

June 7, 2024

By email: comments@pcaobus.org

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

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

Dear Ms. Brown:

The Investment Company Institute¹ and the Independent Directors Council² appreciate the opportunity to comment on the Public Company Accounting Oversight Board’s metrics proposal (“Proposal”).³ The Proposal is intended to provide information, context, and perspective on auditors and audit engagements for investors, audit committees, and other stakeholders. The Proposal would not apply to audits of investment companies other than business development companies that meet the criteria to be an accelerated filer or large accelerated filer. In excluding virtually all investment companies (“funds”), the PCAOB appropriately recognizes that, for funds, “shareholder ratification of the appointment of the auditor may not be typical and the proposed metrics would be less likely to assist in investment and voting decisions.”⁴

¹ The [Investment Company Institute](#) (ICI) is the leading association representing regulated investment funds. ICI’s mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. ICI’s members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$34.1 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 100 million investors. Members manage an additional \$9.4 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to certain collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London and carries out its international work through [ICI Global](#).

² The [Independent Directors Council](#) (IDC) serves the US-registered fund independent director community by advancing the education, communication, and public policy priorities of fund independent directors, and promoting public understanding of their role. IDC’s activities are led by a Governing Council of independent directors of ICI member funds. There are approximately 1,600 independent directors of ICI-member funds.

³ See [Firm and Engagement Metrics](#), PCAOB Release No. 2024-002 (Apr. 9, 2024).

⁴ Proposal at 109.

We support this approach, as the PCAOB's recognition is consistent with previous comments we have submitted highlighting the significant differences between funds and public operating companies.⁵ In the context of the PCAOB's initial efforts to explore metrics reporting through its 2015 concept release on audit quality indicators,⁶ we questioned the utility and advisability of including investment companies in the project, given the significant differences in audits of investment companies and audits of operating companies.⁷

Unlike publicly-traded operating companies, funds typically do not have employees, do not engage in the production of goods, materials, or services, and do not contend with the complexities associated with manufacturing, supply chains, or other common issues that operating companies face. A fund is a separate legal entity, distinct from its investment adviser. A fund holds a pool of stocks, bonds, and other investments or cash, and therefore has less complex, more standardized financial reporting and corresponding audits, as compared to those of operating companies. As a result, the PCAOB's rulemaking activities should consider the fundamental differences between the audits of funds relative to those of publicly-traded operating companies.⁸

We appreciate that the PCAOB, through the Proposal and in prior actions, continues to demonstrate its recognition of these important distinctions.⁹

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⁵ See e.g., IDC/ICI Comment Letter on Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (Aug. 7, 2023), available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/89_ici-idc30ed5ea3-1458-4bb0-8406-f96c215fd137.pdf?sfvrsn=57f07b2e_4.

⁶ See [Concept Release on Audit Quality Indicators](#), PCAOB Release No. 2015-005 (July 1, 2015).

⁷ See IDC Comment Letter on PCAOB Concept Release on Audit Quality Indicators (Sept. 28, 2015), available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/017_idc.pdf?sfvrsn=f2086cb1_0.

⁸ See ICI Research Perspective, What US Households Consider When They Select Mutual Funds, 2022 (Apr. 2023), available at <https://www.ici.org/system/files/2023-04/per29-04.pdf>.

⁹ See, e.g., The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion and Related Amendments to PCAOB Standards, PCAOB Release No. 2017-001 (June 1, 2017) at 106 (excluding investment companies other than BDCs from requirements relating to communications of critical audit matters), available at <https://pcaobus.org/Rulemaking/Docket034/2017-001-auditors-report-final-rule.pdf> and Establishment of Accounting Support Fee, PCAOB Release No. 2003-003 (Apr. 18, 2003) at A2-vi (recognizing the relatively less complex nature of investment company audits in assessing them accounting support fees at ten percent of the amount operating companies pay) available at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_002/2003-04-18_release_2003-003.pdf?sfvrsn=f1030cd7_0.

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If you have any questions, please contact Jason Nagler, at (202) 961-5506 or jason.nagler@ici.org, or Lisa Hamman, at (202) 371-5405 or lhamman@ici.org.

Sincerely,

/s/ Jason J. Nagler

Jason J. Nagler
Senior Director
Accounting and Compliance
Investment Company Institute

/s/ Lisa Hamman

Lisa Hamman
Associate Managing Director
Independent Directors Council

cc: Erica Y. Williams, PCAOB Chair
Christina Ho, PCAOB Member
Kara M. Stein, PCAOB Member
Anthony C. Thompson, PCAOB Member
George R. Botic, PCAOB Member