

**VIA ELECTRONIC DELIVERY**

March 10, 2020

Ms. Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: Amendments to Rule 2-01, Qualifications of Accountants (File Number S7-26-19)**

Dear Ms. Countryman:

We appreciate the opportunity to comment on the Securities and Exchange Commission's (the "Commission's") above-referenced proposal to amend its auditor independence rules. The comments contained below are based upon our collective experiences as senior leaders in various business, governmental, legal, and academic organizations, including our roles as audit committee chairpersons for the indicated American Funds (the "Funds"). The American Funds are one of the oldest and largest mutual fund families in the nation, whose adviser is Capital Research and Management Company. The views expressed here are our own and do not necessarily reflect those of Capital Research and Management Company or other Capital Group Companies.

As members of the audit committees, we are dedicated to our role of overseeing the audits of the Funds' financial statements and strive to ensure audit quality remains the focus. In carrying out this role, we exercise due care in engaging a qualified auditor, that is independent in both fact and appearance. We applaud the Commission's efforts to modernize the auditor independence rules and strongly support the Commission's proposals to focus the independence analysis on those relationships and services that are more likely to threaten an auditor's objectivity and impartiality. We also support the comments provided by the Investment Company Institute and the Independent Directors Council in its letter filed with the Commission, and offer our specific views on certain aspects of the proposal.

### **Proposed Amendments to Investment Company Complex Definition**

We agree with the proposed amendments to the definition of the investment company complex ("ICC") to include materiality qualifiers when analyzing entities under common control. The inclusion of a materiality qualifier may reduce the number of entities that fall under the ICC, thereby reducing the likelihood of non-substantive violations as well as expanding the pool of prospective accountants the investment company audit client may engage as its auditor.

With the introduction of a materiality qualifier, we do not anticipate significant compliance burdens or costs to make the materiality determination but note that it will be important for auditors and the investment company audit client to have access to financial reporting information of the parent and other entities under common control.

### **Proposed Amendments to Except Certain Financial Relationships**

We are supportive of the proposal to except certain student and consumer loans and believe excepting these loans will not compromise a covered person's objectivity and impartiality. In the spirit of these proposed amendments, we also urge the Commission to consider other situations, that under current rules, would be viewed as independence violations, but when coupled with other mitigating factors would not be thought to bear on an auditor's objectivity and impartiality.

For example, consider a common scenario where an advisory staff professional provides a few hours to investment company A's audit, but unbeknownst to him/her, their immediate family member (spouse, spousal equivalent, dependent) held shares of investment company B in an employee sponsored 401k plan. Investment company B is part of the ICC. Under this fact pattern, independence would be impaired because the covered person's immediate family member has a direct financial interest in investment company B, irrespective of the facts and circumstances behind the violation or any other mitigating factors. However, if certain mitigating factors were present, such as:

1. After a review and reasonable inquiry, it is learned that, the covered person had no knowledge of the financial interest while conducting the audit thus their objectivity and impartiality was not compromised when services were provided;

2. Services provided were considered “de minimis” (e.g., based on the covered person’s role and/or hours provided);
3. The investment held was immaterial to the net worth of the individual and their immediate family members;
4. Upon discovery, measures were promptly taken to address the issue (e.g., covered person removed from future audit work); and
5. The accounting firm had a quality control system in place that provides reasonable assurance that the accounting firm and its employees do not lack independence,

then it would be appropriate to conclude that auditor objectivity and impartiality was not impaired and a reasonable investor with knowledge of all relevant facts and circumstances of the violations would also conclude that independence was not impaired.

As members of the audit committees, we direct time and attention towards minor independence violations, in which an assertion is ultimately made that auditor independence was not compromised. Therefore, we urge the Commission to consider materiality qualifiers under Rule 2-01(c)(1) *Financial Relationships* or other exceptions like the example above that would not be thought to bear on an auditor’s objectivity and impartiality. We believe this will save audit committees time and resources and enable us to more effectively focus our attention on matters that are of importance to auditor objectivity and impartiality and the quality and reliability of the fund’s financial statements.

Lastly, in fulfilling its oversight responsibilities over the auditors’ compliance with the auditor independence rules, the audit committee needs to be assured that the auditor has appropriate controls and processes in place to assure proper reporting and consequences for violations or omissions. Therefore, we also ask the Commission to reinforce that the proposed amendments are not intended to loosen the auditor’s current protocols and monitoring processes designed to address risks related to maintaining independence.

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Thank you for considering these comments, and please feel free to contact any of us should you have questions or wish to discuss our thoughts on the Proposed Rule.

Sincerely,

Charles E. Andrews  
Audit Committee Chair -  
Washington Mutual Investors Fund  
Board Member and Advisor,  
MorganFranklin Consulting

James G. Ellis  
Audit Committee Chair -  
American Funds Insurance Series, American  
Funds Target Date Retirement Series,  
American Funds Portfolio Series, American  
Funds College Target Date Series, American  
Funds Retirement Income Portfolio Series,  
The Fixed Income Funds of the American  
Funds, AMCAP Fund, American Mutual  
Fund, The Investment Company of America,  
and American Funds Global Balanced Fund  
Professor of Marketing and former Dean,  
Marshall School of Business University  
of Southern California

Pablo R. González Guajardo  
Audit Committee Chair -  
Capital Group Private Client Services Funds,  
Capital Group U.S. Equity Fund, American  
Funds Global Insight Fund, American Funds  
International Vantage Fund, Emerging  
Markets Growth Fund, Inc., New Perspective  
Fund, EuroPacific Growth Fund, and New  
World Fund, Inc.  
CEO, Kimberly-Clark de México, S.A.B de  
C.V.

Vanessa C. L. Chang  
Audit Committee Chair -  
American Balanced Fund, American  
Funds Developing World Growth and  
Income Fund, The Income Fund of  
America, and International Growth and  
Income Fund  
Former Director, EL & EL Investments

John G. Freund  
Audit Committee Chair -  
Capital Income Builder, Capital World  
Growth and Income Fund, and The New  
Economy Fund  
Founder and Managing Director, Skyline  
Ventures

Christopher E. Stone  
Audit Committee Chair -  
American Funds Fundamental Investors,  
The Growth Fund of America, and  
SMALLCAP World Fund, Inc.  
Professor of Practice of Public Integrity,  
University of Oxford, Blavatnik School of  
Government