articles/chancery-court-updates/delaware-fiduciary-duty-of-disclosure-explained-by-chancery/.

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Section I: Focus on Audit Committee oversight of the auditor

In the Concept Release, the Commission stated that it is interested in whether changes should be made so that additional information regarding oversight of the audit and the auditor relationship "would help inform *investment decisions* and, where applicable, voting decisions regarding the ratification of auditors and the election of directors who are members of the audit committee."[8] (*italics* added)

We are not aware of widespread demand from shareholders or investors for this type of information. Consequently, we believe the Commission should undertake a robust empirical study across a broad range of industries and companies in order to establish if there is any empirical evidence showing statistical significance of the relevance of additional audit committee disclosures to an investment or voting decision. For example, the Commission could conduct "investor testing" as permitted under Section 912 of the Dodd-Frank Act and Section 19(e) of the Securities Act.

In addition, we suggest that a "relevance" test should be met before a disclosure is required for what we believe is secondary or tertiary information. We would encourage the Commission to develop a framework for determining relevance based upon empirical findings for information to provide a thoughtful way to assess requests for additional disclosures.

IA. Oversight of the auditor [9]

As a general matter, we suggest that the Commission develop criteria so that only relevant information is provided to investors. We believe that the existing audit committee disclosure requirements should also be re-evaluated using the same relevance criteria. For all relevant disclosures identified (including those based upon Sarbanes-Oxley Act requirements), potential compliance hurdles should be identified, and the associated costs and burdens should be adequately estimated, before any additional disclosure requirements are adopted.

We agree with the Commission that certain specific disclosures regarding the audit committee's oversight of the auditor may be relevant to investors. Therefore we would support disclosures that relate to the governance process or the policies that audit committees have in place to address the manner in which they fulfill their oversight responsibilities as long as these disclosures are based on broad principles as opposed to specific requirements. We do not believe that disclosures that go beyond process or policy would be beneficial to investors, as they can be taken out of context and will over time lead to disclosure overload. Furthermore, we do not believe that any disclosure regarding the audit committee's oversight of the auditor should increase the audit committee members' fiduciary duties above those determined by common law, or above those of other corporate directors.

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[8] See Release No. 33-9862, *supra* note 2, at 39003.
[9] See Release No. 33-9862 (Questions 1-6, 74)

We note that the Concept Release focuses primarily on the audit committee's oversight of the auditor. The Concept Release also seeks comment on whether disclosure should be required relating to the audit committee's work in other areas (i.e., oversight of the financial reporting process or the internal audit function). We note that Item 407 of Regulation S-K already requires the audit committee charter to be made available, which provides transparency as to the breadth of an audit committee's responsibilities. Item 407 also requires audit committees to disclose that they have reviewed and discussed the audited financial statements with management. We believe that further details into the processes or analysis performed by audit committees in these areas should be disclosed on a voluntary basis as determined by each company's specific business situation.

We do not believe it is necessary for the Commission to consider potential changes that would affect the role and responsibilities of the audit committee. However, disclosing a company's overall board governance principles and the roles and responsibilities for overall board governance (including each board committee) provides investors with a comprehensive view of the totality of the board's oversight.

IB. Communication between Audit Committee and auditor [10]

We believe that the Commission should not require mandatory disclosures for "all" communications required by the Commission rules and PCAOB standards. We believe that any changes to mandatory disclosures should be carefully considered, especially in light of our concerns regarding an inadvertent increase in audit committee members' fiduciary duties.

We believe that it is relevant to describe that required communications under PCAOB Auditing Standard No. 16 ("AS 16") occurred and that the audit committee has received and discussed matters communicated by the auditors concerning their independence.

We believe there should not be disclosure regarding the nature or the substance of the required communications between the auditor and the audit committee. This type of disclosure would stifle open communications, robust interactions and the exchange of ideas and thoughts between the audit committee and the auditor.

We do not believe additional disclosures regarding the nature or substance of topics related to how the auditor planned and performed the audit, beyond what is already required in AS 16 and communicated to the audit committee is necessary. The information included in paragraphs 9 and 10 of AS 16 relating to significant risks identified, and the use of specialized skills in planning the audit would not be relevant to an investor and would be overly detailed. Additionally, this disclosure requirement risks changing the focus of the auditor from planning substantively for the entire audit, to focusing on generating a "check the box" audit plan.

[10] See Release No. 33-9862 (Questions 7-17)

Disclosures regarding how the audit committee resolved any disagreements between company management and the auditor should not be required. The PCAOB has already received overwhelming response to its proposal on CAM (Critical Audit Matters) and our comments and concerns remain the same as those stated in our letter, dated *December 10, 2013, "PCAOB Release no. 2013-005, PCAOB Rulemaking Docket Matter No. 34."*

We believe that information regarding how the audit is planned with respect to multiple locations, visits by the auditor, and the materiality of multiple locations to the overall financial statements, is relevant information that should be provided to the audit committee by the auditor in the context of planning for the audit. We do not, however, believe that such information needs to be disclosed to investors. Details about the process for planning the audit would be a prime example of disclosure overload. We would support enhanced requirements to AS 16 for audit plans related to major global locations, including the auditor's affiliate relationships, affiliated communications, and the local statutory limitations of using affiliates or other local firms, and identification of the impact on the overall audit plan.

Communications between the auditor and the audit committee, which are not related to the items required by the Commission's rules and PCAOB standards, should not be required to be disclosed. We believe that this type of disclosure may hinder communication between the audit committee and the auditor. For example, audit committees would cease to include their auditors in merger discussions, cease to solicit information or request education sessions, and would limit requests for input on audit committee agendas. This type of disclosure would have the potential to not only reduce the effectiveness of the auditors but also reduce the level and frequency of communications with the audit committee and other members of the board. We believe that careful consideration should be given to the costs associated with any proposed changes relative to the perceived benefit that would come from the incremental disclosure requirements.

Additionally, we believe these potential disclosures could not only inhibit the communications between the audit committee and auditor, but would also have the unintended consequences of discouraging communications and interaction on other business matters and create a less informed auditor.

We note that the Concept Release asks if there are specific liability implications with respect to additional disclosure made by the audit committee. Although not addressed in the Concept Release, we believe that the Commission should ensure that existing safe harbor provisions for audit committee disclosures are retained and expanded to cover any new requirements. The disclosures contemplated by the Concept Release, particularly those that seek to provide transparency into the audit committee's analysis or decision-making, could expose companies and audit committee members to unwarranted litigation. Without effective safe harbors, qualified directors may be hesitant or unwilling to serve on a company's audit committee due to increased

exposure to liability. Accordingly, in considering whether to mandate such disclosures, we believe that the Commission should re-examine the adequacy of existing safe harbor provisions. Specifically, the safe harbor provisions do not, and cannot, preempt state corporation laws providing for actions for breach of the fiduciary duty of care or the duty of candor in disclosure. In addition, the current safe harbor provisions do not address possible liability under Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. [11]

IC. Frequency of Audit Committee and Auditor meetings [12]

We do not believe that disclosure regarding the frequency of meetings or the frequency of private meetings should be required. This type of disclosure would have the potential to reduce the frequency of communications with the audit committee and other members of the board. See our responses above for further discussion in regard to communications between the audit committee and other members of the board.

ID. Audit Committee oversight of auditor's Internal Quality Review and PCAOB report[13]

We believe that disclosures of the auditor's internal quality review and the PCAOB report should be empirically determined to be relevant if they are to be disclosed. Additionally, the disclosure contemplated by the Concept Release, which specifically calls for disclosure of one or two factors (i.e., audit firm's internal quality control review or the PCAOB inspection report) used by audit committees in their overall oversight creates a presumption that these isolated factors are more important than an audit committee's overall business judgment.

IE. Audit Committee oversight of auditor's objectivity, skepticism[14]

We believe that, if the Commission empirically determines that this information is relevant, investors would benefit from auditor objectivity and skepticism disclosures more if they came directly from the PCAOB, as this would assure investors that the audit profession's regulator, the PCAOB, is monitoring and reinforcing audit firms' objectivity and professional skepticism. We also observe that as a practical matter, comments on these attributes are likely to be "boiler-plate" since this may be extremely detailed and nuanced.

Section II: Audit Committee's process for appointing or retaining the auditor

Certain SIFMA member companies have already voluntarily made certain of the disclosures such as those suggested in the Audit Committee Collaboration's

[11] See Release No. 33-9862 (Question 69)
[12] See Release No. 33-9862 (Questions 18-19)
[13] See Release No. 33-9862 (Questions 20-23)
[14] See Release No. 33-9862 (Questions 24-25)

publication, "Enhancing the Audit Committee Report: A Call to Action"[15] with respect to the appointment and retention of their auditors.

In addition, certain SIFMA member companies make voluntary disclosures regarding their company's policies with regard to the criteria they use to select and/or retain their audit firm. We recommend that this disclosure remain voluntary, so that companies have the flexibility to continue to build upon existing best practices which they believe are relevant to their individual firms and specific situations.

IIA. Audit Committee's assessment of the auditor's independence, objectivity, and quality[16]

We do not believe that disclosure regarding an incomplete set of specific, mandated factors, without the overall context regarding how the audit committee handles the totality of its oversight responsibilities, should be required. Certain SIFMA member companies voluntarily disclose their process and use a principles-based approach to provide the appropriate context, and we support this approach.

Specifically regarding the disclosure of audit quality indicators, we understand that these indicators are theoretical and we are not aware of any empirical evidence that they are proven determinants (i.e., cause and effect) of actual audit quality; therefore, we highly discourage disclosures based upon unproved theory.

IIB. Audit Committee's use of Request for Proposal (RFP)[17]

Certain SIFMA member companies, as part of their voluntary disclosures regarding selecting and retaining their audit firms, mention their company's RFP policy when appropriate. We recommend that this type of disclosure remain voluntary, as companies may have differing practices as determined by their particular business situations. A prescriptive, mandatory requirement could lead to inappropriate comparisons across companies. We also believe that disclosure of specific factors for this process would be highlighting specific factors without context.

IIC. Audit Committee policy for shareholder vote on auditor selection[18]

Shareholder ratification

We do not believe that additional disclosures regarding a company's shareholder ratification policy, or the factors considered in establishing that policy should be required. Certain SIFMA member companies, as part of their voluntary disclosures for selecting and/or retaining their audit firms, disclose their company's shareholder ratification policy.

[15] Audit Committee Collaboration, "Enhancing the Audit Committee Report, A Call to Action," (Nov. 20, 2013), available at http://thecaq.org/reports-and-publications/enhancing-the-audit-committee-report-a-call-to-action/enhancing-the-audit-committee-report-a-call-to-action

[16] See Release No. 33-9862 (Questions 26-28)

[17] See Release No. 33-9862 (Questions 29-30)

[18] See Release No. 33-9862 (Questions 31-33)

Votes against ratification

There should be no required disclosure if a significant number of shareholder votes are made against the ratification of the auditor but a majority of the shareholders has approved the ratification (or the ratification is made according to the corporation's bylaws). However, if a majority of the shareholders do not ratify the auditor and the audit committee overrides that decision, then we believe the audit committee should provide the reasons no later than the company's next quarterly report following the audit committee's definitive decision to retain (despite the vote) the auditor.

Treatment as a "routine matter"

We believe that the ratification of the independent auditor should continue to be considered a "routine matter" as defined by NYSE Rule 452.[19] Without routine matters on the ballot that would enable broker discretionary votes to be counted towards a quorum, it would be difficult for companies (especially those with a large retail investor base) to establish a quorum and would substantially increase the cost for each shareholder meeting due to the need for active solicitation.

The Commission recognized the value of retaining the ratification of the independent auditor as a "routine matter" in meeting quorum requirements when it considered the quorum issue in the context of uncontested director elections being treated as routine for purposes of Rule 452:

> "NYSE Rule 452 would continue to allow the broker to vote on other routine matters, such as the ratification of independent auditors, which will help companies meet quorum requirements, and therefore alleviate the efficiency concerns raised by commenters." [20]

We are not aware of any change in circumstances since that time that should cause the Commission to alter its previous view.

Section III: Qualifications of the Audit Firm and Certain Members of the Engagement Team Selected by the Audit Committee

"The PCAOB [was] …established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection."[21] Since the PCAOB has been designated by Congress to regulate the audit profession, it should be responsible

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[19] NYSE Rule 452, available at http://nyserules.nyse.com/NYSETools/PlatformViewer.asp?selectednode=chp_1_5_12_3&manual=%2Fnyse%2Frules%2Fnyse-rules%2F.

[20] See Release No. 34-60215, *Order Approving Proposed Rule Change, as modified by Amendment No. 4, to Amend NYSE Rule 452 and Corresponding Listed Company Manual Section 402.08 to Eliminate Broker Discretionary Voting for the Election of Directors* (July 1, 2009) [74 FR 33293], at note 34.

[21] http://pcaobus.org/About/Pages/default.aspx

for collecting and disclosing much of the information the Concept Release is asking audit committees to disclose in this section.

The PCAOB could refer to how the Commission and FINRA coordinate to regulate both companies and individual brokers. FINRA makes information available on their website for brokers' background, work history, professional licenses, personal bankruptcies, and lawsuits. The Commission and FINRA do not request financial services companies to provide this information and we suggest that perhaps the regulatory role of the PCAOB should continue to evolve in a similar manner.

IIIA. Disclosures of Engagement Team[22]

We do not believe that it is the responsibility of the audit committee to make the disclosures proposed in Questions 34-42 of the Concept Release – that is the responsibility of the PCAOB. We believe information such as the names of the engagement partner, the audit team, time in the role, professional licenses held, work history, etc. is information that should be provided by the PCAOB on its website. This would avoid creating inconsistencies between information disclosed by the audit committee annually and information updated more frequently by the PCAOB. Furthermore, this information seems mostly relevant in regulating and monitoring the audit profession.

We believe that the PCAOB may have to evolve in its role, but our initial suggestion is to utilize Form AP to gather regulatory information from the audit firms (i.e., the name of the lead audit partner) and begin to develop the concept of the PCAOB's regulatory responsibilities for individual auditors as well as audit firms and how best to communicate that information.

IIIB. Audit Committee input in Engagement Partner selection:[23]

We believe that disclosure regarding the audit committee's input or involvement in the audit firm's internal process to select the engagement partner should be voluntary. Certain SIFMA member companies currently disclose this information, and we believe it should remain voluntary.

IIIC. Number of years audited by the independent auditor[24]

We do not believe that the audit committee should be required to provide any disclosures regarding auditor tenure. Such disclosure places an undue emphasis on one factor (i.e., audit firm tenure) and ignores information regarding partner rotation; differences in audit firms' industry expertise and other possibly more relevant information regarding the totality and the context of the audit committee's decision regarding the selection of the audit firm.

[22] See Release No. 33-9862 (Questions 34-42)
[23] See Release No. 33-9862 (Questions 43-44)
[24] See Release No. 33-9862 (Questions 45-47)

IIID. Other audit firms involved in the audit[25]

The audit committee should not be required to disclose other firms that were involved in the audit, or the extent of the other firms' involvement, because this would place an undue emphasis on one component of the overall audit plan. However, we do believe that this information is relevant for audit committees to have and would support a requirement that this information be provided to the audit committee to the extent it is not already provided under AS 16.

If the PCAOB feels they also need additional specifics regarding how each audit firm manages their external relationships with other audit firms in order to perform their regulatory oversight, we suggest this information be provided directly to them by the audit firms.

Section IV: Location of Audit Committee disclosures in SEC filings

IVA. Location of Audit Committee disclosure[26]

We do not believe that empirical evidence exists to demonstrate that the additional audit committee disclosures contemplated by the Concept Release would be relevant to investors, and except as noted, we do not believe that investors would benefit from such disclosures irrespective of the location of said disclosures.

However, should the Commission decide to proceed with additional audit committee disclosure requirements, we believe that any additional disclosures should be provided in the annual meeting proxy statement, together with the audit committee and audit fee disclosures already contained in the annual meeting proxy statement.

In addition, we do not believe that audit committee disclosures should be required in registration statements for the simple reason that is not the purpose of the registration statements under the Securities Act of 1933.

> The Securities Act of 1933 is "…often referred to as the "truth in securities" law, and has two basic objectives:
>
> - To require that investors receive financial and other significant information concerning securities being offered for public sale; and
> - To prohibit deceit, misrepresentations, and other fraud in the sale of securities." [27]

Requiring additional disclosures in a registration statement that are not related to an investment decision would interfere with the Commission's own stated purpose. We also note that, under current rules, audit committee reports are not deemed to be "filed" unless specifically incorporated into a registration statement. We see no reason to change the treatment of audit committee disclosures.

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[25] See Release No. 33-9862 (Questions 48-49)
[26] See Release No. 33-9862 (Questions 50-51)
[27] See *Fast Answers: Registration Under the Securities Act*, available at *http*://www.sec.gov/answers/regis33.htm .

Section V: Applicability to smaller reporting companies and emerging growth companies

VA. Small companies[28]

If the Commission decides to proceed with additional audit committee disclosure requirements, we do not believe that disclosure requirements should be changed for smaller brokers and dealers or for brokers and dealers that are not issuers. We would advise the Commission to avoid placing undue disclosure burdens on all brokers and dealers that are required to register under Section 15 of the Exchange Act. Although not all registered brokers or dealers are issuers that are subject to the periodic reporting requirements under Section 13 of the Exchange Act (and therefore subject to the audit committee disclosures contemplated by the Concept Release), all registered brokers and dealers are required to be audited by independent public accounting firms subject to PCAOB oversight.[29] We request that the Commission proceed with additional care to avoid any unintended consequences which would impact small brokers and dealers or brokers and dealers that are not issuers.

[28] See Release No. 33-9862 (Questions 53-54)

[29] The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 vested the PCAOB with expanded oversight of the audits of brokers and dealers registered with the Commission to include inspections, enforcement and standard-setting authority over their auditors. In 2013, the Commission amended Exchange Act Rule 17a-5 to enhance safeguards for customer assets held by brokers and dealers. The amendments include a requirement that brokers and dealers file annual financial reports with the Commission that are audited in accordance with PCAOB standards. Additionally, the Commission adopted requirements for new compliance and exemption reports that are covered by an auditor's report prepared in accordance with PCAOB standards.