May 14, 2026

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803
Via Electronic Submission

Re: Comment Letter in Response to PCAOB Request for Comment on Strategic Priorities — Non-Carrying, Privately Held Broker-Dealers and the Small Business Audit Correction Act

Dear Members of the Board:

The FINRA Small Firm Advisory Committee is submitting this comment letter in response to the PCAOB's open request for input on its strategic priorities. We write on behalf of the community of small, non-carrying, privately held broker-dealers across the United States — approximately 2,000 firms in 49 states — that have been materially and disproportionately burdened by the extension of PCAOB audit requirements to their class of firms under the Dodd-Frank Act's amendment to the Sarbanes-Oxley Act of 2002.

Our specific request is straightforward: that the PCAOB include among its strategic priorities for the coming year a public commitment to support the legislative effort to right-size audit requirements for this class of firms, and to work constructively with Congress toward a statutory resolution. We address below both the nature of the problem and our understanding of the limits of the PCAOB's own authority, which make a legislative fix not merely preferable but necessary.

I. The Class of Firms at Issue and the Nature of the Burden

Non-carrying broker-dealers — also known as introducing brokers — do not receive, hold, or carry customer funds or securities. Every dollar and every security belonging to their clients is maintained at third-party custodial or direct-investment firms such as Pershing, Charles Schwab, Fidelity, American Funds, and others. These firms are small businesses in every meaningful sense, with limited staff and limited capital, serving investors in communities across the country.

The Dodd-Frank amendment of SOX regarding the PCAOB audit requirement was enacted in direct response to the Madoff scandal — a fraud that was possible precisely because Madoff's firm held custody of client assets in his investment adviser. Non-carrying broker-dealers are structurally incapable of this class of fraud. They cannot fabricate account statements for assets they do not hold. Yet since Dodd-Frank extended PCAOB requirements to all broker-dealers regardless of size, business model, or custody status, these firms have been subject to audit standards designed for public companies with public shareholders — standards that bear no relationship to their actual risk profile.

The consequences have been severe and well-documented by us through the years:

- Audit costs have risen to multiples of pre-Dodd-Frank levels, consuming financial resources that small firms cannot absorb.
- These audits now require three to five times the human hours of a GAAS audit of comparable scope, diverting staff from client service during audit season.
- The number of PCAOB-registered audit firms willing to take on broker-dealer clients has collapsed by more than 67% since 2012 — from 783 firms to 253 as of the 2025 reporting cycle — driving costs higher still through simple scarcity.
- Both the SEC and the PCAOB have acknowledged the burden this requirement places on small firms and have confirmed they have no data demonstrating improved investor protection outcomes from its application to non-carrying broker-dealers.

II. The Limits of Administrative Relief and the Need for a Statutory Fix

We want to be precise about what we are and are not asking the PCAOB to do, because our understanding of the limits of the Board's authority are directly relevant to why, per Chairman Clayton and others, legislative action is the only complete solution.

The PCAOB has the authority under SOX Section 110 to set audit standards applicable to registered public accounting firms performing broker-dealer audits, and has some flexibility in how its inspection program is structured and prioritized. However:

- **The PCAOB does not have the authority to exempt a class of broker-dealers from the requirement to be audited by a PCAOB-registered firm.** That requirement flows directly from the statutory text of SOX as amended by Dodd-Frank, and it cannot be waived or modified by PCAOB rulemaking alone.
- **The PCAOB has the authority to write tailored audit standards for broker-dealers.** It has had this authority for more than a decade. It has not exercised it in a manner that meaningfully addresses the burden on small, non-carrying, privately held firms. A commitment to do so now, while welcome, would not resolve the registration and auditor-selection mandate that is itself a significant source of cost and market distortion.
- **A statutory fix is required.** The SEC has been explicit with Congress that the broker-dealer PCAOB audit requirement is a statutory mandate that requires a statutory correction. The Small Business Audit Correction Act, will soon be introduced in the 119th Congress, and will provide that correction: it amends SOX to remove this class of firms from the definition of 'broker' and 'dealer' for PCAOB purposes, returns them to GAAS under AICPA standards for their annual audit obligation, and does so within a strict and independently verifiable eligibility framework.

> *To be clear: this comment letter is not asking the PCAOB to exceed its statutory authority. It is asking the PCAOB to use its voice — as a respected regulatory institution with direct expertise in this area — to support the legislative correction that its own jurisdictional limits make necessary.*

III. The Strategic Priority We Are Requesting

We respectfully request that the PCAOB include the following as a named strategic priority for the coming year:

> *Support for legislative action to right-size audit requirements for small, non-carrying, privately held broker-dealers in good standing, including public engagement with Congress in support of the Small Business Audit Correction Act or comparable legislation, and a commitment to work constructively with the Small Firm Task Force, congressional staff, and the SEC toward a durable statutory resolution.*

In practical terms, we are asking the PCAOB to:

- Publicly acknowledge, in its strategic priorities statement or accompanying commentary, that the application of PCAOB audit standards to small, non-carrying, privately held broker-dealers presents a documented burden that is disproportionate to the customer protection benefit derived, and that the Board supports a legislative resolution.
- Engage constructively with the relevant congressional committees — the House Financial Services Committee and the Senate Banking Committee — and with the SEC, to support the passage of The Small Business Audit Correction Act.
- Refrain from actions in its inspection and enforcement program that would further increase the compliance burden on this class of firms during the pendency of the legislative process.

IV. Why This Is Consistent with the PCAOB's Mission

- The PCAOB's mission is to protect investors and further the public interest through the preparation of informative, accurate, and independent audit reports. Supporting right-sized regulation for a class of firms that presents no systemic investor risk is entirely consistent with that mission.
- The PCAOB's inspection and standard-setting resources are finite. Every hour devoted to inspecting audits of small, non-carrying, privately held broker-dealers with no public shareholders (i.e., "investors") and no custody of client assets is an hour not devoted to the public companies and carrying broker-dealers where the PCAOB's oversight is genuinely critical. A legislative fix that removes this class of firms from the PCAOB's scope does not diminish customer protection — it sharpens the PCAOB's focus on the firms where its oversight is most needed.
- Moreover, supporting this legislation is consistent with the PCAOB's long-standing acknowledgment that the burden on small broker-dealers is real and that outcomes data does not support the current requirement as applied to this class of firms. The Board has the credibility and the institutional standing to say so publicly and to lend its voice to the legislative effort. We are asking it to do so.

V. Conclusion

The small broker-dealer community has waited more than a decade for relief from a regulatory burden that is disproportionate, unsupported by customer protection data, and — as the SEC has made clear — requires a statutory fix that only Congress can provide. We are closer to that fix than we have ever been. The Small Business Audit Correction Act will soon be introduced in the 119th Congress in both chambers, with the support of the current administration's interest in regulatory right-sizing, and the endorsement of organizations representing thousands of businesses and millions of workers.

What would make an enormous difference at this moment is the PCAOB's public voice in support of the legislative effort. We are not asking the Board to exceed its authority. We are asking it to use the authority it has — its institutional credibility, its expertise, and its standing with Congress — to help bring about a solution that is good for small businesses, good for the auditing profession, and good for the efficient allocation of the PCAOB's own regulatory resources.

We appreciate the Board's consideration of this comment and welcome any opportunity to discuss it further.

Respectfully submitted,

The FINRA Small Firm Advisory Committee

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