

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-65163; File No. PCAOB-2011-01)

August 18, 2011

**Public Company Accounting Oversight Board; Order Approving Proposed
Temporary Rule for an Interim Program of Inspection Related to Audits of Brokers
and Dealers**

I. Introduction

On June 21, 2011, the Public Company Accounting Oversight Board (the “Board” or the “PCAOB”) filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 107(b)¹ of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and Section 19(b)(1)² of the Securities Exchange Act of 1934 (the “Exchange Act”), a proposed rule change (PCAOB-2011-01) to establish an interim inspection program related to audits of brokers and dealers. The proposed Rule 4020T amends Section 4 of the Board’s rules. The Board also adopted amendments to Section 1 of its rules to add notes following Rules 1001(a)(v), 1001(a)(vi), and 1001(p)(vi). The proposed rule change was published for comment in the Federal Register on July 12, 2011.³ The Commission received one comment letter on the proposed rule change. This order approves the proposed rule change.

II. Discussion

Section 982 of the Dodd-Frank Wall Street Reform and Consumer Protection Act⁴ amended the Sarbanes-Oxley Act to give the Board explicit oversight authority with

¹ 15 U.S.C. 7217(b).

² 15 U.S.C. 78s(b)(1).

³ Release No. 34-64814 (Jul. 6, 2011) [76 FR 40961 (Jul. 12, 2011)].

⁴ Pub. L. No. 111-203, 124 Stat. 1376 (Jul. 21, 2010).

respect to audits of brokers and dealers that are registered with the Commission.⁵ Among other things, the Board is authorized to establish an inspection program by rule.⁶ Section 104(a)(2) of the Sarbanes-Oxley Act provides that, in establishing such a program:

- The Board may allow for differentiation among classes of brokers and dealers;
- The Board shall consider whether differing inspection schedules would be appropriate with respect to auditors that issue audit reports only for brokers or dealers that do not receive, handle, or hold customer securities or cash or are not members of the Securities Investor Protection Corporation; and
- If the Board exempts any public accounting firm from such an inspection program, the auditor would not be required to register with the Board.

The Board has filed a proposed rule change to establish a temporary rule for an interim program of inspection that would allow the Board to begin inspections of relevant audits and auditors and provide a source of information to help guide decisions about the scope and elements of a permanent program. The Board explained that it intended to take a careful and informed approach in establishing a permanent program that appropriately protects the public interest and the interests of investors, including consideration of potential costs and regulatory burdens that would be imposed on different categories of registered public accounting firms and classes of brokers and dealers.⁷ The Board also explained that it did not intend to make the necessary judgments without first gathering

⁵ For information regarding the audit of brokers' and dealers' financial statements and examination of reports regarding compliance with Commission requirements, see generally Rule 17a-5 under the Exchange Act (17 CFR 240.17a-5) and related SEC rules and forms.

⁶ Section 104(a)(2)(A) of the Sarbanes-Oxley Act.

⁷ See PCAOB Release No. 2011-01 (Jun. 14, 2011), at 3.

and assessing relevant information, but that it did not intend to postpone all use of its new inspection authority until after those judgments were made.⁸

The temporary rule provides that the Board will publish a report on the interim program no less frequently than every twelve months, beginning twelve months after the date the rule takes effect and continuing until rules for a permanent program take effect. Each report will describe the progress of the interim program and any significant observations that either may bear on the Board's consideration of a permanent program or the publication of which may otherwise be appropriate to protect the interests of investors or to further the public interest.

III. Discussion of Comments

The Commission received one comment letter on the proposed rule change.⁹ The commenter, a small registered accounting firm that performs audits of broker-dealers but not issuers, expressed strong support for the inclusive scope of the temporary rule and also for the establishment of a permanent program of inspection that would include all auditors of broker-dealers.¹⁰ The commenter supported a program that would not differentiate among types of brokers and dealers or exempt certain public accounting firms, noting their view that any such limitations would not be “fully protecting the public interest and interest of investors.”¹¹

⁸ See id.

⁹ See letter from Farkouh Furman & Faccio LLP.

¹⁰ See id.

¹¹ Id.

IV. Conclusion

After careful review of the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Sarbanes-Oxley Act and the securities laws and is necessary or appropriate in the public interest or for the protection of investors.

IT IS THEREFORE ORDERED, pursuant to Section 107 of the Sarbanes-Oxley Act and Section 19(b)(2) of the Exchange Act, that the proposed rule change (File No. PCAOB-2011-01) be and hereby is approved.

For the Commission, by the Office of the Chief Accountant, pursuant to delegated authority.¹²

Elizabeth M. Murphy
Secretary

¹² 17 CFR 200.30-11(b)(2).