

September 23, 2025

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F St, N.E.
Washington, DC 20549-1090

RE: PCAOB-2025-01, Notice of Filing and Immediate Effectiveness of Proposed Rule Change Postponing the Effective Date of Amendments to Board Standards, Rules, and Forms Adopted on May 13, 2024.

Dear Ms. Countryman:

CFA Institute¹, in consultation with its Corporate Disclosure Policy Council (“CDPC”)², appreciates the opportunity to comment on [the proposed rule](#) from the Public Company Accounting Oversight Board (“PCAOB”) that delays the effective date of [QC 1000, A Firm’s System of Quality Control and related amendments](#) to PCAOB standards, rules, and forms (“QC 1000”) from December 15, 2025 to December 15, 2026.

We support giving more time for implementation to firms that need it so the objective of QC1000 - improving audit quality – can be achieved. We are concerned, however, that this proposal may be an approach or tactic to delay the standard until a newly appointed PCAOB³ can withdraw it. Our concern is magnified by the significant and growing risks of misstatement and fraud that we discuss in this letter.

To balance investor protections and implementation concerns, we urge the Securities and Exchange Commission (“SEC” or the “Commission”) to maintain the QC 1000 effective date of December 15, 2025, for annually inspected audit firms but delay the effective date to December 15, 2026, for all other registered firms. Such a proportionate change would give smaller audit firms with fewer resources and issuer clients more implementation time,

¹ [CFA Institute](#) is a global, not-for-profit professional association of more than 190,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

² The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

³ On July 23, 2025 Chairman Atkins announced in a [statement](#) that the Commission is soliciting candidates for all five Board positions of the PCAOB.

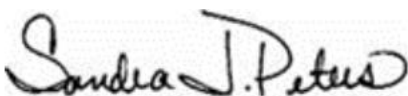
while keeping quality improvements mandated by QC 1000 on track at larger audit firms which have more resources and audit the majority of issuers on US exchanges by market capitalization.

We make three points to support our recommendation, which we elaborate on in the Appendix.

1. ***The implementation time for QC 1000 is not aggressive in comparison to the timelines for other PCAOB rules.*** The current fifteen-month implementation period is longer than what was provided for many other large-scale standards required by the PCAOB.
2. ***There is a clear need for improvements to audit quality control systems and processes.*** Deficiency frequency noted in PCAOB inspection reports remains high and is not materially better than at the beginning of the PCAOB's inspections program over twenty years ago.
3. ***More Americans than ever own equities today and there are increasingly significant gaps in the lines of defense against misstatement and fraud that complement independent audits.***

Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more detail on our letter. If you have any questions or seek further elaboration of our views, please contact Sandra J. Peters at sandra.peters@cfainstitute.org and Matthew P. Winters at matt.winters@cfainstitute.org.

Sincerely,



Sandra J. Peters, CPA, CFA
Senior Head
Global Advocacy
CFA Institute



Matthew P. Winters, CPA, CFA
Senior Director
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CFA Institute

As we note in the body of the letter there are three points which support our recommendation:

1. THE IMPLEMENTATION TIME FOR QC 1000 IS NOT AGGRESSIVE IN COMPARISON TO THE TIMELINES FOR OTHER PCAOB RULES.

We analyzed the time from Commission approval to the effective date for the entire PCAOB rulemaking docket. The results are graphed on the next page. The initial (15 months) and proposed (27 months) timelines for QC 1000, captioned Docket Number 046 *Quality Control*, are circled in red.

The initial implementation timeline for QC 1000 is not short relative to the PCAOB's rulemaking history. Fifteen months is longer than firms had to implement the standards on audits of internal controls over financial reporting, periodic reporting, and disclosure of the engagement partner. Fifteen months is also far longer than firms had to implement the initial batch of rules that were implemented early in the PCAOB's life.

The proposal would extend the timeline for QC 1000 to 27 months, which would be the second longest implementation timeline in PCAOB rulemaking history.

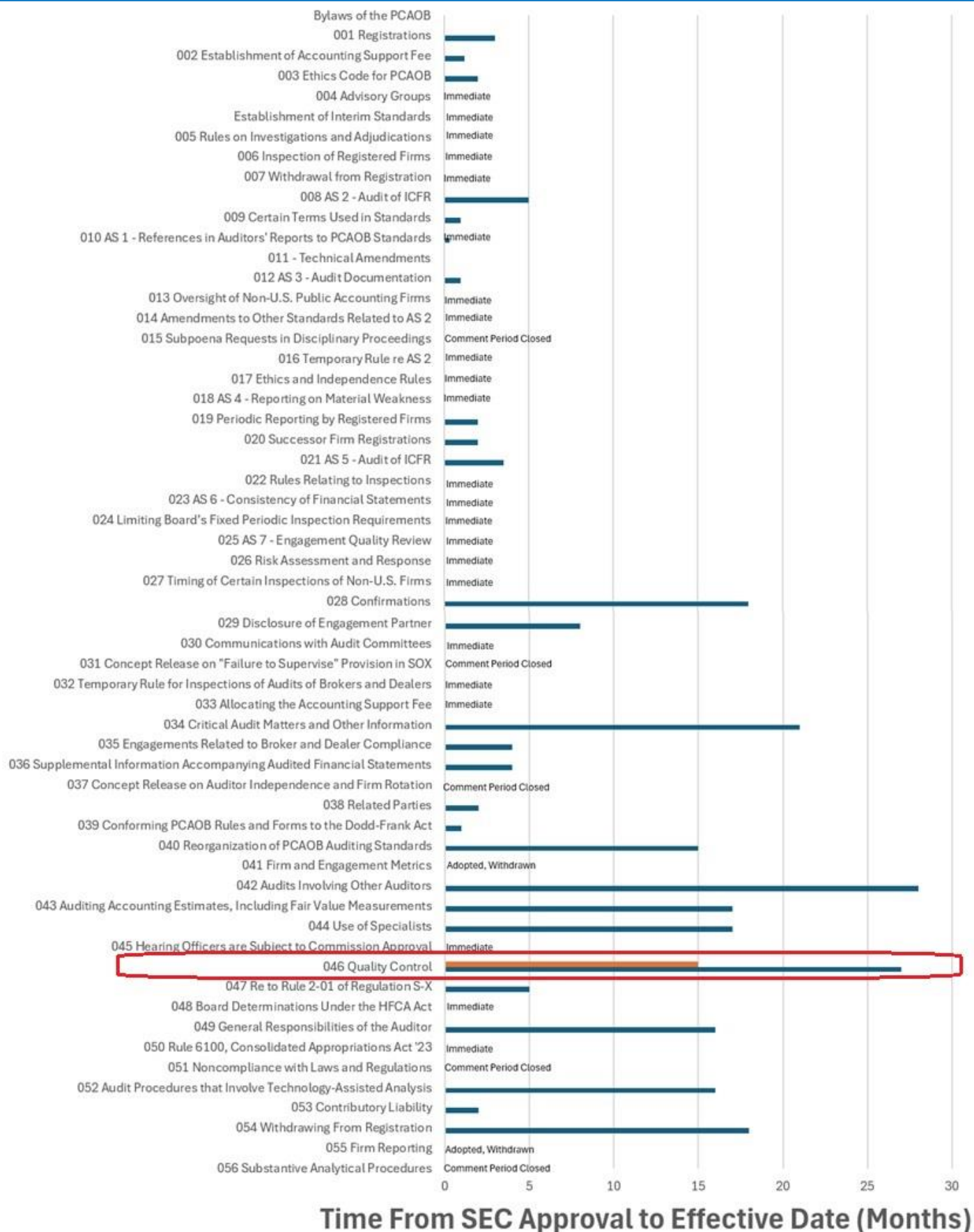
In addition to the 15-month implementation period, firms had line of sight on QC 1000 for years, as the PCAOB issued a concept release on December 19, 2019 and proposed the rule on November 18, 2022. This rule did not come "out of the blue."

Finally, we've heard from audit firms that [technology in general and artificial intelligence in particular is augmenting or even revolutionizing auditors' capabilities](#).⁴ We believe that technological advancements should result in *shorter* not longer timelines for implementing standards.

⁴ [Auditors and AI in the New Era of Audit](#). Center for Audit Quality August 11, 2025.



Docket Number and Rule

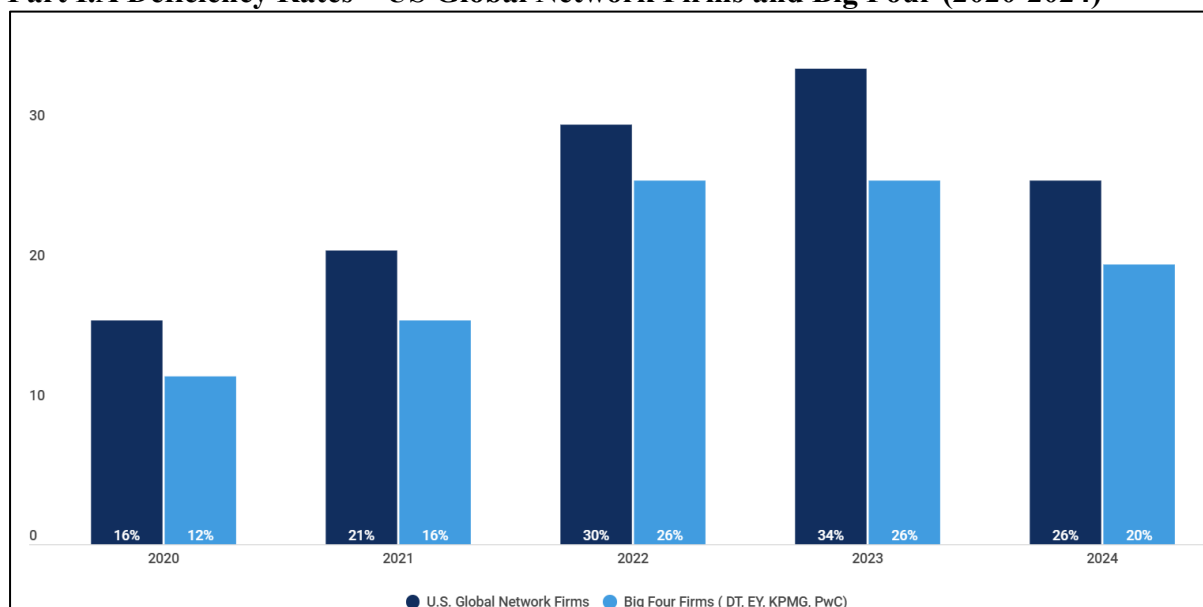


Source: PCAOB and SEC Filings

2. THERE IS A CLEAR NEED FOR IMPROVEMENTS TO AUDIT QUALITY CONTROL SYSTEMS AND PROCESSES

The frequency of Part I.A deficiencies disclosed in PCAOB inspection reports improved in 2024 – after the surge that began in 2021 – but remains high and is not materially better than the first years of the PCAOB’s inspections program over twenty years ago.⁵

Part I.A Deficiency Rates – US Global Network Firms and Big Four (2020-2024)

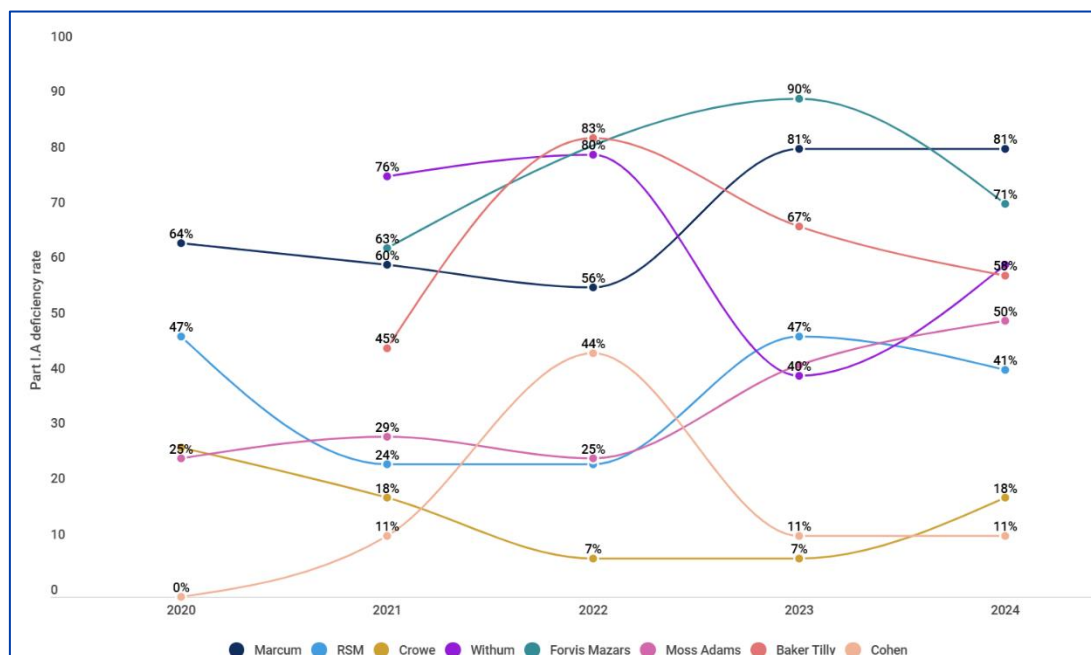


Source: [PCAOB](#)

The Part I.A deficiency rates are most concerning at smaller firms, such as the annually inspected non-affiliated US firms (chart below), four of which had Part I.A deficiency rates at or above 50% last year. These data argue for swifter and more comprehensive quality control improvements at smaller firms than their larger counterparts, but we understand that resources are limited, and small firms audit just a fraction of issuer market capitalization.

⁵ See the first chart in Board Member Ho’s Speech on September 15, 2022 [Technology and Talent - Audit Quality Challenges in the 21st Century](#)

Part I.A Deficiency Rates – 8 registered non-affiliated U.S. firms that were inspected annually (2020-2024)

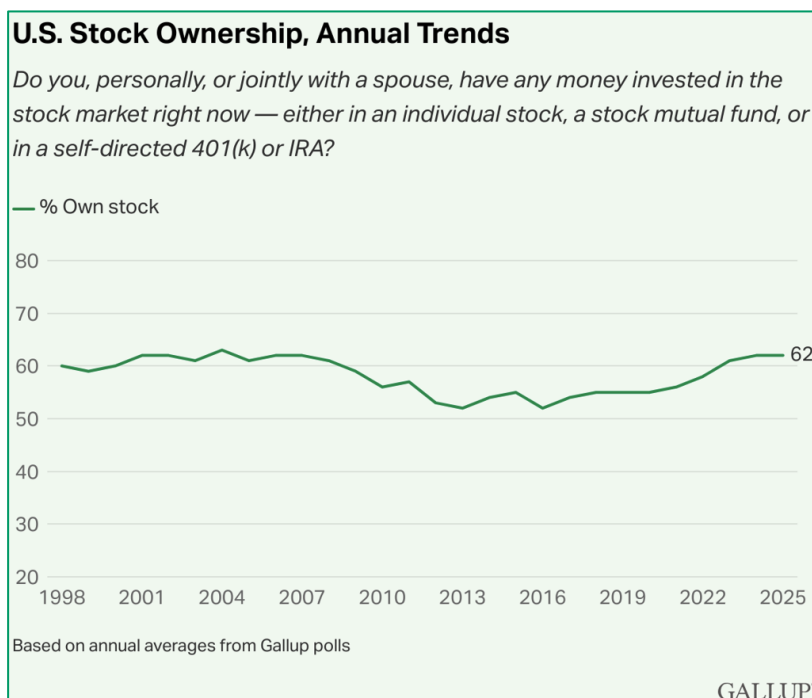


Source: [PCAOB](https://www.pcaob.org/)

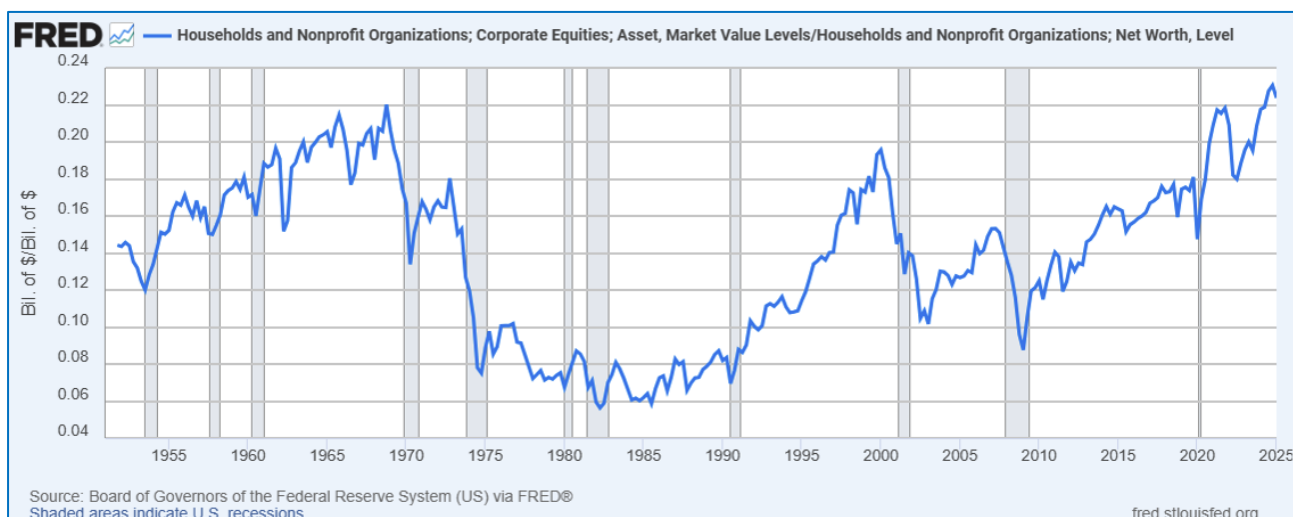
Our recommendation of delaying the effective date of QC 1000 for smaller firms should be complemented by enhanced resources for smaller firms by the PCAOB. We also believe the PCAOB needs to “size or contextualize” the number of smaller firms and the market capitalization of the entities they audit so as to better enable investors and other stakeholders to appropriately assess the proportionality of the impact of standards. We observe that many times the impact to smaller companies or smaller firms is overstated by the auditing profession as a means to delay standard setting and rulemaking by the PCAOB.

3. MORE AMERICANS THAN EVER OWN EQUITIES TODAY AND THERE ARE INCREASINGLY SIGNIFICANT GAPS IN THE LINES OF DEFENSE AGAINST MISSTATEMENT AND FRAUD THAT COMPLEMENT INDEPENDENT AUDITS

Household exposure to equities is historically high. The annual survey of US households' equity ownership by Gallup shows that 62% of American households own equities, a level last seen prior to the Global Financial Crisis.



Data from the Fed Board of Governors show that equities account for 22% of household and not-for-profit sector net worth, an all-time high, exceeding 2021, the dot com bubble, and “nifty fifty” era. This historically high level of exposure means that there is a high likelihood of real economy effects from a correction in equities.



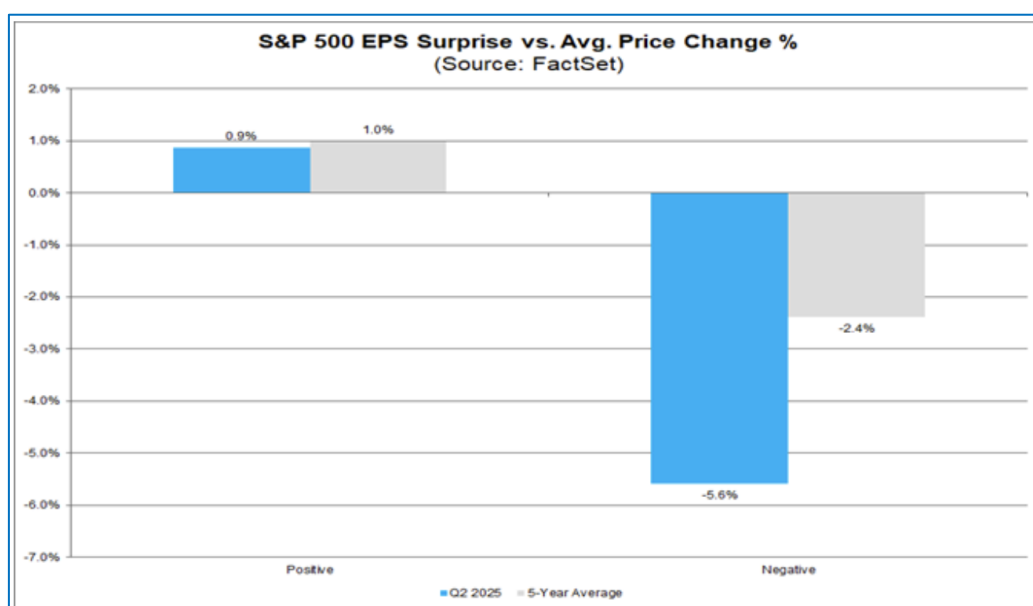
Expectations in the equity market are historically high, as measured by valuation multiples and recent share price reactions to negative earnings surprises.

The forward 12-month P/E ratio for the S&P 500 is 22.4. This P/E ratio is above the 5-year average (19.9) and above the 10-year average (18.5)



Source: [Yardeni Research](#)

The average price decrease of 5.6% two days before the earnings release through two days after the earnings release in 2Q25 is much larger than the 5-year average price decrease of 2.4% during the same time frame.



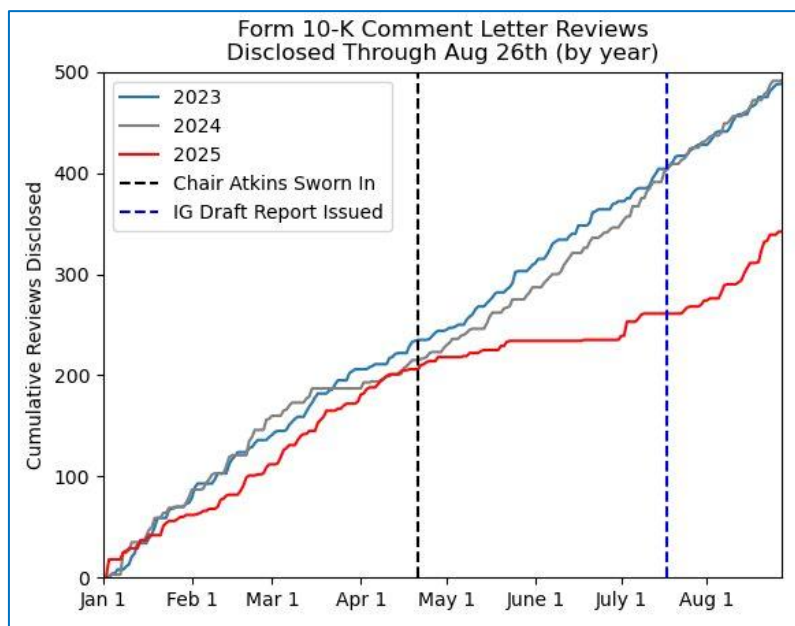
Source: FactSet, [Market Is Punishing Negative EPS Surprises More Than Average for Q2](#).

High expectations from financial market participants is a risk factor for financial misstatements in PCAOB Auditing Standard 2401, Consideration of Fraud in a Financial Statement Audit (paragraph A.2).

While not directly related to audits of financial statements and internal controls, we note that there currently gaps in other investor protections against misstatement and fraud including the: 1) SEC’s Disclosure Review Program, and 2) Accounting and Auditing Enforcement.

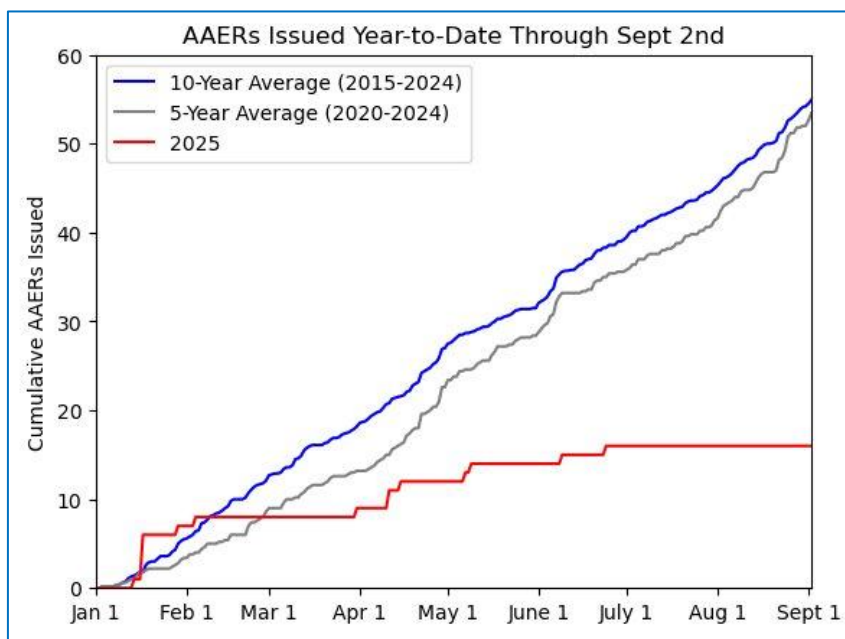
The Commission’s Disclosure Review Program (required under SOX Section 408) and Accounting and Auditing Enforcement are key investor protections that complement independent audits. Owing to staff challenges, changing priorities, and other operational issues, these investor protections have been disrupted.

As detailed in the [Office of Inspector General final report of the U.S. Securities and Exchange Commission’s Division of Corporation Finance’s Disclosure Review Program](#) (August 26, 2025), the Disclosure Review Program has lost approximately 10 percent of its staff and there is potential for further attrition. The total number of Form 10-K comment letter reviews in 2025 is well below prior years.



Source: [William Floyd, PhD, CPA](#)

The SEC’s Division of Enforcement issues Accounting and Auditing Enforcement Releases (AAERs) during and/or at the conclusion of investigations against companies, auditors, and individuals for alleged accounting or auditing misconduct. An AAER has not been issued since June 24, 2025. This is the longest gap observed in the SEC database of 3,300+ AAERs issued since 1999. Year-to-date, the issuance of AAERs is substantially behind the 5- and 10-year averages and on track for the lowest yearly total in data available since 1999.



Source: [William Floyd, PhD, CPA](#)

Besides requiring attention by the Commission, these figures underline the importance and urgency of audit quality improvements.