

PCAOB Adopts Amendments to Align Independence Requirements with SEC Rules

Washington, Nov. 19, 2020

The Public Company Accounting Oversight Board (PCAOB) today adopted amendments to its [independence standards](#). The amendments align the Board's independence requirements with the U.S. Securities and Exchange Commission's (SEC) recent revisions to its auditor independence rules.

"The Board's targeted amendments are intended to avoid confusion, differences, and duplication between PCAOB and SEC independence requirements," said PCAOB Chairman William D. Duhnke III.

The amendments to the PCAOB's independence standards will be effective subject to SEC review.

FACT SHEET

Overview

The Board is making targeted amendments to the PCAOB's interim independence standards and Part 5 of the Rules of the Board, *Ethics and Independence*, to conform with changes by the SEC in 2019 and 2020 to Rule 2-01 of the SEC's Regulation S-X, 17 C.F.R. § 210-2.01.

Background

In June 2019, the SEC adopted amendments to its auditor independence requirements in Rule 2-01 of Regulation S-X, Qualifications of Accountants, regarding the analysis that must be conducted to determine whether an auditor is independent when the auditor has a lending relationship with certain shareholders of an audit client. In October 2020, the SEC adopted additional amendments to Rule 2-01.

Among other things, the SEC's October 2020 revisions to Rule 2-01 add certain student loans and de minimis consumer loans to the categorical exclusions from independence-impairing lending relationships under Rule 2-01. In certain circumstances, such loans are not currently allowed under PCAOB's interim independence standards. The Board is amending the PCAOB's interim independence standards to avoid inconsistent Board and SEC independence requirements on lending arrangements, which should help clarify an auditor's independence obligations and facilitate compliance with Rule 2-01.

The SEC also adopted revisions to the definitions of several terms in Rule 2-01, including "affiliate of the audit client," "audit and professional engagement period," and "investment company complex." The Board is making amendments to the definitions of these terms in Rule 3501 to align with the definitions in Rule 2-01 to address confusion if these terms used in both the PCAOB's and the SEC's independence rules were defined differently.

About the PCAOB

The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. The PCAOB also oversees the audits of brokers and dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

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