

January 31, 2025

By email: rule-comments@sec.gov

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

**Re: SECURITIES AND EXCHANGE COMMISSION [Release No. 34-101723; File No. PCAOB-2024-07] Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Firm Reporting; [Release No. 34-101724; File No. PCAOB-2024-06] Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Firm and Engagement Metrics**

Dear Office of the Secretary,

The Canadian Centre for Audit Quality (CCAQ) is an independent not-for-profit Canadian corporation dedicated to supporting Canadian audit firms and public accountants in fulfilling their public interest role, and investors and other stakeholders with public policy and public interest issues. The CCAQ's founding members are the seven largest Canadian independent registered CPA accounting firms. This letter represents the views and observations of the CCAQ but does not necessarily represent the views of any specific firm, individual, or CCAQ Board member.

We appreciate the opportunity to provide input on the final rules (Final Rules) adopted by the Public Company Accounting Oversight Board (PCAOB) on November 21, 2024 (File No. PCAOB-2024-07 and File No. PCAOB-2024-06) and filed with the Securities and Exchange Commission (SEC) on November 22, 2024, in Release No. 34-101723 and Release No. 34-101724. We also welcome the SEC's decision to grant an additional 45-day comment period for the Final Rules, so that we are able to provide our comments.

We agree with the concerns expressed by the Center for Audit Quality (CAQ), as noted in their June 7, 2024<sup>1</sup> and August 1, 2024<sup>2</sup> comment letters submitted to the PCAOB and their November 22, 2024<sup>3</sup>, December 26, 2024<sup>4</sup> and January 2, 2025<sup>5</sup> comment letters submitted to the SEC for both matters.

Therefore, we do not support the approval of these Final Rules by the SEC.

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<sup>1</sup> Refer to the June 7, 2024 comment letter as submitted to the PCAOB by the Center for Audit Quality at this link:

<https://www.thecaq.org/comment-letter-pcaob-firm-and-engagement-metrics-proposal>

<sup>2</sup> Refer to the August 1, 2024 comment letter as submitted to the PCAOB by the Center for Audit Quality at this link:

<https://www.thecaq.org/comment-letter-pcaob-fem-and-frp-supplemental-data-from-ac-members-and-investors>

<sup>3</sup> Refer to the November 22, 2024 comment letter as submitted to the SEC by the Center for Audit Quality's CEO Julie Bell Lindsay at this link: [https://www.thecaq.org/wp-content/uploads/2024/11/caq-comment-letter\\_sec\\_firm-reporting\\_metrics\\_11.22.24.pdf](https://www.thecaq.org/wp-content/uploads/2024/11/caq-comment-letter_sec_firm-reporting_metrics_11.22.24.pdf)

<sup>4</sup> Refer to the December 26, 2024 comment letter as submitted to the SEC by the Center for Audit Quality at this link:

[https://www.thecaq.org/wp-content/uploads/2025/01/CAQ-Comment-Letter\\_SEC\\_Firm-Reporting\\_Signed\\_12.26.24.pdf](https://www.thecaq.org/wp-content/uploads/2025/01/CAQ-Comment-Letter_SEC_Firm-Reporting_Signed_12.26.24.pdf)

<sup>5</sup> Refer to the January 2, 2025 comment letter as submitted to the SEC by the Center for Audit Quality at this link:

[https://www.thecaq.org/wp-content/uploads/2025/01/caq\\_comment-letter-to-sec\\_firm-and-engagement-metrics\\_final-approval\\_2025-01.pdf](https://www.thecaq.org/wp-content/uploads/2025/01/caq_comment-letter-to-sec_firm-and-engagement-metrics_final-approval_2025-01.pdf)

We are concerned that the significant issues previously raised by commenters on both releases have not been addressed or fully considered in the Final Rules.

### **Firm Reporting**

Regarding ***Firm Reporting (Release No. 34-101723; File No. PCAOB-2024-07)***, our most significant concerns include:

- The historically short duration of deliberation by the PCAOB;
- The usefulness of reported data to investors and other key stakeholders; and
- The cost of compliance.

### **Firm and Engagement Metrics**

Regarding ***Firm and Engagement Metrics (Release No. 34-101724; File No. PCAOB-2024-06)***, our most significant concerns include:

- Whether adequate research on cost-benefit analysis of the required disclosures has been conducted;
- The decision-usefulness of the required disclosures;
- Whether potential unintended consequences, including the risk of misinterpretation by stakeholders of the metrics published, have been adequately identified and assessed; and
- Whether the scalability of the rules to smaller firms, including the disproportionate impact of this regulatory burden on those firms, has been appropriately considered<sup>6</sup>.

A significant issue with the Final Rule as proposed is that it will require certain information to be disclosed regarding an entire audit practice, not just information relating to audits conducted under PCAOB standards. For many Canadian audit firms registered with the PCAOB, there is a much smaller number of “accelerated filer” or “large accelerated filer” audit engagements when compared to the number of engagements audited under International (International Auditing Standards [IAS]) or Canadian auditing standards [CAS]. The disclosure of firm metrics using information from engagements audited under another auditing standard may not provide relevant, useful, or meaningful information to the US capital markets<sup>7</sup>, and may be misinterpreted.

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<sup>6</sup> The disproportional impact that this regulation could have on smaller firms is best summarized by the Smaller Firm Task Force (SFTF) in their January 8, 2025 comment letter to the SEC. Link: <https://www.sec.gov/comments/pcaob-2024-06/pcaob202406-555335-1590582.pdf>

Specifically, the SFTF has the following to say on page three (3) regarding the impact of regulation overload on smaller firms and the companies that they service:

*Concerns expressed by smaller firms regarding the disproportional impact of increasing regulatory burdens on smaller firms are real. Because their public company audit practices are smaller than the larger firms, the costs incurred to implement administrative data collection processes to comply with the proposed reporting requirements are spread across a smaller number of audit clients who can't absorb significant increases in audit fees. In other words, it is difficult for smaller firms to pass on regulatory costs to their clients, often forcing them to leave the public company auditing arena, resulting in increased market concentration, which in turn forces smaller companies to engage larger more expensive (and often non-local) firms to perform their audits. We observe that Board stated, "Our oversight activities indicate that noncompliance with auditing standards is higher among smaller firms. Therefore, to the extent smaller firms tend to exit rather than larger firms, as commenters contended, then audit quality could improve on average as issuers switch to larger firms." We disagree with this notion. There are plenty of smaller firms that have high rates of compliance, and if the rules drive these firms out of the market, audit quality would not be improved. As discussed above, driving smaller (often local) firms out of the market makes it more costly and thus more difficult (if not impossible) for many smaller companies to comply with auditing requirements and access the capital markets. Moreover, the Board has not adequately studied the impact of smaller firms deciding to leave the public company audit market as a result of the final rules.*

<sup>7</sup> Please refer to page five (5) of the comment letter dated December 19, 2024 issued by KPMG LLP. Link: <https://www.sec.gov/comments/pcaob-2024-06/pcaob202406-549675-1574203.pdf>

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We are concerned that the PCAOB may not have appropriately considered the possibility that data privacy, professional confidentiality or other conflicts in law active in the local regulatory jurisdiction of a non-US firm may prohibit that firm from providing all the information that the Final Rules will require<sup>8</sup>. We understand that “Congress [has] expressly authorized the PCAOB to exempt foreign firms from the Board’s rules”<sup>9</sup>. Providing the exemption would not limit the ability of the PCAOB to obtain information through their inspection process but would alleviate the burden placed on non-US firms of preparing and disclosing this information required by the Final Rules<sup>10</sup>.

Should the SEC proceed to ratify the Final Rules, we believe that accommodations should be made for non-US based firms, as the disclosures required in the *Firm Reporting Final Rule* and the firm and engagement specific metrics required by the *Firm and Engagement Metrics Final Rule* reportable by non-US firms may not be relevant or meaningful to investors in the US capital markets.

We appreciate the opportunity to comment on these Final Rules. If you have any questions or require additional information, please contact me at [michael.walke@ccaq-ccqa.com](mailto:michael.walke@ccaq-ccqa.com).

Yours very truly,



M. C. Walke  
Chief Executive Officer  
Canadian Centre for Audit Quality

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<sup>8</sup> Please refer to page seven (7) of the comment letter dated December 24, 2024 issued by PricewaterhouseCoopers LLP. Link: <https://www.sec.gov/comments/pcaob-2024-07/pcaob202407-550815-1576982.pdf>

PricewaterhouseCoopers LLP further states that: “*The Board’s proposal failed to meaningfully consider this possibility, as its conclusory assertion that it “do[es] not foresee a realistic possibility that any law would prohibit a firm from providing the information” falls well short of justifying the attempt to require non-US firms to violate local laws. We urged the Board to maintain the well-established rulemaking history that recognizes and respects non-US firms’ distinct legal obligations and preserves the right for firms to assert a conflict of law.*”

<sup>9</sup> Please refer to page four (4) of the comment letter dated December 26, 2024 issued by Deloitte & Touche LLP. Link: <https://www.sec.gov/comments/pcaob-2024-06/pcaob202406-551475-1578602.pdf>

<sup>10</sup> Ibid.