



November 22, 2024

By email: rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Firm and Engagement Metrics; PCAOB Rulemaking Docket Matter No. 041; Firm Reporting; PCAOB Rulemaking Docket Matter No. 055.

Dear Office of the Secretary:

Yesterday, the Public Company Accounting Oversight Board (PCAOB or Board) voted to adopt its *Firm and Engagement Metrics* and *Firm Reporting* rules (rules or new requirements) and send them to the Securities and Exchange Commission (Commission or SEC) for approval. The Board adopted these rules despite concerns expressed by more than 70%¹ and 85%² of commenters, respectively, based on public policy concerns, lack of cost-benefit analyses and the likely negative competitive impact to the US public company audit profession.

Although we are still in the process of reviewing the final rules, it is clear few substantive changes were made between the proposed rules and the rules adopted by the Board on November 21, 2024. We are concerned that the Board's haste to adopt these final rules and submit them to the Commission for approval is being driven by the calendar, specifically the impending inauguration date of January 20, 2025, rather than by thoughtful, engaged and responsive policymaking. This concern was highlighted by Board Member Christina Ho when she stated: "The Firm and Engagement Metrics was proposed on April 9, 2024, and we received 46 comment letters. If adopted today, it will set the record for this Board as the fastest adopted standard which only took 226 days (7.5 months). The average number of days from proposal to adoption for the five standards adopted by this Board to date was 448 days (15 months), with an average of 32 comment letters. Essentially, although the Firm and Engagement Metrics proposal has over 40% more comment letters than the average of 32, it took half as much time as the other standards adopted by this Board. Political expediency is not evidence-based policymaking."³ The Board's action to adopt these rules also seems counter to views expressed by members of U.S. Congress.⁴ Moreover, given that we are entering the holiday season, we are concerned about stakeholder awareness and availability to participate

¹ See remarks from [Christina Ho](#).

² Based on a review of comment letters on the PCAOB's rulemaking [docket](#) as of November 22, 2024.

³ See remarks from [Christina Ho](#).

⁴ See letters from [Rep. French Hill](#) and [Senator Tim Scott](#).



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in the Commission comment process, particularly for smaller US public company audit firms with fewer resources, creating a risk that their views on these rules will not be heard and considered.

Given these concerns, we respectfully request the Commission consider the options it has to afford sufficient time for stakeholders to review the rules and participate in a robust comment process. We note that the Commission’s reviewing statute does not impose a definitive deadline for the Commission to publish the rules in the Federal Register.⁵ We believe the significant impact to the competitiveness of the US public company audit profession and other policy concerns of these combined rules supports the view that the Commission should carefully consider when it moves forward to publish the rules in the Federal Register and even that the Commission should send the rules back to the PCAOB with instruction to repropose its rules for further comment, rather than publish the rules in the Federal Register.

As an example, if the Commission were to (i) move forward and publish the rules in the Federal Register by December 5, 2024, (ii) not extend the time period for action by 45 days provided by statute (see below), and (iii) provides only a 21-day public comment period, comments would be due to the Commission on or about December 26, 2024, with final Commission action required on or around January 17, 2025. That timing seems wholly inadequate for commenters to provide sufficient feedback and for the Commission to carefully consider the comments received before taking action. Nevertheless, because this schedule would allow for Commission action prior to January 20, 2025, we have significant concerns that this path is being paved.

Rather than rush to a decision within 45 days, the Commission at a minimum should extend its period to act on the PCAOB proposals by another 45 days, which would enable the SEC to provide a comment period that is longer than 21 days and give stakeholders additional time after the holidays to comment. In a review of PCAOB rulemaking, approximately 40% of the time the PCAOB or the Commission has extended the time period for action beyond the additional 45 days.⁶ Given the complexity and significance of these rules we request that the Commission extend the period it has to take action by an additional 45 days.

Finally, a Commission final order approving the PCAOB’s *Firm and Reporting Metrics* rule (rule) is likely subject to the requirements of the Congressional Review Act (CRA).⁷ The Commission’s final order would be a “rule” under the CRA because the auditing rules announced in such an order constitute “an agency

⁵ 15 U.S.C. § 78s(b)(1) (Commission shall publish “as soon as practicable”).

⁶ For example, the rationale stated in one [instance](#) when the period for Commission action was extended by an additional 45 days was, “in light of the number and complexity of the standards to allow for additional time sufficient for notice and comment, consideration of comments the Commission has determined to extend to [insert date 90 days from the date of publication in the Federal Register]...”


⁷ 5 U.S.C. § 801 *et seq.*

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statement of general . . . applicability and future effect designed to implement, interpret, or prescribe law or policy.”⁸ A “major rule” for purposes of the Congressional Review Act is one that, in part, has an annual effect on the economy of \$100 million or more. The PCAOB’s Office of Economic and Risk Analysis estimates that the costs for all firms to build automated systems to report the final metrics in the *Firm and Reporting Metrics* standard could range from \$371 million to \$512 million.⁹ Notably, any final order approving the rule would be subject to review by a new session of Congress and a new President.¹⁰

As the Commission continues to review the rules and consider next steps, we would be pleased to discuss our comments or answer questions from the Commission regarding the views expressed in this letter. Please direct your questions to Julie Bell Lindsay (jbellsindsay@thecaq.org) and Dennis McGowan (dmcgowan@thecaq.org).

Sincerely,



Julie Bell Lindsay
Chief Executive Officer
Center for Audit Quality

CC:

Gary Gensler, Chair
Caroline Crenshaw, Commissioner
Jaime Lizarraga, Commissioner
Hester Peirce, Commissioner
Mark Uyeda, Commissioner
Paul Munter, Chief Accountant

⁸ 5 U.S.C. § 804(3); 5 U.S.C. § 551(4).

⁹ See pages 228 – 229 of [PCAOB Release No. 2024-012](#).

¹⁰ See 5 U.S.C. § 801(d) (lookback provision).