



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

CAQ Alert #2014-11 November 19, 2014

Dear Center Members

SEC/PCAOB Independence Rules for Non-Issuer Audit and Attestation Engagements

This [alert](#), issued jointly by the Center for Audit Quality (CAQ) and the American Institute of Certified Public Accountants (AICPA), is intended to provide audit firms with an overview of the independence rules of the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) applicable with respect to financial statement audit and attestation engagements undertaken for the following non-issuers:[1]

- Non-issuer broker-dealers that are registered with the SEC as a broker or dealer; and
- Where the engagement(s) is subject to the requirements of SEC Rule 206(4)-2 (17 CFR 275.206-2) (“Custody Rule”), SEC-registered and state-registered investment advisers, related party custodians, or private funds (e.g., pooled investment vehicles).

This alert serves as a follow-up to the independence guidance provided in the CAQ and AICPA’s original joint alert ([Alert #2014-6, “Updates to SEC and CFTC Regulations and Related Audit and Attestation Reports of Brokers and Dealers and Futures Commission Merchants, Including Those That Are Dually Registered”](#)), issued May 12, 2014. This alert also provides relevant guidance as reflected in the PCAOB’s [“Staff Guidance for Auditors of SEC-Registered Brokers and Dealers,”](#) and in light of the PCAOB’s recent issuance of its [“Third Report on the Progress of the Interim Inspection Program Related to Audits of Brokers and Dealers,”](#) wherein the PCAOB expressed concern over the continued high number of independence findings related to audits of broker-dealers. This alert addresses the following:

1. Applicability of SEC Independence Rules
2. Bookkeeping Services, Including Financial Statement Preparation
3. Applicability of PCAOB Independence Rules
4. Other Engagements Subject to SEC or PCAOB Independence Rules

While the alert highlights areas of focus, it should not be relied upon as definitive or all-inclusive and should be read together with the applicable rules, regulatory updates, standards, and guidance in their entirety.

[1] Note that while SEC or PCAOB independence rules may apply with respect to non-issuer audit and attestation engagements other than those listed above (e.g., engagements required by the Commodity Futures Trading Commission (CFTC), Deposit Insurance Corporation (FDIC)), such engagements are not the intended focus of this alert, but are briefly covered for informational purposes.

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