PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

PROPOSED TARGETED AMENDMENTS TO AS 6101, LETTERS FOR UNDERWRITERS AND CERTAIN OTHER REQUESTING PARTIES

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PCAOB Rulemaking
Docket Matter No. 058

Summary: The Public Company Accounting Oversight Board ("PCAOB" or the "Board") is proposing targeted amendments to certain provisions of AS 6101, *Letters for Underwriters and Certain Other Requesting Parties*. This proposal seeks commenters' views on the proposed targeted amendments and other matters discussed in this release.

Public Comment: Interested persons may submit written comments to the Board. Comments should be sent by e-mail to comments@pcaobus.org or through the Board's website at pcaobus.org. Comments also may be sent to the Office of the Secretary, PCAOB, 1666 K Street, NW, Washington, DC 20006-2803. All comments should refer to PCAOB Rulemaking Docket Matter No. 058 in the subject or reference line and should be received by the Board no later than January 4, 2027.

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I. EXECUTIVE SUMMARY

We are proposing targeted amendments to AS 6101*, Letters for Underwriters and Certain Other Requesting Parties*. The proposed targeted amendments are intended to update the provisions of AS 6101 that address an auditor's ability to provide negative assurance on subsequent changes in specified financial statement items in a comfort letter. AS 6101 currently permits an auditor to provide negative assurance regarding subsequent changes in specified financial statement items as of a date less than 135 days after the end of the most recent period for which the auditor performed an audit or a review.[1]

Some issuers may wish to raise capital 135 days or more after the end of the most recently audited or reviewed period and before filing their next required financial reports. During that period, underwriters may seek negative assurance as to subsequent changes in specified financial statement items as part of their due diligence. Even if the auditor decides that providing such assurance would be appropriate in the circumstances, the existing 135-day convention prohibits the auditor from doing so. In this situation, if the requested negative assurance relates to a date 135 days or more after the end of that period, the auditor[2] may report in a comfort letter only the procedures performed and findings obtained. As a result, under existing AS 6101, there are periods of time in which the auditor is unable to provide negative assurance. For example, for a calendar-year filer, the auditor is unable to provide negative assurance between a date that is 135 days or more after the third quarter reporting date (September 30) and the date the annual report is filed (which is generally due no earlier than March 1 and up to March 31, depending on filer status).

The proposed targeted amendments would replace the fixed 135-day convention with an approach based on the date by which financial statements for the next annual or interim period are required to be filed. Under the proposed approach, an auditor could provide negative assurance regarding subsequent changes in specified financial statement items for a period up to the next applicable filing deadline.

The proposed targeted amendments would not change the existing relationship between the auditor's ability to provide negative assurance and the performance of an audit or

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[1] Negative assurance consists of a statement by accountants that, as a result of performing specified procedures, nothing came to their attention that caused them to believe that specified matters do not meet a specified standard (for example, that nothing came to their attention that caused them to believe that any material modifications should be made to the unaudited financial statements or unaudited condensed financial statements for them to be in conformity with generally accepted accounting principles). *See* footnote 10 to AS 6101.12.

[2] AS 6101 is an interim standard and uses the term "accountant" when referring to the practitioner. This release uses the term "auditor" interchangeably with "accountant", as it is only the auditor that has previously reviewed the company's interim financial information or performed an audit that may provide a comfort letter.

a review of interim financial information. Negative assurance would continue to relate to subsequent changes in specified financial statement items from the most recent period end for which the auditor performed an audit or a review under PCAOB standards, together with the limited procedures the auditor performs pursuant to AS 6101.45.[3] We believe that maintaining this relationship is important because it grounds the ability to provide negative assurance in audit or review engagements conducted under PCAOB standards and in the auditor's evaluation of the results of the limited procedures performed over the subsequent changes.

The auditor's ability to provide negative assurance as to subsequent changes under the 135-day convention in existing AS 6101 does not currently align with certain periodic filing requirements of the Securities and Exchange Commission ("SEC" or "Commission"). Recently, the SEC proposed amendments that would, among other things, permit certain issuers to elect to file semiannual reports in lieu of quarterly reports ("semiannual filers") and would replace certain fixed day count requirements for determining the age of financial statements[4] with requirements based on the applicable reporting period and filing deadline.[5]

If the SEC Proposal were adopted, the fixed 135-day convention in existing AS 6101, which reflects a quarterly reporting cadence, would prevent an auditor from providing negative assurance during longer portions of the year under a semiannual reporting cadence. Our proposed approach to move away from the fixed day convention in AS 6101 would address the current gaps in the auditor's ability to provide negative assurance over subsequent changes, work with different reporting cadences and filer deadlines, and accommodate any future changes to filing requirements that the SEC may make.

We are seeking comment on all aspects of the proposal, including whether the proposed targeted amendments should be adopted regardless of whether the SEC's proposed semiannual-reporting framework is adopted; the benefits, costs, and potential unintended consequences of the amendments; their application to audits of emerging growth companies; and the effective date.

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[3] Pursuant to AS 6101.45, "limited procedures" refers to, in most cases, reading of minutes and the inquiries of company officials.

[4] For purposes of this release, "age of financial statements" refers to SEC requirements that determine when financial statements included in registration statements, proxy statements, or other filings must be updated to include more recent financial information. These requirements are distinct from periodic reporting deadlines and from PCAOB requirements governing the availability of negative assurance.

[5] *See Semiannual Reporting,* Proposal, SEC Rel. No. 33-11414 (May 5, 2026) ("SEC Proposal"), *available at* https://www.sec.gov/files/rules/proposed/2026/33-11414.pdf.

II. BACKGROUND

A. AS 6101, Letters for Underwriters and Certain Other Requesting Parties

AS 6101 establishes provisions for auditors for performing engagements and reporting on the results of engagements to issue letters for underwriters and certain other requesting parties, commonly referred to as "comfort letters," in connection with financial statements and financial statement schedules contained in registration statements filed with the SEC under the Securities Act of 1933 (the "Securities Act") and other securities offerings.[6] Section 11 of the Securities Act provides that underwriters, among others, could be liable if any part of a registration statement contains material omissions or misstatements. The Securities Act also provides for an affirmative defense for underwriters if it can be demonstrated that, after a reasonable investigation, the underwriter has reasonable grounds to believe that there were no material omissions or misstatements. Consequently, underwriters request auditors to assist them in developing a record of reasonable investigation. Obtaining a comfort letter from the auditor is one of the procedures that may be used to establish that an underwriter has conducted a reasonable investigation.[7]

An underwriter may ask an auditor to provide comments in a comfort letter concerning (a) unaudited condensed interim financial information, (b) capsule financial information, (c) pro forma financial information, (d) financial forecasts, and (e) changes in capital stock, increases in long-term debt, and decreases in other specified financial statement items (referred to as subsequent changes).[8] In a comfort letter, an auditor's comments regarding subsequent changes typically relate to changes, increases, or decreases in specified financial statement items during a period subsequent to the date and period of the latest financial statements included in the registration statement.[9]

Under existing AS 6101, the auditor may provide negative assurance as to subsequent changes in specified financial statement items at a date that is less than 135 days from the end of the most recent period for which financial statements were audited or reviewed.[10] The 135-day convention generally aligns with current Rule 3-12 of Regulation S-X, which establishes maximum ages for financial statements in registration and proxy statements and requires them

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6 *See* AS 6101.01.

7 *See* AS 6101.02.

8 *See* AS 6101.35.

9 *See* AS 6101.45.

10 *See* AS 6101.46-.47.

to be updated once they become older than the prescribed thresholds (financial statements that no longer satisfy the age requirements are commonly referred to as "stale").[11]

Existing AS 6101 has not been substantially amended since its adoption as an interim standard in 2003.[12] The 135-day convention used in existing AS 6101 was generally based on the financial statement updating requirements for domestic issuers in effect at the time of the standard's adoption. Currently, for all issuers, the period between the end of the third quarter and the annual reporting deadline is at least 135 days and, for some issuers, may be as long as 182 days. This misalignment would be further exacerbated if the SEC Proposal is ultimately adopted and a company were to elect semiannual reporting in lieu of quarterly reporting. Further, the SEC has separately proposed creating a new subcategory of small non-accelerated filers that would have 120 days after fiscal year-end to file their annual financial reports.[13] This reporting deadline, if adopted, could further widen the gap between the reporting deadlines and the requirements of AS 6101. Accordingly, we are proposing targeted amendments to AS 6101 to address these misalignments and any others that may result from future rulemaking initiatives.

The proposal is intended to address the misalignments that exist under existing AS 6101 in which an underwriter requests negative assurance on subsequent changes for a period that is 135 days or more after the end of the most recent period for which financial statements were audited or reviewed. This proposal does not contemplate other changes that may be necessary to modernize AS 6101, which would involve additional research and outreach. We may consider adding a separate project to the standard-setting agenda at a later time to address other changes.

B. SEC Activities

The May 5, 2026, SEC Proposal considered amendments to provide all companies subject to reporting obligations under the Securities Exchange Act of 1934 ("Exchange Act")

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[11] The 135-day convention in AS 6101 was based on Rule 3-12 of Regulation S-X, as adopted in 1980. *See Uniform Instructions as to Financial Statements—Regulation S-X*, SEC Rel. No. 34-17117, 45 Fed. 63682, at 63685 (Sept. 25, 1980) (adopting 135 days for the age of financial statements in a registration statement).

[12] *See Establishment of Interim Professional Auditing Standards*, PCAOB Rel. No. 2003-006 (Apr. 18, 2003). In 2015, the PCAOB reorganized its standards, at which time AU sec. 634 was renumbered AS 6101. *See Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, PCAOB Rel. No. 2015-002 (Mar. 31, 2015).

[13] *See Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies*, Proposal, SEC Rel. No. 33-11419 (May 19, 2026) ("Filer Status Proposal") at 103, *available at* https://www.sec.gov/files/rules/proposed/2026/33-11419.pdf.

Section 13(a) or 15(d) that file quarterly reports the option of filing on a semiannual basis.[14] Under the SEC Proposal, the existing financial statement requirements for periodic reports, registration statements, and proxy statements in Regulation S-X that govern the age of financial statements, included in such filings, would be simplified and amended to reflect the proposed semiannual reporting option.[15] The comment period closed on July 6, 2026.[16] The SEC has not yet adopted final amendments, and the timing and content of any final action remain uncertain.

The SEC Proposal also included proposed revisions to the framework for determining the age of financial statements. Specifically, the amendments would replace existing day count thresholds with a model tied to the most recent interim or annual financial statements that have been or are required to be filed under the Exchange Act, such that the requirement to update financial statements is assessed by reference to the applicable reporting period and filing deadline, rather than a fixed number of days.

In connection with proposed optional semiannual reporting, the SEC Proposal included questions about the impact of the SEC proposed amendments on the application of AS 6101 as well as broader questions that addressed the age of the financial statements and whether changes were needed to AS 6101 to permit the auditor to provide negative assurance over subsequent changes in specified financial statement items for a longer period of time.[17] We considered commenters' responses to these questions in developing the proposed targeted amendments.[18]

On May 19, 2026, the SEC proposed rule and form amendments that would grant the smallest public companies extended deadlines to file their periodic reports, thereby creating a new subcategory of small non-accelerated filers that would have 120 days to file their annual financial reports after the fiscal year end.[19] Under this proposed extended filing deadline, the period between the end of the third quarter and the date when the year-end financial statements are filed may be as long as 212 days, further widening the gap between the

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[14] *See* SEC Proposal.

[15] *See* Fact Sheet, *Semiannual Reporting*, *available at* https://www.sec.gov/files/33-11414-fact-sheet.pdf.

[16] The SEC Proposal and the related comment letters received are on the SEC's webpage, *available at* https://www.sec.gov/rules-regulations/2026/05/s7-2026-15#33-11414proposed.

[17] *See* SEC Proposal question 27, at 41, and questions 40, 41, and 42 at 60. In the SEC Proposal, the SEC also asked whether the current 135-day age requirement for quarterly filers should be retained and whether it should adopt a 225-day age requirement for semiannual filers.

[18] Throughout this release, letters received by the SEC on the SEC Proposal are referenced as "letter(s) to the SEC from [name]."

[19] *See* Filer Status Proposal at 103.

reporting deadlines and the current requirements of AS 6101. The comment period closed on July 20, 2026.[20] The SEC has not yet adopted final amendments, and the timing and content of any final action remain uncertain.

C. PCAOB Activities

On June 23, 2026, we issued a Request for Public Comment on PCAOB Standard Setting ("Request for Public Comment").[21] The Request for Public Comment solicited feedback on whether (1) AS 6101 should be revised to align with the SEC Proposal to allow optional semiannual reporting, (2) negative assurance permissibility should be based on an issuer's election with respect to interim reporting, (3) other approaches to permissibility of providing negative assurance should be considered, and (4) there are circumstances that should limit the auditor's ability to provide negative assurance as to subsequent changes in specified financial statement items.[22] Comments received on these topics were considered in the development of the proposed targeted amendments.[23]

We also performed a review of certain firm methodologies. This review indicated that firm audit methodologies generally are consistent with the current requirements of AS 6101 and do not expand upon those requirements.

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[20] *See* Filer Status Proposal.

[21] *See Request for Public Comment on PCAOB Standard Setting*, PCAOB Rel. No. 2026-005 (June 23, 2026) and the comments received on the PCAOB website, *available at* https://pcaobus.org/oversight/standards/standard-setting-research-rulemaking-related-activities/agenda-consultation--request-for-public-comment-on-pcaob-standard-setting. The comment period closed on Aug. 7, 2026. Throughout this release, letters received by the PCAOB on the Request for Public Comment are referenced as "letter(s) to the PCAOB from [name]."

[22] *See* Section 3, Questions 22, 23, and 24 in the Request for Public Comment at 16-17.

[23] *See* letters to the PCAOB from Baker Tilly US, LLP ("Baker Tilly") (Aug. 7, 2026); Bansal & Co. LLP ("Bansal") (Aug. 6, 2026); BDO USA P.C. ("BDO") (Aug. 7, 2026); Center for Audit Quality ("CAQ") (Aug. 7, 2026); CBIZ CPAs P.C. ("CBIZ") (Aug. 7, 2026); CFA Institute ("CFA Institute") (Aug. 31, 2026); Crowe LLP ("Crowe") (Aug. 6, 2026); Deloitte & Touche LLP ("Deloitte") (Aug. 6, 2026); Ernst & Young LLP ("EY") (Aug. 6, 2026); Financial Executives International's Committee on Corporate Reporting ("FEI CCR") (Aug. 7, 2026); Forvis Mazars, LLP ("ForvisMazars") (Aug. 7, 2026); Grant Thornton LLP ("GT") (Aug. 6, 2026); International Corporate Governance Network ("ICGN") (Aug. 7, 2026); KPMG LLP ("KPMG") (Aug. 6, 2026); Members of the Investor Advisory Group ("MIAG") (Aug. 7, 2026); MNP LLP ("MNP") (Aug. 7, 2026); PricewaterhouseCoopers LLP ("PwC") (Aug. 5, 2026); RSM US LLP ("RSM") (Aug. 7, 2026); Joseph P. Corcoran, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association ("SIFMA") (Aug. 21, 2026); and Texas Society of Certified Public Accountants ("TXCPA") (Aug. 5, 2026).

III. PROPOSED TARGETED AMENDMENTS TO AS 6101

This section describes the provisions of existing AS 6101 that we are proposing to amend and related commenter feedback on the SEC Proposal and the PCAOB's Request for Public Comment.

A. Negative Assurance related to Subsequent Changes in Specified Financial Statement Items

Underwriters often request that an auditor provide negative assurance in a comfort letter as to subsequent changes in specified financial statement items; for example, a statement that, as a result of procedures described in the letter, nothing came to the auditors' attention that caused them to believe that, as of a certain date, there had been an increase in long-term debt relative to the most recent audited or reviewed financial statements. Alternatively, a comfort letter may simply describe procedures that an audit firm conducted as to the subsequent changes and the findings obtained from those procedures.

While existing AS 6101 does not require the auditor to provide negative assurance as part of the process of providing the requested comfort letter, it does describe circumstances under which the auditor may provide negative assurance on subsequent changes in specified financial statement items.[24] Under existing AS 6101, negative assurance as to subsequent changes in specified financial statement items may only be provided when an underwriter requests such assurance as of a date less than 135 days from the most recent period for which financial statements were audited or reviewed.[25] If the requested negative assurance relates to a date that is 135 days or more after the end of the most recent audited or reviewed period, the auditor may not provide negative assurance.[26] In such circumstances, the auditor is limited to reporting procedures performed and findings obtained rather than expressing a conclusion based on the auditor's procedures, such as providing negative assurance. There also may be circumstances where the auditor decides they are only able to provide negative assurance on some of the subsequent changes requested by underwriters. In those instances, the auditor would be limited to reporting on procedures performed and findings obtained related to the remaining subsequent changes in financial statement items requested by the underwriter.

Throughout most of the year, the auditor would have reviewed the interim financial information contained in the issuer's most recent quarterly financial report before the 135th day following the end of the previous quarterly (or annual) financial reporting period (provided that the financial report has been filed in accordance with the filing deadlines set forth in SEC requirements), leaving few gaps during the year in the auditor's ability to provide negative

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[24] *See* AS 6101.46-.47.

[25] *See* AS 6101.46.

[26] *See* AS 6101.47.

assurance under existing AS 6101. The gap in which the auditor is unable to provide negative assurance is longer between the third quarter reporting date (generally, September 30) and the date when the annual report is filed (which is generally due no earlier than March 1 and up to March 31).[27] In addition, the 135-day convention can create short periods for non-accelerated filers[28] in which auditors are unable to provide negative assurance over subsequent changes due to the varying lengths of each calendar quarter as, in some cases, the period between the previous reporting date and the next filing deadline exceeds 134 days (see Figure 1).[29] Moreover, in consideration of the SEC Proposal, the gaps in which auditors are unable to provide negative assurance over subsequent changes would widen for any company that elects to report its interim results on a semiannual cadence, regardless of its filer status. For example, the number of days between the semiannual reporting date (generally, June 30) and the date when the annual report is filed (which is generally due no earlier than March 1 and up to March 31) could reach up to 274 days.

SEC rules do not subject foreign private issuers to quarterly reporting requirements. When interim financial statements of a foreign private issuer are required to be furnished on Form 6-K, they are not required to be reviewed by an auditor. Therefore, the auditor would be unable to provide negative assurance under existing AS 6101 if it was requested as of a date 135 days or more after the end of the most recent audited period (generally between May 15 and the date the next annual report is filed for a calendar year-end filer), unless the foreign private issuer voluntarily prepares and obtains a review of interim financial statements and the

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[27] For a non-accelerated filer with a calendar-based fiscal year, the fourth quarter is 92 days and the non-accelerated filer files the next filing 90 days from December 31 – a period of 182 days. This exceeds 134 days and results in 47 days during which the auditor is unable to provide negative assurance on subsequent changes to financial statement items.

[28] A non-accelerated filer is an issuer that is neither an accelerated filer nor a large accelerated filer. Typically, non-accelerated filers are issuers that either have a public float of less than $75 million or are eligible to rely on smaller reporting company accommodations based on their revenue. *See* SEC Filer Status and Reporting Status, *available at* https://www.sec.gov/resources-small-businesses/capital-raising-building-blocks/sec-filer-status-reporting-status.

[29] The length of calendar quarters varies based on the number of days in each month. In a non-leap year, quarter lengths are:

- First Quarter: 90 days (31+28+31)
- Second Quarter: 91 days (30+31+30)
- Third Quarter: 92 days (31+31+30)
- Fourth Quarter: 92 days (31+30+31)

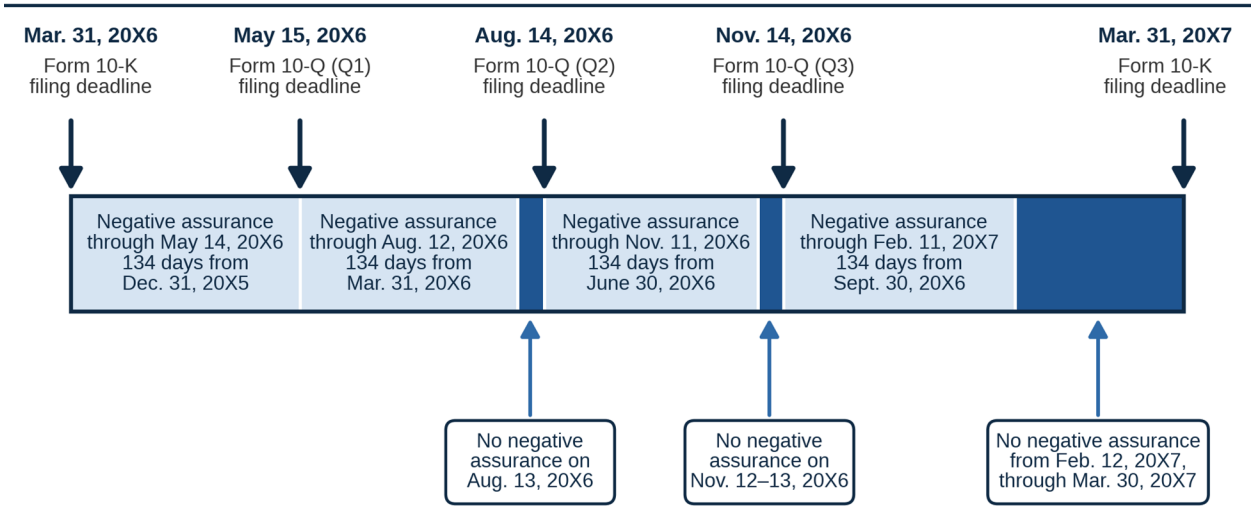
When determining the ability to provide negative assurance, the auditor combines the number of days in the quarter with the number of days until the next required filing to determine if the period exceeds 134 days.

negative assurance is requested at a date that is less than 135 days after the end of the period subject to that review.

All figures within this release assume that the issuer operates on a calendar-based fiscal year and makes its required filings on the applicable filing deadline, and that the auditor has performed the requisite interim review or annual audit. In instances where the issuer makes its required filings earlier than the applicable filing deadline, the "no negative assurance" periods presented in these figures would be shortened or eliminated.

Figure 1 illustrates the application of the 135-day convention in existing AS 6101 for non-accelerated filers in connection with existing periodic filing requirements.[30]

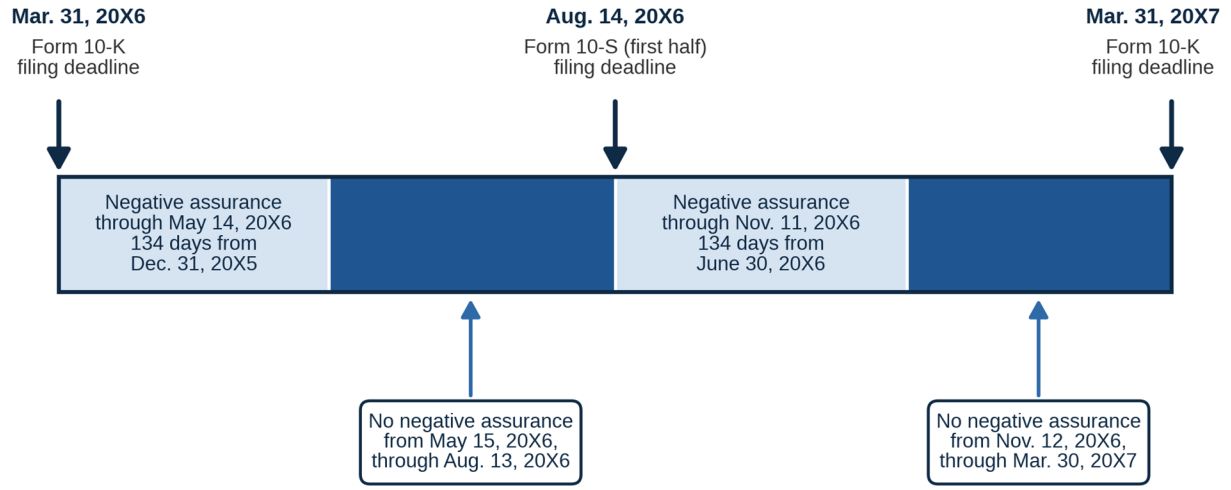
Figure 1. Application of the 135-Day Count Convention for Non-Accelerated Filers Under AS 6101 — Existing Periodic Filing Requirements



In an environment in which semiannual reporting is allowed as contemplated in the SEC Proposal, and elected by the issuer, the auditor would be unable to provide negative assurance under AS 6101 for longer periods of time. Figure 2 illustrates the application of the 135-day convention for non-accelerated filers in a semiannual reporting environment.

[30] The deadlines for filings for large accelerated and accelerated filers differ from the dates presented here.

Figure 2. Application of the 135-Day Count Convention for Non-Accelerated Filers Under AS 6101 — Semiannual Reporting



Whether these longer periods would create practical challenges for issuers, underwriters, auditors, or investors was a topic addressed by commenters on the SEC Proposal and the PCAOB's Request for Public Comment. The SEC Proposal sought comment on whether PCAOB standards should be amended to align comfort letter requirements with the proposed optional semiannual reporting.[31]

Some commenters that provided their views about whether existing AS 6101 should be amended generally stated that AS 6101 should be amended to address the interaction between the existing 135-day convention and the SEC's proposed semiannual reporting framework.[32] These commenters observed that, absent PCAOB action, a semiannual filer could have current financial statements under the proposed Regulation S-X amendments, but be unable to obtain negative assurance under existing AS 6101 for a portion of the period before the next required

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[31] *See* SEC Proposal, question 27 at 41.

[32] *See* letters to the PCAOB from Bansal; CBIZ; FEI CCR; ICGN; MNP; and SIFMA. *See also* letters to the SEC from Aerospace Industries Association ("AIA") (July 6, 2026); Allen Overy Shearman Sterling US LLP ("A&O Shearman") (Aug. 7, 2026); Axon Enterprise, Inc ("Axon") (July 6, 2026); Business Roundtable (July 6, 2026); CBIZ (July 6, 2026); Davis Polk & Wardwell LLP ("Davis Polk") (July 21, 2026); Edison Electric Institute ("Edison Electric") (July 6, 2026); Exxon Mobil Corporation ("ExxonMobil") (June 24, 2026); FEI CCR (July 2, 2026); Freshfields US LLP ("Freshfields") (July 14, 2026); Institute of Management Accountants Financial Reporting Committee ("IMA FRC") (July 6, 2026); KPMG (June 29, 2026); Nareit ("Nareit") (July 6, 2026); New York Stock Exchange ("NYSE") (July 6, 2026); Certain Pharmaceutical Companies' Joint Response ("Pharmaceutical Companies Joint Response") (July 6, 2026); Retail Industry Leaders Association ("RILA") (July 6, 2026); Joseph P. Corcoran, Managing Director and Associate General Counsel, SIFMA (July 6, 2026); Society for Corporate Governance ("SCG") (July 6, 2026); Sullivan & Cromwell LLP ("Sullivan & Cromwell") (July 6, 2026); and the U.S. Chamber of Commerce ("Chamber") (July 2, 2026).

annual or interim filing date. One of these commenters recommended that, if the PCAOB does not extend the period in AS 6101 during which auditors may provide negative assurance on changes in financial statement items to fully reflect semiannual reporting, it should still consider modifying its requirement so that negative assurance on a change period could be provided as long as the period does not go past the date the company would be required to file a quarterly report – if it was a quarterly reporting company or would be current if it was subject to Exchange Act reporting as a quarterly filer (e.g., an Initial Public Offering).[33]

Some commenters emphasized that not amending AS 6101 could affect capital access or capital-raising activity by issuers electing semiannual reporting, particularly for issuers that frequently make public offerings and issuers that rely on shelf registration statements or at-the-market offering programs.[34] For example, some commenters noted that underwriters may not proceed with an offering without the availability of negative assurance.[35] Two commenters also stated that issuers may respond by preparing additional interim financial information or obtaining additional reviews, which could result in an implied quarterly reporting requirement and reduce the potential benefits of semiannual reporting.[36] Some commenters said that retaining the existing 135-day convention may result in the need to consider how comfort letter practices would operate if issuers report semiannually.[37] For example, one commenter explained that, for a calendar-year semiannual filer, negative assurance could become unavailable after approximately mid-May until the Form 10-S is filed and again after approximately mid-November until the Form 10-K is filed, absent an additional review.[38]

Other commenters held the view that AS 6101 does not require amendments in connection with the SEC Proposal.[39] Many of these commenters generally stated that AS 6101 already operates in, or can accommodate, a semiannual-reporting environment (i.e., the

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[33] *See* letter to the SEC from CBIZ.

[34] *See* letters to the PCAOB from CBIZ; FEI CCR; and SIFMA. *See also* letters to the SEC from AIA; Axon; A&O Shearman; Davis Polk; Edison Electric; ExxonMobil; FEI CCR; IMA FRC; KPMG; NYSE; Pharmaceutical Companies Joint Response; SIFMA; Sullivan & Cromwell; Chamber; and Zukunft Advisory LLC ("Zukunft") (May 18, 2026).

[35] *See* letters to the SEC from BDO (July 6, 2026); Davis Polk; ExxonMobil; FEI CCR; and Sullivan & Cromwell.

[36] *See* letters to the SEC from FEI CCR; and Sullivan & Cromwell.

[37] *See* letters to the PCAOB from BDO; CBIZ; Deloitte; ForvisMazars; GT; ICGN; KPMG; MIAG; MNP; and SIFMA.

[38] *See* letter to the SEC from SIFMA.

[39] *See* letters to the PCAOB from Baker Tilly; BDO; CAQ; Deloitte; ForvisMazars; GT; and RSM. *See also* letters to the SEC from Baker Tilly (June 30, 2026); BDO; GT (July 6, 2026); and PwC (July 6, 2026).

current environment for foreign private issuers).[40] These commenters generally pointed to the existing 135-day convention as an important guardrail tied to the recency of audit or review procedures, and noted that auditors may still report in comfort letters procedures performed and findings obtained after the negative assurance window closes. One commenter acknowledged that foreign private issuers that file on foreign forms have successfully operated under the existing framework, yet the commenter supported considering amendments in connection with the SEC Proposal to avoid creating operational challenges.[41] Several commenters generally observed that AS 6101 can still be applied because auditors may issue comfort letters, but the comfort may be limited to procedures performed and findings obtained rather than negative assurance.[42] Two commenters recommended extending the AS 6101 convention on negative assurance to approximately 225 days or another period aligned with a semiannual cycle.[43]

Some commenters emphasized that financial statement risks increase as the time period from the most recent audited or reviewed period lengthens.[44] Some commenters stated that extending negative assurance beyond the current 135-day convention may require additional procedures, revised comfort-letter language, or other safeguards.[45] One commenter noted that the ability to provide negative assurance may be limited in circumstances where management is unable to respond to inquiries regarding changes in those line items through a specified date (the "cutoff date") that does not correspond to a natural period end for which financial statement closing procedures have been performed.[46] This commenter explained that, as a result, negative assurance on changes through the cutoff date is generally limited to areas such as capital stock and increases in long-term debt, as information related to these items is more readily available on a daily basis than for other financial statement measures, such as revenue, net current assets, or income.

Several commenters further emphasized that the determination as to whether AS 6101 should be amended rests on the outcome of the SEC's final rule.[47] Several commenters

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[40] *See* letters to the PCAOB from Baker Tilly; BDO; CAQ; Deloitte; and KPMG. *See also* letters to the SEC from Baker Tilly; BDO; CAQ (July 6, 2026); Deloitte (July 1, 2026); EY (July 6, 2026); GT; and PwC.

[41] *See* letter to the PCAOB from KPMG.

[42] *See* letters to the SEC from A&O Shearman; Baker Tilly; BDO; CAQ; Crowe (July 6, 2026); Deloitte; GT; PwC; and RSM (July 1, 2026).

[43] *See* letters to the SEC from RILA and Chamber.

[44] *See* letters to the PCAOB from Bansal; BDO; Deloitte; EY; ForvisMazars; GT; and MNP.

[45] *See* letters to the PCAOB from Bansal; BDO; Deloitte; EY; FEI CCR; ForvisMazars; GT; ICGN; KPMG; and MIAG. *See also* letters to the SEC from BDO and Deloitte.

[46] *See* letter to the SEC from BDO.

[47] *See* letters to the PCAOB from Bansal; Crowe; Deloitte; EY; ICGN; MIAG; PwC; and TXCPA.

recommended that the PCAOB monitor, evaluate, or study the implications of any SEC final rule before making changes.[48] One commenter recommended monitoring the SEC Proposal and engaging with the SEC and capital-market stakeholders if a final rule is adopted.[49] Another commenter stated that it is too soon for PCAOB action without knowing the final SEC changes.[50] Two others recommended prompt evaluation or amendment only if SEC changes are adopted.[51]

After considering the comments received and the previously discussed misalignments between the limitation on the auditor's ability to provide negative assurance under existing AS 6101 and the SEC's periodic filing requirements, we are proposing targeted amendments to AS 6101 that would (1) replace the existing fixed day convention of 135 days in AS 6101.46 and .47 with references to the filing deadline for the next annual or interim period for which financial statements are required to be filed and (2) add a note to AS 6101.46 that would provide examples of factors that may affect the auditor's decision about whether to provide negative assurance. We believe that the proposed targeted amendments to move away from a fixed day convention in AS 6101 would address the current misalignment, address different reporting cadences and filer deadlines (such as the SEC's proposed optional semiannual reporting), and accommodate any other potential future changes to filing requirements that the SEC may make, all of which were considerations raised by commenters. The proposed targeted amendments are intended to reduce the risk of inconsistent regulatory outcomes and provide a more workable framework for issuers, underwriters, auditors, and other market participants. These proposed targeted amendments do not change what constitutes negative assurance or expand the auditor's procedures beyond what is described in other paragraphs of existing AS 6101. The following sections explain the proposed targeted amendments in more detail.

1. Proposed Targeted Amendments for Providing Negative Assurance as to Subsequent Changes in Specified Financial Statement Items

We are proposing to replace the existing fixed day convention of 135 days in AS 6101.46 and .47 with references to the filing deadline for the next annual or interim period for which financial statements are required to be filed. For the targeted amendments we are proposing, the relevant text of AS 6101 is presented in text boxes, with deleted text ~~struck through~~ and new text <u>underlined</u>. The full text of the proposed targeted amendments to AS 6101 appears in Appendix 1.

.46 If the underwriter requests negative assurance as to subsequent changes <u>(e.g., increases or decreases)</u> in specified financial statement items as of a date ~~less than 135 days from~~ <u>after</u> the end of the most recent period for which the accountants have performed an audit or a

[48] *See* letters to the PCAOB from Crowe; EY; ICGN; MIAG; PwC; and TXCPA.

[49] *See* letter to the PCAOB from Crowe.

[50] *See* letter to the PCAOB from ICGN.

[51] *See* letters to the PCAOB from MIAG and TXCPA.

review and before the date by which financial statements for the next annual or interim period are required to be filed, the accountants may provide such negative assurance in the comfort letter. ~~For instance –~~

- ~~When the accountants have audited the December 31, 19X6, financial statements, the accountants may provide negative assurance on increases and decreases of specified financial statement items as of any date up to May 14 (135 days subsequent to December 31).~~

- ~~When the accountants have audited the December 31, 19X6 financial statements and have also conducted an AS 4105 review of interim financial information as of and for the quarter ended March 31, 19X7, the accountants may provide negative assurance as to increases and decreases of specified financial statement items as of any date up to August 14, 19X7 (135 days subsequent to March 31).~~

An appropriate manner of expressing negative assurance regarding subsequent changes is shown in paragraphs 5*b* and 6 of example A [paragraph .64], if there has been no decrease and in example M [paragraph .64], if there has been a decrease.

* * *

.47 However, if the underwriter requests negative assurance as to subsequent changes in specified financial statement items as of a date ~~135 days or more subsequent to~~ that is (1) after the end of the most recent period ~~for which the accountants have performed an~~ audited or ~~a~~ reviewed by the accountants and (2) on or after the date by which financial statements for the next annual or interim period were required to be – but were not – filed, the accountants may not provide negative assurance but are limited to reporting procedures performed and findings obtained (*see* example O [paragraph .64]).

Under the proposed approach, an auditor may provide negative assurance as to changes in specified financial statement items as of a date after the end of the most recent period for which the auditor has performed an audit or a review and before the date by which financial statements for the next annual or interim period are required to be filed, rather than limiting the ability to provide negative assurance to a specified number of days following period end. This approach would eliminate the current gaps in the auditor's ability to provide negative assurance created by the day count threshold when an issuer timely files. By linking the availability of negative assurance to applicable reporting deadlines set by the SEC rather than a fixed number of days, the proposed targeted amendments would better align AS 6101 with an issuer's reporting obligations, regardless of potential future changes to those obligations. Therefore, we believe that it is appropriate to amend AS 6101 and it is not necessary to wait on the final outcome of the proposed optional semiannual reporting.

This approach would also retain the existing provisions in AS 6101.47 that limit the auditor to reporting procedures performed and findings obtained when an issuer does not timely file. Hence, the auditor may not provide negative assurance under such circumstances.

The proposed targeted amendments would also (1) delete the existing examples that illustrate the application of the 135-day calculation, and (2) move the description of "subsequent changes" from those examples into the main provisions by adding parenthetical language indicating that such changes include increases or decreases in specified financial statement items. This clarification is intended to preserve the existing concept while recognizing that activity affecting a specified financial statement item during the change period may not always result in an increase or decrease in that item.[52]

As commenters acknowledged, existing AS 6101 can accommodate different reporting cadences. The proposed targeted amendments would clarify that an auditor may provide negative assurance before the date by which financial statements for the next annual or interim period are required to be filed. Similar to existing AS 6101, the proposed targeted amendments do not require the auditor to provide negative assurance for this period. By replacing the fixed-day convention with a filing deadline-based approach, the proposed targeted amendments also would address commenter concerns that retaining the 135-day convention could necessitate changes to existing comfort letter practices and imply a quarterly reporting cadence.

Figure 3 illustrates the effect of the proposed targeted amendments on the auditor's ability to provide negative assurance for non-accelerated filers that file quarterly.

Figure 3. Effect of the Proposed Targeted Amendments on Negative Assurance — Non-Accelerated Filers That File Quarterly

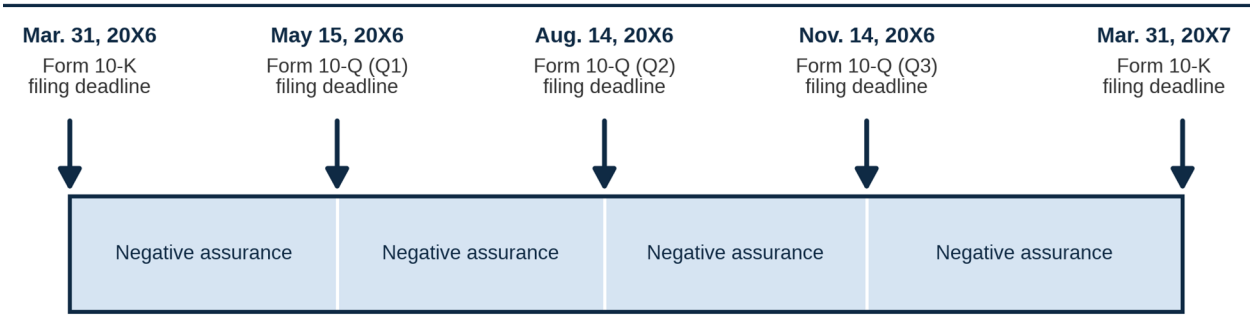


Figure 4 illustrates the effect of the proposed targeted amendments on the auditor's ability to provide negative assurance for non-accelerated filers that file semiannually if the SEC Proposal is adopted.

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52 *See* AS 6101.50 for a description of "change period."

Figure 4. Effect of the Proposed Targeted Amendments on Negative Assurance — Non-Accelerated Filers That File Semiannually



2. Deciding Whether to Provide Negative Assurance

As noted previously, existing AS 6101 does not require the auditor to provide negative assurance. As reinforced by commenters, existing AS 6101 does not preclude the issuance of a comfort letter if the auditor decides not to provide negative assurance on subsequent changes in a specified financial statement item or is prohibited from doing so. In those circumstances, the auditor may describe in the comfort letter the procedures performed and the findings obtained from those procedures. Currently, AS 6101 provides a day count threshold that governs when negative assurance could be provided, however, it does not provide any direction to auditors in deciding whether to provide negative assurance over subsequent changes within the permitted period. To address commenter concerns that providing negative assurance over a longer period may increase the likelihood of changes in an issuer's financial information that are not known to the auditor, we are proposing to add a note to AS 6101.46 that provides examples of factors that may inform the auditor's decision whether to provide negative assurance on such changes.

Note: The accountants may provide negative assurance as to subsequent changes in a specified financial statement item within the period described by this paragraph but are not required to do so.[31A] The following are examples of factors that may inform the accountants' decision whether to provide negative assurance:[31B]

- The length of the period between the end of the most recent period for which the accountants have performed an audit or review and the specified date for which negative assurance on subsequent changes was requested;
- Management's ability to respond to inquiries about changes in financial statement items through the specified date, for example, when the specified date does not coincide with a typical financial statement close date, such as month-end;
- Changes in senior management or key personnel at the company during the change period;[31C]

- The effectiveness of the company's internal control over financial reporting;
- The company's ability to continue as a going concern;
- Restatement activity or other retrospective changes to the specified financial statement item during the change period; and
- Appointment of new accountants during the change period.

[31A] Paragraphs .11-.21 describe general matters that are relevant to the scope of the comfort letter engagement and the related accountants' procedures. *See also* footnote 11 to paragraph .13.

[31B] If the accountants decide not to provide negative assurance over certain subsequent changes, the accountants are limited to reporting procedures performed and findings obtained as described in paragraph .47. *See also* paragraph .45.

[31C] *See* paragraph .50 of this standard for a description of "change period."

The proposed note is intended to remind auditors and users of comfort letters that providing negative assurance on subsequent changes in specified financial statement items is not solely a function of the amount of time that has passed since the end of the most recent audited or reviewed period. Other factors may affect the auditor's decision whether to provide such negative assurance. The proposed note provides examples of such factors and does not restrict the auditor's ability to provide negative assurance.

The factors described in the note are based, in part, on examples provided by commenters of circumstances that can influence the decision whether to provide negative assurance on subsequent changes in specified financial statement items. One firm observed that, in practice, they generally have not provided negative assurance when management is unable to respond to inquiries about subsequent changes through the specified date.[53] Another commenter suggested requiring extra audit procedures scaled to risk factors such as going concern, recent restatements, control weaknesses, or auditor changes.[54] These example factors, when present, may indicate greater risk to providing negative assurance. While we have not proposed specific procedures to be performed, we have integrated the suggestions made by commenters into the proposed note. These example factors alone or taken together may inform the auditor's decision to provide negative assurance. Also, the examples are not intended to be comprehensive and may not include all factors that could be relevant to the auditor's decision regarding whether to provide negative assurance.

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[53] *See* letter to the SEC from BDO.

[54] *See* letter to the PCAOB from Bansal.

Further, some commenters expressed a view that the current 135-day convention provides a useful guardrail.[55] We believe the proposed note may help to mitigate concerns about the potential negative impacts of removing that guardrail by expressly stating that the accountant is not required to provide negative assurance on subsequent changes and may choose not to provide such negative assurance. This language would not change the application of AS 6101.46. Rather, it reflects existing practice in which auditors provide negative assurance over subsequent changes in some financial statement items and report on the procedures performed and findings obtained for changes in other items.

We note that paragraphs .11-.21 of AS 6101 discuss the general matters that are relevant to the scope of the comfort letter engagement and the related limited procedures performed by the auditor. To provide further clarity in the proposed note about the auditor's role, we added a footnote to these provisions. This footnote also draws the auditor's attention to footnote 11 to paragraph .13, which indicates that "although the illustrations in this section [of AS 6101] describe procedures that may be followed by accountants as a basis for their comments in comfort letters, this section [of AS 6101] does not necessarily prescribe such procedures." This clarifies that the auditor's role with respect to a comfort letter is generally limited to performing the procedures requested by the underwriter and communicating the results in accordance with applicable standards.[56] The content of a comfort letter remains negotiated among the issuer, the underwriter, and the auditor, and depends on the circumstances of the offering, the matters on which the underwriter seeks information, and the matters on which the auditor can appropriately comment.

A new footnote would provide that the auditor is limited to reporting procedures performed and findings obtained as described in paragraph .47 if the auditor decides not to provide negative assurance over certain subsequent changes.

Questions

1. Do the proposed targeted amendments to paragraphs .46 and .47 adequately address the existing day count misalignments and any potential misalignments that may result from the extended filing deadline under the Filer Status Proposal or election of optional semiannual reporting under the SEC Proposal if adopted? Why or why not?

2. In the event that the SEC Proposal is not adopted by the SEC, should the PCAOB adopt the proposed targeted amendments to paragraphs .46 and .47? Why or why not?

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[55] *See* letters to the PCAOB from Bansal; BDO; CBIZ; Deloitte; EY; FEI CCR; ForvisMazars; GT; ICGN; KPMG; MIAG; RSM; and SIFMA. *See also* letters to the SEC from BDO and Deloitte.

[56] *See* AS 6101.12.

3. Are the proposed targeted amendments to modify the 135-day convention sufficient to preserve auditors' ability to provide negative assurance as to subsequent changes in financial statement items for semiannual filers, or are further amendments warranted? If so, please provide recommendations for additional amendments.

4. Does the proposed note to AS 6101.46 provide sufficient direction for auditors when deciding whether to provide negative assurance as to subsequent changes in financial statement items at a specified date? If not, why not?

5. Are there other example factors that should be provided in the proposed note to paragraph .46? If so, what are they?

6. Would these proposed targeted amendments change current practice? If so, describe what the auditor may do differently under the proposed targeted amendments that the PCAOB should consider.

B. Related Commenter Feedback

1. Interaction between Interim Reviews and Negative Assurance

Commenters expressed varying views on the dependencies that exist among providing negative assurance pursuant to AS 6101, the performance of reviews of interim financial information, and the availability of reviewed or otherwise supportable interim financial information.

Several commenters raised questions regarding the interaction between AS 4105[57] and AS 6101 for issuers that would elect semiannual reporting if the SEC Proposal were adopted.[58] One of these commenters questioned whether AS 6101 should continue to make negative assurance depend on a "formal" AS 4105 review within a fixed period, or instead on whether the accountant has recently performed analytical procedures and inquiries comparable to those performed in a review.[59] This commenter also stated that any expanded negative assurance framework should depend on the accountant having current interim financial information or accounting records to read and compare, and suggested the Board consider whether voluntarily

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[57] AS 4105, *Reviews of Interim Financial Information*, establishes requirements and provides direction for auditors' reviews of interim financial information. Pursuant to AS 4105, the auditor performs primarily analytical procedures and inquiries regarding interim financial information. The auditor then communicates to management and the audit committee whether the auditor is aware of any material modifications that should be made to the interim financial information for it to conform with the applicable financial reporting framework.

[58] *See* letters to the PCAOB from Crowe; Deloitte; KPMG; PwC; and SIFMA.

[59] *See* letter to the PCAOB from SIFMA.

prepared quarterly information, earnings releases, or similar disclosures could support negative assurance without requiring a full AS 4105 review.

Two commenters identified related issues regarding auditor involvement with interim or incomplete financial information that, in their view, may require further standard-setting analysis.[60] Other commenters suggested developing optional provisions under PCAOB standards for auditor involvement with voluntary quarterly information so issuers can obtain assurance on selected financial information without preparing full interim financial statements and footnotes.[61]

After considering these comments and the other matters discussed in this release, we are not proposing to change the relationship between the auditor's ability to provide negative assurance and the performance of the most recent audit or interim review. That relationship is an important safeguard because it ties the auditor's negative assurance to procedures performed under PCAOB standards and to the auditor's evaluation of the results of those procedures, together with the limited procedures that the auditor performs pursuant to AS 6101.45. Maintaining this linkage helps address the risks associated with providing negative assurance and supports investor protection by ensuring that such assurance continues to be grounded in the most recent audit or review performed.

2. Coordination Among Regulatory Bodies and Others

Coordination among regulators and other market participants was viewed by some commenters as a necessary implementation condition for any semiannual reporting framework and potential amendments to AS 6101. Commenters recommended that the SEC coordinate with the PCAOB on AS 6101's negative assurance limitation and comfort-letter practice;[62] with the Financial Accounting Standards Board ("FASB"), American Institute of Certified Public Accountants ("AICPA"), and auditing profession on accounting and assurance frameworks;[63] and with national securities exchanges, banking regulators, and other industry regulators on rules that reference quarterly reporting.[64] One of these commenters specifically urged that any PCAOB action and transition timing should be coordinated with the SEC's rulemaking, so market

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[60] *See* letters to the PCAOB from Deloitte and PwC.

[61] *See* letters to the SEC from FEI CCR; IMA FRC; Metrix Advisory LLC ("Metrix") (July 2, 2026); and Sullivan & Cromwell.

[62] *See* letters to the PCAOB from Crowe; ICGN; KPMG; PwC; SIFMA; and TXCPA. *See also* letters to the SEC from AIA; A&O Shearman; Audit Committee Council (June 26, 2026); Axon; Crowe; Deloitte; Edison Electric; FEI CCR; Freshfields; IMA FRC; KPMG; Nareit; NYSE; Pharmaceutical Companies Joint Response; RILA; SIFMA; Sullivan & Cromwell; Chamber; and Zukunft.

[63] *See* letter to the PCAOB from KPMG. *See also* letters to the SEC from Deloitte; KPMG; Sullivan & Cromwell; and Zukunft.

[64] *See* letters to the SEC from EY; NYSE; SIFMA; and SCG.

participants are not in a period where semiannual reporting is permitted but customary comfort is not available.[65]

In response to comments emphasizing the need for coordination among regulators and other market participants, we are monitoring the SEC's rulemaking activity and have discussed the comments received regarding potential changes to PCAOB standards with SEC staff. The proposed targeted changes to PCAOB standards are intended to reduce the risk of inconsistent regulatory outcomes and provide a more workable framework for issuers, underwriters, auditors, and other market participants.

IV. ECONOMIC ANALYSIS

The Board is mindful of the economic impacts of its rulemaking. This section discusses economic considerations related to the proposed targeted amendments, including a description of the baseline; the need for the rulemaking; consideration of benefits and costs; and alternatives considered. It also discusses considerations related to audits of emerging growth companies (EGCs).

A. Baseline

The Board has evaluated the potential benefits and costs of the proposed targeted amendments relative to a baseline in which AS 6101 remains unchanged and includes a fixed 135-day convention related to the provision of negative assurance, reflecting the quarterly reporting cadence that underlies the current framework. The baseline reflects a framework that has been in place for many years and under which issuers have conducted securities offerings, and market participants have adapted their practices, across a range of market conditions. As discussed below, the Board is considering whether changes in reporting practices and filing requirements may warrant updates to that framework.

1. The Role of Comfort Letters

This subsection provides a brief overview of how comfort letters fit into the broader process of public securities offerings, to provide context to understand the potential effects of the proposed targeted amendments.

When issuers raise capital through public securities offerings, they typically engage investment banks or other financial institutions to act as underwriters and assist in structuring, marketing, and distributing the securities. Under the securities laws, underwriters are subject to liability for material omissions or misstatements in the registration statement. The Securities Act, however, provides an affirmative defense if an underwriter can demonstrate that it conducted a reasonable investigation and had reasonable grounds to believe that the

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[65] *See* letter to the PCAOB from SIFMA.

registration statement did not contain any material omissions or misstatements.[66] This liability framework is intended, in part, to help protect investors by encouraging underwriters to perform due diligence regarding information provided to investors.[67] Comfort letters play a role in this process. While comfort letters are not required by law or regulation, underwriters generally request them from auditors as part of their due diligence process to help assess the reliability of information provided to investors.[68] As a result, underwriters commonly undertake a variety of due diligence procedures in connection with public securities offerings. Comfort letters may be one component in that due diligence process. Although comfort letters are not required by law or regulation, underwriters generally request them from the issuer's auditor in connection with financial information included in the registration statement.

One reason comfort letters can be important is that registration statements often include financial information more recent than the issuer's last audited or reviewed financial statements. As part of their due diligence, underwriters may consider whether this interim financial information remains reliable as of the offering date and whether there are any subsequent changes that are material. For example, if a registration statement discloses the amount of long-term debt outstanding as of a recent quarter end, underwriters may consider whether, as of the offering date, there have been any changes to the amount of long-term debt that would affect that disclosure in a way that would be materially misleading to investors.

A comfort letter may provide negative assurance as to subsequent changes in specified financial statement items in a registration statement.[69] Alternatively, a comfort letter may describe procedures performed by the auditor and the findings obtained from those procedures.[70] As only one part of the underwriters' due diligence process, a comfort letter is

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66 *See* AS 6101.02.

67 The underwriter's role in investor protection is reflected in case law. *See Gustafson v. Alloyd Co.*, 513 U.S. 561, 581 (1995) (Underwriters bear a "moral responsibility to the public" that is "particularly heavy" by virtue of their role in the sale of securities.) (quoting H.R. Rep. No. 85, 73d Cong., 1st Sess., at 5 (1933)). *See also Chris-Craft Indus. v. Piper Aircraft Corp.*, 480 F.2d 341, 370 (2d Cir. 1973) ("No greater reliance in our self-regulatory system is placed on any single participant in the issuance of securities than upon the underwriter…. Prospective investors look to the underwriter … to pass on the soundness of the security and the correctness of the registration statement and prospectus."); *Dudley Feit v. Leasco Data Processing Equip. Corp.*, 332 F. Supp. 544, 581 (E.D.N.Y. 1971) (Underwriters' "duty is to the investing public under Section 11 as well as to their own self-interest and that duty cannot be taken lightly.").

68 For more discussion of the role of comfort letters, *see* Thomas G. Noland and J. Russell Hardin, *A Closer Look at Comfort and Verification Letters,* 29 Journal of Corporate Accounting & Finance 80 (2018). *See also* Ben Chester Cheong, *Avoiding Liability–The Role of Auditors and Comfort Letters in Capital Markets Transaction*, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3862606 (2021).

69 *See* AS 6101.12.

70 *See* AS 6101.47.

neither a necessary nor, by itself, a sufficient element of establishing that the underwriters have conducted a reasonable investigation.[71]

Although existing AS 6101 provides direction to auditors on issuing comfort letters, the underwriters remain responsible for determining the nature and extent of the due diligence needed to satisfy their obligations. The auditor's role is generally limited to performing the requested procedures and communicating the results in accordance with applicable standards.[72] The content of a comfort letter is negotiated among the issuer, the underwriter, and the auditor, and depends on the circumstances of the offering, the matters on which the underwriter seeks information, and the matters on which the auditor can appropriately comment.

2. Availability of Negative Assurance in Relation to Financial Reporting Requirements

Existing AS 6101 provides that an auditor may not provide negative assurance regarding subsequent changes in specified financial statement items as of a date that is 135 days or more after the end of the most recent audit or review period.[73] This timeframe generally corresponds to the timing of quarterly financial statement filings for U.S. issuers. Throughout most of the year, the issuer's auditor should have reviewed the interim financial information contained in the issuer's most recent quarterly financial report before the 135th day following the end of the previous quarterly (or annual) financial reporting period (provided that the financial report has been filed in accordance with the timing requirements set forth in existing SEC requirements).[74] Currently, for all issuers, the period between the end of the third quarter and the annual

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[71] *See* AS 6101.02. *See also In re Worldcom, Inc. Securities Litigation*, 346 F.Supp.2d 628, 683 (S.D.N.Y. 2004) ("In order to succeed with a due diligence defense, the Underwriter Defendants will have to show that they conducted a reasonable investigation of the non-expertised portions of the Registration Statements and thereafter had reasonable ground to believe that the interim financial statements were true. In assessing the reasonableness of the investigation, their receipt of the comfort letters will be important evidence, but it is insufficient by itself to establish the defense."). Comfort letters generally are not made available to the public, and we are not aware of data on the prevalence of negative assurance. Several commenters noted that negative assurance is customary and stated that it is an important component of underwriters' due diligence efforts. *See* letters to the PCAOB from Deloitte; SIFMA; and FEI CCR. *See also* letters to the SEC from Deloitte; Edison Electric; FEI CCR; KPMG; SIFMA; Business Roundtable; NYSE; Freshfields; A&O Shearman; and Chamber.

[72] *See* AS 6101.12.

[73] *See* AS 6101.47.

[74] For non-accelerated filers, there are one to two days at the end of some quarters that fall before the deadline of the next required financial statement filings but are 135 or more days after the end of the period covered by the previous financial statement filings. *See* Figure 1 in Section III.A.

reporting deadline is 135 days or more and, for some issuers, may be as long as 182 days.[75] At other times of the year, the current requirements that domestic issuers file quarterly financial statements and obtain timely review of these quarterly financial statements by an auditor mean that the 135-day convention specified by existing AS 6101 does not meaningfully constrain auditors' ability to provide negative assurance.

Potential changes to financial statement reporting deadlines could increase the frequency or duration of periods during which auditors are unable to provide negative assurance under the 135-day convention, beyond those that already exist under the current reporting framework. For example, if the SEC Proposal is adopted, the time between the end of a financial statement period and the next filed financial statements would generally exceed the 135-day convention for semiannual filers.[76] In addition to the SEC Proposal, other potential future changes to SEC reporting requirements could also create periods in which the time between the most recent audited or reviewed period and the due date of the next required periodic filing is 135 days or more.[77]

The practical significance of the 135-day convention depends in part on how many issuers face long periods in which negative assurance is unavailable. For example, under the SEC Proposal, the effect of the 135-day convention would depend on how many issuers elect semiannual reporting, how many of these issuers participate in capital raising during these periods, and how market participants respond when negative assurance is unavailable. The number of issuers that would opt for semiannual reporting is uncertain and we do not have sufficient information to estimate it reliably.[78] The issuer's decision could be affected by, among

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[75] *See* Section III.A. Accelerated filers have shorter filing deadlines for annual reports, which can reduce the gap between the third-quarter financial statements and when the annual report is due.

[76] References to the impacts of the proposed targeted amendments in relation to the potential adoption of the SEC Proposal assume adoption of the SEC Proposal in its proposed form or a substantially similar form.

[77] For example, the Filer Status Proposal would create a new subcategory of small non-accelerated filers that would have 120 days to file their annual financial reports after the fiscal year end. This extended filing deadline would create a potential gap of up to 212 days between the end of the third quarter and the date when the year-end financial statements are filed. *See* Filer Status Proposal at 103.

[78] The SEC in its release stated that it was unable to predict with certainty how many reporting companies would elect semiannual reporting but assumed that 80 percent of issuers would retain quarterly reporting and that 20 percent would switch to semiannual reporting for the purpose of computing annual aggregate monetized effects. *See* SEC Proposal at 125. A CFA Institute research study suggests that in the U.K., the transition from mandatory quarterly reporting to mandatory semiannual reporting had a limited effect on reporting practices. U.K. public companies were required to issue limited quarterly reports from 2007 to 2014, which were typically not reviewed by auditors. Following the elimination of the quarterly reporting requirement in 2014, fewer than ten percent of companies had stopped releasing quarterly information by the end of 2015 with the remainder choosing to

many other factors, its own judgment and that of underwriters regarding the importance of quarterly financial statements for investors, which likely varies according to the issuer's characteristics.[79]

An issuer may choose to provide additional interim financial information when raising capital even when that information is not required under existing applicable reporting requirements. Some commenters noted that including interim financial information, even if not required, can be a way of enhancing marketability and meeting investor demands.[80] Academic research suggests that issuers seeking to raise capital have incentives to provide additional disclosures because information asymmetry between issuers and investors can increase the cost of external financing or otherwise impede access to financing.[81]

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voluntarily release quarterly information in lieu of quarterly reporting. *See* The CFA Institute Research Foundation, *Impact of Reporting Frequency on UK Public Companies* (Mar. 1, 2017), *available at* https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/rf-brief/rfbr-v3-n1-1-pdf.pdf. A survey of CFOs, Controllers, and Chief Accounting Officers conducted by KPMG found that 39 percent of respondents said their organization would continue filing quarterly reports; another 39 percent said they would stop filing quarterly reports but that they would release quarterly earnings press releases; and approximately 10 percent said that they would switch to semiannual reporting and provide limited or no quarterly information. Ninety-four percent of respondents said they would retain their internal quarterly governance and oversight. Forty-six percent of respondents said that capital market access concerns were a key factor affecting their willingness to adopt semiannual reporting. This suggests that some issuers that elect not to file quarterly reports might nonetheless retain the capacity to prepare interim financial information when needed for capital raising. *See* KPMG, *SEC Proposed Amendments: Semiannual Reporting and Accelerated Filer Status* (2026), *available at* https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2026/sec-proposed-amendments.pdf.

[79] For example, the SEC stated that commenters have noted that potential investors in pre-revenue biotechnology companies might be less interested in quarterly financial results than in the outcome of clinical developments and regulatory events. *See* SEC Proposal at 70-71.

[80] *See* letter to the PCAOB from CAQ. *See also* letters to the SEC from CAQ; Deloitte; and PwC.

[81] Studies of equity issuance document increases in voluntary disclosure around anticipated offerings and find that such disclosures are associated with lower information asymmetry between issuers and investors and lower costs of raising equity capital, and research on debt financing suggests that more timely and detailed corporate disclosure is associated with lower borrowing costs. *See, e.g.*, Stewart C. Myers and Nicholas S. Majluf, *Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have*, 13 Journal of Financial Economics 187 (1984); Paul M. Healy and Krishna G. Palepu, *Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature*, 31 Journal of Accounting and Economics 405 (2001); Jun Chen, Ningzhong Li, and Xiaolu Zhou, *Equity Financing Incentive and Corporate Disclosure: New Causal Evidence from SEO Deregulation*, 28 Review of Accounting Studies 1003 (2023); Nemit Shroff, Amy X. Sun, Hal D. White, and Weining Zhang, *Voluntary Disclosure and Information Asymmetry: Evidence from the 2005 Securities Offering Reform*, 51 Journal of Accounting Research 1299 (2013); and Partha

The experience of foreign private issuers may provide insight into how market participants respond when additional interim financial information is not required, although differences in reporting regimes, issuer characteristics, investor expectations, and offering practices may limit the extent to which the experience of foreign private issuers can be generalized to domestic issuers. Unlike domestic issuers, foreign private issuers are not subject to SEC quarterly reporting requirements, and interim financial statements furnished on Form 6-K are not required to be reviewed by an auditor. However, when foreign private issuers raise capital in U.S. markets, their underwriters remain subject to liability under U.S. securities laws and, therefore, continue to have incentives to conduct due diligence in connection with the offering. Some commenters noted that foreign private issuers raising capital in U.S. public offerings frequently provide interim financial information even when not required by SEC reporting rules.[82] Another commenter wrote that auditors of foreign private issuers that report semiannually issue comfort letters in registered offerings, and that underwriters may request incremental procedures when the 135-day convention limits negative assurance.[83]

Questions

7. We request comments generally on the baseline for evaluating the economic impacts of the proposed targeted amendments. Is there any additional information regarding auditors' considerations when providing negative assurance in connection with comfort letters, including academic studies or data that we should consider? If so, please provide such studies or data.

8. We request comments generally on providing negative assurance as to subsequent changes in financial statement items pursuant to existing AS 6101. Please provide as much detail as possible, including how often negative assurance is not provided due to the 135-day convention in existing AS 6101 and describe how the absence of negative assurance affects capital-raising activities,

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Sengupta, *Corporate Disclosure Quality and the Cost of Debt*, 73 The Accounting Review 459 (1998). Recent evidence from the U.S. OTC markets finds that greater disclosure is associated with a greater likelihood of raising equity and a larger amount of equity raised from outside investors. *See* Thomas Bourveau, Emmanuel T. De George, Atif Ellahie, Mac Gaulin, and Ching-Chuan (David) Wang, *When Audit Is a Choice: Disclosure, Verification, and Capital Formation in the U.S. OTC Markets*, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5856643 (2026).

[82] *See* letter to the PCAOB from CAQ. *See also* letters to the SEC from CAQ; EY; FEI CCR; PwC; and GT. A comment letter from a law firm regarding a 2025 SEC Concept Release more specifically stated that the application of AS 6101's 135-day limitation has resulted in foreign private issuers providing U.S. investors with quarterly financial information in connection with registered offerings, notwithstanding the absence of a general quarterly reporting requirement. *See* letter to the SEC from Clifford Chance US LLP regarding *Concept Release on Foreign Private Issuer Eligibility,* SEC Rel. No. 33-11376 (June 4, 2025) *available at* https://www.sec.gov/comments/s7-2025-01/s7202501-652088-1951114.pdf.

[83] *See* letter to the PCAOB from BDO. *See also* letter to the SEC from BDO.

including any effects on issuers, underwriters, investors, transaction timing, or costs. Please provide data or anecdotal examples.

B. Need

We are proposing targeted amendments to AS 6101 to reduce the potential for the standard to unnecessarily constrain timely access to capital markets in light of current and potential future financial statement filing deadlines. Currently, the 135-day convention set out in AS 6101 generally works in tandem with the SEC's required quarterly reporting cadence but can create periods during which auditors are unable to provide negative assurance before the next audited or reviewed financial statements become available. The potential effects of this timing relationship could become more pronounced if the SEC Proposal is adopted, as issuers that elect to report semiannually would have well over 135 days between the end of the most recent audited or reviewed period and the next required financial reporting filing deadline.[84] Absent the proposed targeted amendments to AS 6101, auditors of these issuers would be unable to provide negative assurance as to subsequent changes in specified financial statement items as of a date 135 days or more following the end of the most recent period audited or reviewed by the accountant unless issuers voluntarily prepared, and auditors reviewed, interim financial statements beyond those required by SEC rules.

Some issuers may wish to raise capital 135 days or more after the end of the most recently audited or reviewed period and prior to filing their next required financial reports. Many commenters noted that if the SEC Proposal were to be adopted and AS 6101 were not amended, issuers choosing semiannual reporting may experience difficulty accessing capital markets during these intervals because underwriters may be unwilling to engage in offerings after the 134-day period without an auditor's negative assurance.[85] In situations in which auditors may otherwise be willing and able to provide negative assurance 135 days or more after the end of the most recently audited or reviewed period, the time limit currently imposed by AS 6101 would limit their ability to do so.

Many commenters observed that the timing requirements in AS 6101.46 and .47 are misaligned with a semiannual reporting cadence.[86] One commenter stated that a semiannual filer with a fiscal first half ending June 30th would face stale financial statements under AS 6101

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[84] *See* Figures 1 and 2 in Section III.A.

[85] *See* letters to the SEC from AIA; A&O Shearman; Davis Polk; Edison Electric; ExxonMobil; FEI CCR; IMA FRC; KPMG; NYSE; Pharmaceutical Industries Joint Response; SIFMA; Sullivan & Cromwell; Chamber; and Zukunft. *See also* letters to the PCAOB from FEI CCR and SIFMA.

[86] *See* letters to the SEC from AIA; A&O Shearman; Axon; Business Roundtable; CBIZ; Davis Polk; Edison Electric; ExxonMobil; FEI CCR; Freshfields; IMA FRC; KPMG; Nareit; NYSE; Pharmaceutical Companies Joint Response; RILA; SIFMA; SCG; Sullivan & Cromwell; and Chamber. *See also* letters to the PCAOB from Bansal; CBIZ; FEI CCR; ICGN; MNP; and SIFMA.

by mid-November.[87] This commenter stated that any capital markets transaction after that point could require the preparation of additional interim financial information solely to satisfy the comfort letter requirement, thereby reducing some of the cost savings the SEC Proposal is intended to provide. Another commenter emphasized the role of comfort letters in underwriter due diligence to address potential securities-law liabilities, warning that leaving AS 6101 unchanged could force underwriters either to proceed without customary comfort or decline transactions, thereby limiting issuers' market access.[88] The proposed targeted amendments to AS 6101 are intended to address these concerns.

Other commenters disagreed that amendments to AS 6101 are necessary, arguing that the existing requirements are able to accommodate semiannual reporting.[89] These commenters noted that existing AS 6101 already permits comfort letters that report procedures performed and findings obtained without providing negative assurance. Some commenters also pointed to the experience of foreign private issuers, which are typically not subject to quarterly reporting requirements, arguing that the current 135-day convention operates successfully in regard to comfort letters for these issuers.[90] Two commenters stated that foreign private issuers typically prepare interim financial statements beyond what is required by applicable reporting rules.[91]

The proposed targeted amendments would not change the legal standards that govern underwriters' liability under the securities laws and their need to conduct a reasonable investigation, although they could affect the nature and availability of comfort letters supporting underwriters' due diligence. Underwriters would still need to determine what due diligence procedures they require and whether and how negative assurance from the issuer's auditor contributes to that. As under existing AS 6101, the proposed targeted amendments would not require auditors to provide negative assurance over subsequent changes. In response to underwriters' requests, auditors would continue to decide whether to provide negative assurance over subsequent changes.

Question

9. The Board requests comments generally on the need for rulemaking. Should we consider any additional arguments, academic studies, or data related to the need for rulemaking?

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87 *See* letter to the SEC from RILA.

88 *See* letter to the PCAOB from SIFMA. *See also* letter to the SEC from SIFMA.

89 *See* letters to the PCAOB from Baker Tilly; BDO; CAQ; Deloitte; and KPMG. *See also* letters to the SEC from Baker Tilly; BDO; CAQ; Deloitte; EY; GT; and PwC.

90 *See* letters to the PCAOB from BDO; Deloitte; CAQ; and KPMG.

91 *See* letter to the PCAOB from CAQ. *See also* letter to the SEC from PwC.

C. Economic Impacts

This section discusses the potential benefits and costs of the proposed targeted amendments. The analysis discusses impacts against a regulatory baseline in which the 135-day convention in existing AS 6101 remains in place. It specifically takes into consideration comments related to AS 6101 in the context of the potential adoption of the SEC Proposal; however, the impacts described would generally apply to any situation in which issuers raise capital when 135 days or more have passed since the period covered by their most recent audited or reviewed financial statements. The analysis is largely qualitative in nature because we are unable to quantify the economic effects due to a lack of information necessary to provide reasonable quantitative estimates. For example, assuming that the SEC Proposal is adopted in its proposed or substantially similar form, there is a lack of information about its potential impact on the behavior of issuers, auditors, investors, and underwriters.

The overall effect of the proposed targeted amendments would be that auditors could provide negative assurance as to subsequent changes in specified financial statement items for issuers that raise capital during periods in which 135 days or more have elapsed between the most recent period for which financial statements were audited or reviewed and the filing deadline for the next annual or interim period, whether under existing or potential reporting requirements. As discussed below, the potential impacts of this change depend on how much the existing 135-day convention constrains the comfort letter approach under the baseline, e.g., underwriters' willingness to engage in offerings with comfort letters that only report procedures performed and findings obtained.

The proposed targeted amendments would add a note to paragraph .46 that would provide examples of factors that may inform the auditor's decision about whether to provide negative assurance. Auditors, underwriters, and issuers would continue to determine the procedures to be performed and level of comfort appropriate for a particular transaction, and auditors would continue to decide whether to provide negative assurance over subsequent changes. Underwriters would remain responsible for conducting a reasonable investigation and establishing any available due diligence defense under the securities laws, and issuers would continue to face capital-market incentives to provide information and assurance arrangements that facilitate access to financing. Accordingly, while the proposed targeted amendments would remove the current 135-day convention, they would not alter the fundamental incentives, responsibilities, and liability exposures that influence assurance decisions in securities offerings.

The economic analysis included in the SEC Proposal notes that the SEC Proposal could have potential effects on efficiency, competition, and capital formation, in part by altering the information environment faced by investors.[92] If the proposed targeted amendments affect whether issuers elect semiannual reporting under the SEC Proposal, if adopted, they could

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92 *See* SEC Proposal at 130-134.

amplify or mitigate the SEC Proposal's effects on efficiency, competition, and capital formation at the margin.

However, we expect any effects of the proposed targeted amendments on issuers' decisions about reporting frequency to be quite limited. As discussed above, the proposed targeted amendments would not alter issuers' underlying disclosure obligations, and the availability of negative assurance is only one factor in the underwriter's overall due diligence process. To the extent that the proposed targeted amendments were to affect some issuers' decisions about disclosures or capital raising, the effects of these decisions may be constrained by the continuing information demands of investors, analysts, creditors, and other market participants. Accordingly, while we discuss certain specific effects below, we do not expect the proposed targeted amendments to have a significant overall effect on efficiency, competition, or capital formation.

1. Benefits

Under the proposed targeted amendments, issuers and underwriters would be able to seek negative assurance as to subsequent changes in specified financial statement items throughout the year irrespective of issuers' reporting frequency and schedule (provided that issuers adhere to required periodic filing deadlines). The benefits of being able to do so depend on what the issuer, underwriter, and auditor choose to do under the baseline in which the 135-day convention remains in effect. Retaining the 135-day convention would mean that, during parts of the year, the auditor would be unable to provide negative assurance. The inability to obtain negative assurance as of a date beyond the 135-day convention may require the issuer and underwriter to bear certain costs, for example the cost of obtaining additional interim reviews, adjusting the timing of a capital raising transaction, or increased liability risk.[93] These costs would be more likely to occur during longer periods beyond the 135-day convention but could apply to any period in which negative assurance is unavailable under existing AS 6101. The chief economic benefits expected from the proposed targeted amendments come from avoiding these costs.

More specifically, depending on circumstances, the proposed targeted amendments could create one of three types of benefits:

Avoiding the costs of additional interim financial statements and reviews. The proposed targeted amendments could help some issuers avoid the additional cost to voluntarily prepare, and obtain auditor reviews of, additional interim financial statements when obtaining a comfort letter with negative assurance for changes in specified financial statement items for a period outside of the 135-day convention. Issuers might also avoid an additional delay in the process of raising capital. Two commenters suggested that semiannual filers attempting to raise capital would likely seek voluntary reviews of interim financial statements if AS 6101 were not

[93] *See* letter to the SEC from SIFMA.

amended.[94] To the extent this is the case, for issuers that frequently raise capital, the proposed targeted amendments may increase the benefits of adopting semiannual reporting.

The magnitude of this benefit is affected by several factors. The benefit would be reduced to the extent that the direct costs of obtaining an interim review would be offset by capital market benefits of providing more recent reviewed financial statements (such as enhanced liquidity and lower cost of capital). A survey conducted by KPMG suggests that a large majority of issuers would expect to retain their internal quarterly governance, oversight, and book-closing practices if the SEC Proposal were adopted,[95] which may limit the cost of preparing and obtaining reviews of quarterly financial statements on an ad hoc basis. Taking these factors into consideration, issuers that would switch to semiannual reporting may choose to obtain reviews of quarterly financial information when they are seeking to raise capital, regardless of the proposed targeted amendments to AS 6101. Underwriters may request a review of interim financial statements more recent than the latest semiannual or annual filing to improve capital raising even if it is not required to obtain negative assurance. To the extent that issuers that elect semiannual reporting would continue to include more recently reviewed financial statements in their registration statements, the benefits of the proposed targeted amendments would be reduced.

Reducing the need for additional due diligence steps. Under the baseline, when the 135-day convention prevents the auditor from providing negative assurance as to subsequent changes in specified financial statement items, existing AS 6101.47 provides that the auditor is limited to reporting procedures performed and findings obtained. Because reporting procedures performed and findings obtained differ from providing negative assurance, underwriters may determine that additional due diligence procedures are appropriate in some circumstances. For example, underwriters may seek certifications from the issuer's management as to specified financial statement items. By eliminating the 135-day convention, the proposed targeted amendments could reduce the need for underwriters to undertake additional due diligence and reduce the overall costs to issuers and underwriters of an offering. The benefit of the additional value of negative assurance described in these circumstances would be realized only for situations in which the underwriter requests and the auditor decides to provide negative assurance in light of relevant factors, including how long it has been since the last audit or review of the issuer's financial statements.

Greater flexibility in the timing of capital raising. Removing the 135-day convention could benefit issuers by permitting them to raise capital at times when the 135-day convention would limit negative assurance as to subsequent changes in specified financial statement items,

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94 *See* letters to the SEC from FEI CCR and Sullivan & Cromwell.

95 *See* KPMG, *SEC Proposed Amendments: Semiannual Reporting and Accelerated Filer Status* (2026), *available at* https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2026/sec-proposed-amendments.pdf.

potentially reducing the cost of capital. Absent the proposed targeted amendments, issuers could decide to issue securities only during times of the year that are less than 135 days after the end of a financial reporting period. The magnitude of this benefit would depend on the frequency with which issuers would otherwise need to adjust the timing of securities offerings, as well as the increase in the cost of capital that would result from less favorable timing of a securities offering.[96]

To the extent that greater flexibility in the timing of capital raising reduces such financing costs or accelerates access to capital, it could allow issuers to undertake value-enhancing investments earlier or avoid reducing investment, potentially increasing or preserving company value for investors. These potential effects may be greater for investors in issuers that rely more heavily on external financing to fund investment.[97] Greater flexibility in offering timing could, however, affect existing and new investors differently. For example, more favorable timing of an equity offering could enable an issuer to raise the same amount of capital by issuing fewer shares, reducing dilution for existing investors. The effect on new investors would depend on the price paid relative to the fundamental value of the shares.[98] The effects among existing investors may vary with their investment horizons and trading behavior and may also depend on the nature of any mispricing in the issuer's securities.[99]

The benefits described above are likely to vary across issuers and transactions. In particular, if the SEC Proposal were adopted, capital raising transactions involving issuers that choose to retain quarterly filings would be less affected by the proposed targeted amendments. As discussed in the baseline, we do not have sufficient information to estimate the number of issuers that would switch to semiannual reporting under the SEC Proposal. Issuers that choose to retain quarterly reporting may do so to avoid any potential impediments to accessing capital

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[96] Academic research indicates that issuers time securities offerings in response to a variety of considerations, including market valuations and investor demand. *See, e.g.*, Malcolm Baker and Jeffrey Wurgler, *Market Timing and Capital Structure*, 57 Journal of Finance 1 (2002); and Michele Dathan and Sergei Davydenko, *Debt Issuance in the Era of Passive Investment,* 72 Management Science 2565 (2026).

[97] *See, e.g.,* Malcolm Baker, Jeremy C. Stein, and Jeffrey Wurgler, *When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms*, 118 Quarterly Journal of Economics 969 (2003) (finding that investment is more sensitive to stock prices among issuers that depend on external equity to finance marginal investments).

[98] *See, e.g.,* Baker and Wurgler, *Market Timing and Capital Structure* (noting that equity market timing by issuers may benefit continuing shareholders at the expense of entering and exiting shareholders).

[99] *See, e.g.,* Ilona Babenko, Yuri Tserlukevich, and Pengcheng Wan, *Is Market Timing Good for Shareholders?*, 66 Management Science 3542 (2020) (developing a model in which the effects of issuers' equity market timing vary because investors who sell may not realize the same longer-term gains as those who continue to hold their shares, with the effects also depending on whether shares are underpriced or overpriced).

markets. This suggests that the issuers that switch to semiannual reporting may be more likely to include those whose capital-raising is not significantly affected by their reporting cycle.[100]

Apart from the benefits described above, the proposed targeted amendments may also benefit both auditors and users of comfort letters by providing additional direction about the auditor's decision to provide negative assurance over subsequent changes. The proposed targeted amendments include a note to paragraph .46 which specifies that auditors may decide not to provide negative assurance even if the timing falls within the allowable period for providing negative assurance as to subsequent changes. The note also includes examples of the factors that may inform the auditor's decision whether to provide negative assurance as to subsequent changes in specified financial statement items. The note may enhance understanding by the users of comfort letters of the kinds of factors considered by auditors when deciding whether to provide negative assurance over subsequent changes, thus reducing costs associated with negotiations related to comfort letters.

Questions

10. Are there additional potential benefits that should be considered? If so, what are they? Are the benefits quantifiable? If so, please provide as much detail as possible with supporting data or analysis.

11. Are there additional academic studies or data related to the potential benefits of the proposed targeted amendments that we should consider? If so, please provide citations or other reference information for such studies and data.

2. Costs

Firms would likely need to update their methodologies and procedures related to comfort letters in response to the proposed targeted amendments.[101] They may incur certain fixed costs (i.e., costs that are generally independent of the number of audits performed), including costs to update comfort letter methodologies, templates, and tools; prepare training materials; and train staff. Global network firms[102] and some non-affiliated firms[103] are likely to

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100 *See* SEC Proposal at 123.

101 *See* Section II.C for a discussion of firm methodologies.

102 Global network firms are the U.S. member firms of the six global accounting firm networks (BDO International Ltd., Deloitte Touche Tohmatsu Ltd., Ernst & Young Global Ltd., Grant Thornton International Ltd., KPMG International Ltd., and PricewaterhouseCoopers International Ltd.). The U.S. global network firms are BDO USA P.C., Deloitte & Touche LLP, Ernst & Young LLP, Grant Thornton LLP, KPMG LLP, and PricewaterhouseCoopers LLP.

103 Non-affiliated firms are both U.S. and non-U.S. accounting firms registered with the Board that are not global network firms. Some of the non-affiliated firms belong to international networks.

update their methodologies using internal resources, whereas other non-affiliated firms are likely to purchase updated methodologies from external vendors.

In addition to the fixed costs discussed above, the proposed targeted amendments may result in incremental engagement-level costs in some transactions. Several commenters stated that amending AS 6101 to eliminate the fixed 135-day convention would generate increased risks.[104] One commenter stated that, due to the increased risks, auditors would need to determine what procedures would be necessary to obtain the level of comfort desired in a particular transaction.[105] We acknowledge that a longer timeframe between audited or reviewed financial statements and the date of negative assurance may lead to a greater probability of changes in an issuer's financial data of which the auditor is not aware. As a result, the proposed targeted amendments may result in additional engagement-level costs in some transactions, including changes in the limited procedures the auditor performs pursuant to AS 6101.45, additional auditor hours, and related fees. Parties negotiating over the content of comfort letters may also be less able to rely on precedent and may incur increased transaction costs. The frequency and magnitude of engagement-level costs are uncertain because they would depend on the circumstances of individual transactions and the judgments of auditors, underwriters, and issuers regarding the level of comfort sought.

Finally, the proposed targeted amendments may impose costs on some issuers, which would likely be borne primarily by existing investors. A longer interval between the most recent audited or reviewed financial statements and the securities offering may increase the risk that available financial information does not reflect more recent developments. Because the procedures underlying negative assurance are limited, a longer interval may also increase the risk that material changes are not identified and that underwriters place undue reliance on the resulting negative assurance. To the extent that this increases information asymmetry between

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104 *See* letters to the PCAOB from Bansal; MNP; Deloitte; ForvisMazars; BDO; EY; and GT. Some of these commenters stated that the PCAOB should consider whether negative assurance issued in an extended timeframe should require extra auditor procedures. One commenter stated that extending the 135-day convention in AS 6101 could widen the expectations gap and increase auditor association with less relevant or higher risk information. *See* letter to the PCAOB from EY. However, the audit expectations gap typically refers to differences between auditors' understanding of their duties and responsibilities in preparing an audit report compared to the expectations of financial statement users about those duties and responsibilities. Comfort letters are not audit reports and inherently involve a lower level of assurance compared to audit reports, and their primary users are underwriters, who are sophisticated financial actors. However, we acknowledge that revising when negative assurance can be provided, as in the proposed targeted amendments, may lead parties to reassess their understanding of negative assurance, which could increase transaction costs in the short run.

105 *See* letter to the PCAOB from Deloitte.

issuers and investors, it could affect the pricing of securities offerings.106 Market participants may respond by demanding a risk premium, increasing the cost of capital for issuers when underwriters rely on comfort letters that provide negative assurance over longer periods. If affected issuers proceed with offerings despite the higher cost of capital, existing shareholders may experience greater dilution to the extent that a lower offering price requires issuers to sell more shares to raise a given amount of capital. These risks, however, would be mitigated by the continuing incentives of underwriters and issuers to ensure the accuracy and completeness of information included in securities offerings. Accordingly, we expect any incremental effects associated with these risks to be limited.

Questions

12. Are there additional potential costs that should be considered? If so, what are they? Are the costs quantifiable?

13. Are there academic studies or data related to the potential costs of the proposed targeted amendments that we should consider? If so, please provide citations or other reference information for such studies and data.

14. The Board requests comments generally on the potential unintended consequences of the proposed targeted amendments. Are there potential unintended consequences that the Board should consider? If so, what are they? What responses should be considered?

15. Are there academic studies or data related to the potential unintended consequences of the proposed targeted amendments that we should consider? If so, please provide citations or other reference information for such studies and data.

16. Are there any other economic impacts we did not describe above that are relevant to the Board's consideration?

D. Alternatives Considered

1. Retaining and Expanding Day Count Requirements in AS 6101.46-.47

We considered retaining the existing 135-day convention for quarterly filers and introducing a 225-day convention applicable to semiannual reporting periods (e.g., extending the current 135-day framework to a 225-day period for semiannual filers). The introduction of

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106 Academic research indicates that information releases can affect the timing and pricing of equity offerings. *See, e.g.*, Robert A. Korajczyk, Deborah J. Lucas, and Robert L. McDonald, *The Effect of Information Releases on the Pricing and Timing of Equity Issues*, 4 Review of Financial Studies 685 (1991).

additional day counts could increase complexity and create the potential for future inconsistencies between PCAOB and SEC requirements. Also, fixed day conventions could become outdated if the SEC amends its reporting requirements in the future, necessitating further revisions to AS 6101.

Figure 5 illustrates how the 135-day convention alternative would be applied for issuers who continue to report on a quarterly basis.[107]

Figure 5. Application of the 135-Day Count Alternative

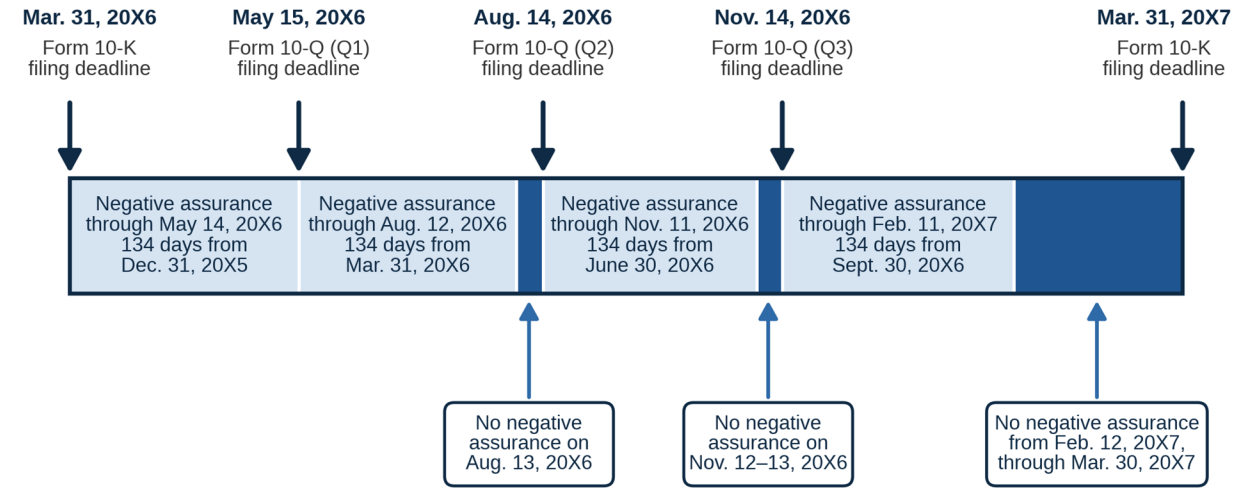


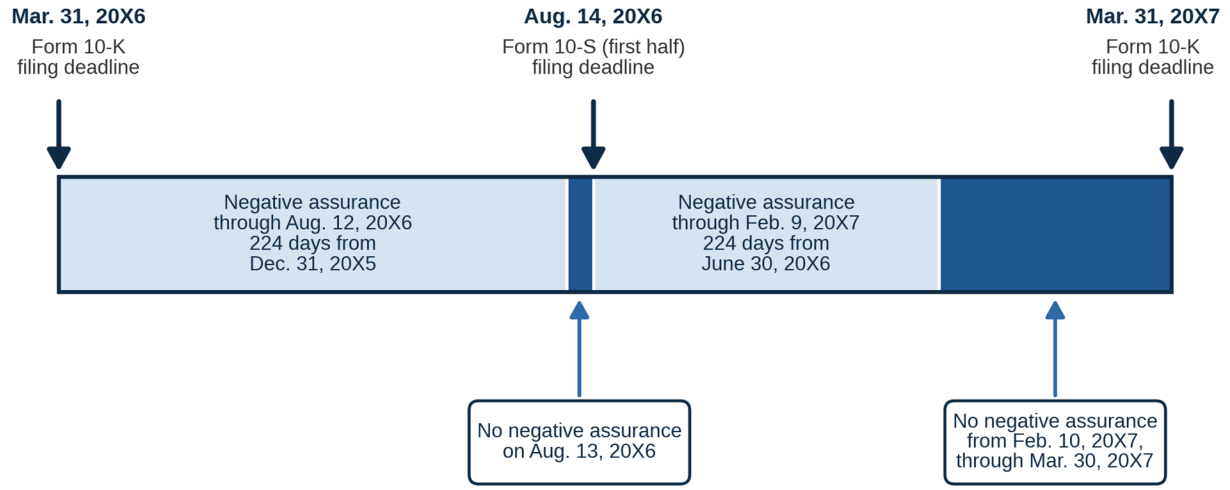
Figure 6 illustrates how the 225-day convention alternative would be applied for issuers who would elect optional semiannual reporting if the SEC Proposal is adopted.[108]

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[107] Figure 5 mirrors Figure 1, reflecting no impact relative to the baseline on issuers that continue to elect a quarterly reporting cadence. The day count convention aligns directly with the first quarter filing deadline for non-accelerated filers. The deadlines for filings for large accelerated and accelerated filers differ from the dates presented here.

[108] The day count conventions align directly with the proposed semiannual reporting deadline for non-accelerated filers. The deadlines for filings for large accelerated and accelerated filers differ from the dates presented here.

Figure 6. Application of the 225-Day Count Alternative



2. Rescinding Timing Requirements in AS 6101.46-.47

We also considered proposing to rescind timing requirements in AS 6101.46 and .47, eliminating any limitations on the length of time during which negative assurance on changes in specified financial statement items could be provided. This approach would leave entirely to the auditor's consideration the decision to provide negative assurance over subsequent changes, potentially taking into account the auditor's assessment of the length of time elapsed since the last audited or reviewed financial statement period and other factors that might affect the risks of providing negative assurance.

As a practical matter, this approach might yield similar results to those provided by the proposed targeted amendments in most circumstances. Under the proposed targeted amendments, AS 6101 would permit the auditor to provide negative assurance up until the day on which the next annual or interim report is required to be filed. Once that annual or interim report has been filed, underwriters generally would not have reason to seek negative assurance as to changes in specified financial statement items occurring before the date of the newly filed report. However, there would be some circumstances in which this alternative could yield different results, such as when a required annual or interim report is not filed by the applicable filing deadline.[109] In such cases, the explicit limitation in the proposed approach may help reduce certain risks associated with providing negative assurance over extended periods (for example, a longer interval between the most recent audited or reviewed financial statement period and the securities offering may increase the risk that financial information becomes stale

[109] The SEC estimated that annual financial statements were filed after the deadline for two percent of large accelerated filers, seven percent of accelerated filers, and 26 percent of non-accelerated filers in calendar year 2024. *See* Filer Status Proposal at 137.

and the limited procedures may be less effective in identifying material changes, which could increase the likelihood that underwriters place undue reliance on the resulting negative assurance) and provide clear expectations among the parties, which might reduce transaction costs in negotiations among issuers, underwriters, and audit firms about the content of comfort letters.

Questions

17. Are any of the alternative approaches discussed, or any other approaches, preferable to the approach that is being proposed? If so, what are the other approaches and what reasons support one or more alternative approaches over the proposed approach?

18. Would rescinding the timing requirements in paragraphs .46 and .47 be preferable to the proposed targeted amendments? If so, why or why not?

V. SPECIAL CONSIDERATIONS FOR AUDITS OF EMERGING GROWTH COMPANIES

Pursuant to Section 104 of the Jumpstart Our Business Startups (JOBS) Act, rules adopted by the Board subsequent to April 5, 2012, generally do not apply to the audits of EGCs, as defined in Section 3(a)(80) of the Exchange Act, unless the SEC "determines that the application of such additional requirements is necessary or appropriate in the public interest, after considering the protection of investors, and whether the action will promote efficiency, competition, and capital formation."[110] As a result of the JOBS Act, the rules and related amendments to PCAOB standards that the Board adopts are generally subject to a separate determination by the SEC regarding their applicability to audits of EGCs.[111] The proposed targeted amendments do not impose any additional requirements on audits of EGCs, as defined in Section 3(a)(80) of the Exchange Act. Accordingly, the Board believes that Section 103(a)(3)(C) of the Sarbanes-Oxley Act does not apply. Nevertheless, the Board is including this analysis to inform the rulemaking.

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[110] *See* Pub. L. No. 112-106 (Apr. 5, 2012). *See* Section 103(a)(3)(C) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as added by Section 104 of the JOBS Act, which also provides that any rules of the Board requiring: (1) mandatory audit firm rotation; or (2) a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer (auditor discussion and analysis), shall not apply to an audit of an EGC. The proposed targeted amendments do not fall within either of these two categories.

[111] We are providing this analysis of the impact on EGCs to assist the SEC in making the determination required under Section 104 to the extent that the requirements apply to "the audit of any emerging growth company" within the meaning of Section 104 of the JOBS Act.

To inform consideration of the application of the proposed targeted amendments to auditor engagements with EGCs, staff considered information about EGC audits as of November 15, 2024.[112] The data remain generally consistent with the data outlined in the EGC white paper published May 23, 2025, which analyzed data as of November 15, 2023. PCAOB staff identified 2,379 EGCs.[113] Of those 2,379, the 1,252 EGCs with common equity securities listed on a U.S. national securities exchange had a total U.S. market capitalization of $466 billion. These EGCs represented approximately 23% of all exchange-listed companies yet just 0.6% of U.S. total market capitalization. Forty-one percent of EGCs reported no revenue or self-identified as shell companies.

Approximately 91% of exchange-listed EGCs are non-accelerated filers,[114] and as such have a 90-day deadline for filing their annual financial statements. Under the existing 135-day convention in AS 6101, these companies are potentially unable to obtain negative assurance each year between February 12 and March 31.[115] Additionally, the SEC has proposed a simplification of filer statuses, which would create a new subcategory of small non-accelerated filers that would have 120 days to file their annual financial reports after the fiscal year end.[116] For this proposed new category of filers, the potential gap in the availability of negative assurance would be even longer. To the extent that this period currently presents a barrier to raising capital when most opportune to the issuer, the proposed targeted amendments could benefit EGCs by removing the timing restriction on obtaining negative assurance.

The effects of the proposed targeted amendments on EGCs and auditors of EGCs may be attenuated because EGCs may have less negotiating leverage with underwriters and auditors

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[112] We are providing this analysis of the impact on EGCs to assist the SEC in considering this issue to the extent necessary. The analysis reported in this section follows the same methodology used in the EGC white paper published May 23, 2025, which is available on the PCAOB's website at https://pcaobus.org/resources/other-research-projects.

[113] The methodology for capturing the EGC population covers only companies that self-identified as an EGC by selecting the applicable check box on an Exchange Act annual report or registration statement (Forms 10-K, 20-F, 40-F, 10-12B, 10-12G), or on a Securities Act registration statement (Forms F-1, F-4, S-1, S-4, S-11) filed with the SEC during the 18-month period ending Nov. 15, 2024 (the measurement period). In instances where a company had more than one such filing during the measurement period, the most recent annual report was selected. If no annual report was filed during the measurement period, the most recent registration statement was selected. Staff removed companies whose annual reports or registration statements did not include an audit report signed by a registered firm in the measurement period (e.g., companies whose filings included unaudited financial statements or audit reports signed more than 18 months before the measurement date). During the 18-month (12-month) period ending Nov. 15, 2024, 1,820 (1,721) of the 2,379 EGCs we identified filed an annual report.

[114] *See* Filer Status Proposal at 132.

[115] *See* Section II.A.

[116] *See* Filer Status Proposal at 103.

regarding the conditions under which negative assurance is provided. EGCs tend to be smaller and have a shorter SEC financial reporting history than the broader population of public companies. Academic research suggests that smaller public companies tend to exhibit greater information asymmetry between management and investors,[117] increasing the value of credible third-party verification of financial disclosures. Consistent with this view, underwriters of EGC offerings may place greater importance on comfort letters and auditor negative assurance over subsequent changes in specified financial statement items as part of their due diligence processes. At the same time, auditors may be less willing to provide negative assurance for EGCs when a longer period of time has passed since the last review of interim financial information, particularly when investors and underwriters face greater uncertainty regarding the issuer's financial condition and prospects. To the extent that auditors of EGCs will not provide negative assurance over subsequent changes in specified financial statement items when longer periods have passed since the last interim review, the benefit of avoiding the costs of preparing and obtaining reviews of quarterly financial information would be reduced for EGCs that would elect semiannual reporting. As discussed above, we do not expect the proposed targeted amendments to have a significant impact on efficiency, competition, or capital formation, including for EGCs.

In light of the above, the Board anticipates that if it adopts the proposed targeted amendments, it will request that the Commission determine, to the extent necessary, that it is necessary or appropriate in the public interest, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation, to apply the proposed targeted amendments to EGC engagements.

Question

19. The Board requests comments generally on the analysis of the impacts of the proposed targeted amendments on EGCs. Are there reasons why the proposed targeted amendments should not apply to EGC engagements? If so, what changes should be made so that the proposed targeted amendments would be appropriate for EGC engagements? What impact would the proposed targeted amendments likely have on EGCs, and how would this affect efficiency, competition, and capital formation?

VI. EFFECTIVE DATE

These proposed targeted amendments would apply to all engagements to issue comfort letters in connection with financial statements and financial statement schedules contained in registration statements filed with the SEC under the Securities Act and other securities

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[117] *See*, e.g., Raymond Chiang and P. C. Venkatesh, *Insider Holdings and Perceptions of Information Asymmetry: A Note*, 43 The Journal of Finance 1041 (1988); Ravi Bhushan, *Firm Characteristics and Analyst Following*, 11 Journal of Accounting and Economics 255 (1989).

offerings. The Board seeks comment on the amount of time auditors would need before the proposed targeted amendments would become effective, if adopted by the Board and approved by the SEC. Specifically, the Board is considering whether the proposed targeted amendments, if adopted, should be effective immediately upon approval by the SEC.

Question

20. Would immediate effectiveness present challenges for auditors? If so, what are those challenges, and how should they be addressed? If immediate effectiveness would present challenges to auditors, when should the proposed targeted amendments be made effective? Would a 30-day delayed effective date from the date the SEC approves any amendments be sufficient?

VII. OPPORTUNITY FOR PUBLIC COMMENT

The Board is seeking comments on the proposed targeted amendments to AS 6101 and on all the other matters discussed in this release. Among other things, the Board is seeking comment on the economic considerations relating to its proposal, including potential costs. To assist the Board in evaluating such matters, the Board is requesting relevant information and empirical data regarding the proposed targeted amendments.

Written comments should be sent by email to comments@pcaobus.org or through the Board's website at www.pcaobus.org. Comments may also be sent to the Office of the Secretary, PCAOB, 1666 K Street, NW, Washington, DC 20006-2803. All comments should refer to PCAOB Rulemaking Docket Matter No. 058 in the subject or reference line and should be received by the Board no later than January 4, 2027.

The Board will consider all comments received. After the close of the comment period, the Board will determine whether to adopt final amendments. Any such final rules adopted will be submitted to the SEC for approval. Pursuant to Section 107 of Sarbanes-Oxley, proposed rules of the Board do not take effect unless approved by the SEC. For purposes of Section 107, standards are rules of the Board under Sarbanes-Oxley.

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On the 3rd day of November, in the year 2026, the foregoing was, in accordance with the bylaws of the Public Company Accounting Oversight Board,

ADOPTED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

November 3, 2026

APPENDIX 1 - TEXT OF THE PROPOSED TARGETED AMENDMENTS

Language that would be deleted by the proposed targeted amendments is ~~struck through~~. Language that would be added is underlined.

AS 6101, *Letters for Underwriters and Certain Other Requesting Parties*

* * *

.46 If the underwriter requests negative assurance as to subsequent changes (e.g., increases or decreases) in specified financial statement items as of a date ~~less than 135 days from~~ after the end of the most recent period for which the accountants have performed an audit or a review and before the date by which financial statements for the next annual or interim period are required to be filed, the accountants may provide such negative assurance in the comfort letter. ~~For instance—~~

- ~~When the accountants have audited the December 31, 19X6, financial statements, the accountants may provide negative assurance on increases and decreases of specified financial statement items as of any date up to May 14 (135 days subsequent to December 31).~~
- ~~When the accountants have audited the December 31, 19X6, financial statements and have also conducted an AS 4105 review of the interim financial information as of and for the quarter ended March 31, 19X7, the accountants may provide negative assurance as to increases and decreases of specified financial statement items as of any date up to August 14, 19X7 (135 days subsequent to March 31).~~

An appropriate manner of expressing negative assurance regarding subsequent changes is shown in paragraphs 5*b* and 6 of example A [paragraph .64], if there has been no decrease and in example M [paragraph .64], if there has been a decrease.

Note: The accountants may provide negative assurance as to subsequent changes in a specified financial statement item within the period described by this paragraph but are not required to do so.[31A] The following are examples of factors that may inform the accountants' decision whether to provide negative assurance:[31B]

- The length of the period between the end of the most recent period for which the accountants have performed an audit or review and the specified date for which negative assurance on subsequent changes was requested;
- Management's ability to respond to inquiries about changes in financial statement items through the specified date, for example, when the specified date does not coincide with a typical financial statement close date, such as month-end;

- Changes in senior management or key personnel at the company during the change period;[31C]
- The effectiveness of the company's internal control over financial reporting;
- The company's ability to continue as a going concern;
- Restatement activity or other retrospective changes to the specified financial statement item during the change period; and
- Appointment of new accountants during the change period.

[31A] Paragraphs .11-.21 describe general matters that are relevant to the scope of the comfort letter engagement and the related accountants' procedures. *See also* footnote 11 to paragraph .13.

[31B] If the accountants decide not to provide negative assurance over certain subsequent changes, the accountants are limited to reporting procedures performed and findings obtained as described in paragraph .47. *See also* paragraph .45.

[31C] *See* paragraph .50 of this standard for a description of "change period."

.47 However, if the underwriter requests negative assurance as to subsequent changes in specified financial statement items as of a date ~~135 days or more subsequent to~~ that is (1) after the end of the most recent period ~~for which the accountants have performed an~~ audited or ~~a~~ reviewed by the accountants and (2) on or after the date by which financial statements for the next annual or interim period were required to be – but were not – filed, the accountants may not provide negative assurance but are limited to reporting procedures performed and findings obtained (*see* example O [paragraph .64]).

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