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## STAFF QUESTIONS AND ANSWERS

### REGISTRATION OF BROKER-DEALER AUDITORS

February 4, 2015

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**Summary:** The questions and answers below set forth staff guidance to assist auditors of non-public broker-dealers considering registration with the Public Company Accounting Oversight Board (“PCAOB” or “Board”). This guidance does not constitute Board rules, nor has it been approved by the Board.

The staff questions and answers below were prepared by the Division of Registration and Inspections to supplement PCAOB Release No. 2003-011E, *Frequently Asked Questions Regarding Registration with the Board*. Questions should be directed to the PCAOB’s registration staff, by emailing [registration-help@pcaobus.org](mailto:registration-help@pcaobus.org) or by calling 202-207-9329.

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#### Overview of Registration

**Q1.** My firm audits broker-dealers but does not audit or participate in audits of public companies. Does my firm have to register with the Board?

**A1.** Registration with the Board is required in order to prepare or issue, or play a substantial role in the preparation or furnishing of, an audit report for a “broker” or “dealer” as those terms are defined, respectively, in PCAOB Rules 1001(b)(iii) and 1001(d)(iii). PCAOB Rule 1001(p)(ii) defines “substantial role.”

**Q2.** What does my firm have to do to become registered with the Board?

**A2.** To register with the Board, your firm must submit a registration application and the Board must approve it. Links to the instructions to Form 1 and to Section 2 of the Board’s rules (which govern the registration process) may be found at

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[www.pcaobus.org/Rules/PCAOBRules](http://www.pcaobus.org/Rules/PCAOBRules). You may also view a sample registration application by clicking on “Form 1: Application for Registration” located on the Registration page of the Board’s website ([www.pcaobus.org/Registration/Pages/SampleForms.aspx](http://www.pcaobus.org/Registration/Pages/SampleForms.aspx)). You can read a discussion of the information Form 1 requires by going to [www.pcaobus.org/Rules/Rulemaking/Docket001.aspx](http://www.pcaobus.org/Rules/Rulemaking/Docket001.aspx) and clicking on Release 2003-007. The Board has also published answers to frequently asked questions concerning the application process generally, which you can find on the Registration page. This document, PCAOB Release No. 2003-011E, *Frequently Asked Questions Regarding Registration with the Board*, is referred to below as “Board FAQs” and can be found at [www.pcaobus.org/Registration/Information/Docmuments/Registration\\_FAQ.pdf](http://www.pcaobus.org/Registration/Information/Docmuments/Registration_FAQ.pdf).

In addition to submitting the Form 1 registration application, your firm will have to pay a non-refundable registration fee prior to Board consideration of your application. If your firm audited no issuers during the previous calendar year, the registration fee is \$500. “Issuer” is defined in the Sarbanes-Oxley Act of 2002 and PCAOB rules and does not include a non-public broker-dealer.

**Q3.** If my firm becomes registered with the Board, what ongoing obligations will it have to the PCAOB?

**A3.** In addition to cooperation as required in any PCAOB inspection or enforcement processes, all registered firms must comply with the PCAOB’s annual and special reporting rules. Board rules require that all registered firms comply with the PCAOB’s annual and special reporting requirements. Under these rules, you will have to file with the Board an annual report, providing basic information about your firm. You will also have to file a special report if certain, specified events occur. These rules also require firms to pay an annual fee. You can read a full description of the annual and special reporting rules in PCAOB Release No. 2008-004 at [www.pcaobus.org/Rules/Rulemaking/Pages/Docket019.aspx](http://www.pcaobus.org/Rules/Rulemaking/Pages/Docket019.aspx), and you can find information about the annual fee at <http://pcaobus.org/Registration/rasr/Pages/AnnualFees.aspx>. Failures to comply with the reporting and annual fee requirements could result in disciplinary

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sanctions. Also, if a firm withdraws from registration and later applies to register again, a failure to have complied with these requirements when previously registered could be a basis for disapproval of the registration application.

In any given year, both the requirement to file an annual report and the requirement to pay an annual fee apply only to firms that are registered as of March 31 of that year. Firms that become registered after March 31 of a given year would not file an annual report or pay an annual fee that year.

### Mechanics of Registration

**Q4.** How does my firm submit a registration application?

**A4.** To apply for registration with the Board, your firm will have to go to the Board's Web site at [www.pcaobus.org](http://www.pcaobus.org), access the Board's secure, Web-based system, complete the registration application, and submit the application to the Board electronically.

The first step in registering is to request a user name and password to gain access to the Board's Web-based system. Firms submit this request by completing an online Entitlement Request Form, which is accessible by clicking the "Register, Withdraw or Report" button located on the Board's home page. The entitlement request form requires a firm to provide basic information about itself, and create a user ID and password. Once completed, the firm must submit the form online and await approval. If the request is approved, the firm will receive an email notifying it that it has been granted access to the Board's system and may access the system to complete its Form 1 (the registration application). The Form 1 registration application may be completed as a web form, or by using XML. Firms do not have to complete and submit the form immediately after accessing the system. Firms may save the Form 1 application in the Board's system and return to it at a later time to complete and submit it. A tutorial on how to complete a web form in the Board's system is available on the Board's Web site at [www.pcaobus.org/Registration/Pages/SampleForm.aspx](http://www.pcaobus.org/Registration/Pages/SampleForm.aspx).

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Form 1 General Instructions are available on the Board's Web site and are also accessible from within the system.

After Form 1 is submitted, your application will be processed by the system, and an invoice will be generated. Processing of your application can take up to 24 hours, after which you can come back to the registration system to view and pay your invoice via a provided link. Once you've paid, your application will be deemed submitted.

**Q5.** How long will it take my firm to get registered?

**A5.** The Board has up to 45 days after the date your firm submits its application to take action on the application. The actual number of days until approval will vary depending on the information contained in the application and the number of applications that are pending at the same time as your firm's application. However, if the Board requests additional information concerning the application, a new 45-day period will begin when the additional information is received. In addition, if the Board cannot determine whether it is in the public interest to approve a firm's application, the Board may hold a hearing. While the applicant could elect to treat the hearing notice as a denial, if it does not do so, it will have waived the 45-day requirement for Board action. See Board FAQ #14 for additional information concerning notices of hearing.

### **Content of the Registration Application**

**Q6.** My firm does not participate in audits of issuers. Are there sections of the registration application we can skip?

**A6.** Before responding to any item in the registration application, an applicant should give careful attention to the definitions of terms used in the item. Of particular significance in this context is the definition of "issuer" (which does not include a non-public broker-dealer).

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If your firm did not, in the current calendar year or in the year preceding submission of its application, participate at all in the audit of an issuer, and your firm does not expect to do so in the current calendar year, it will have no information responsive to Part II (Listing of Applicant's Public Company Audit Clients and Related Fees) and may not have information responsive to other items on the application. The form contains "NA" boxes that you should check to indicate that particular parts of the form do not apply to your firm. A firm that certifies financial statements of broker-dealers, however, should, when filling out an application, also bear in mind the answer to question no. 9 below.

Before concluding that it does not participate in audits of issuers, an applicant should understand that audit work performed for a non-public entity could nevertheless constitute participation in an audit of an issuer if that work is used by another firm in connection with the other firm's audit of an issuer, such as a parent company. In that circumstance, applicants should carefully consider whether they have played, or expect in the current calendar year to play, a "substantial role" in the audit of an issuer as that defined term is used in the registration application.

**Q7.** Part IV of the registration application requires my firm to provide a statement of its quality control policies. How detailed should we be in describing our quality control policies?

**A7.** Your firm's discussion of quality control policies should be a summary description presented in a clear, concise and understandable format. You should not provide us with your entire internal quality control manual, but should prepare a brief document that provides an overview of your firm's policies with respect to independence, integrity and objectivity; engagement performance; personnel management; acceptance and continuance of clients and engagements; and monitoring.

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**Q8.** Should my firm provide any specific information relevant to its work for broker-dealers?

**A8.** Your firm should complete Part III of the form and provide information about its broker or dealer audit clients, including the client's name, business address, CRD number, CIK number, the date of the audit report, and disclosures about the fees billed to broker or dealer audit clients. Item 3.1 covers clients from the previous year. Item 3.2 covers clients audited during the current year. Item 3.3 covers clients your firm expects to prepare an audit report for during the current year. Item 3.4 covers clients for which your firm played or expects to play a substantial role during the preceding or current calendar year if your firm did not and does not expect to prepare or issue an audit report.

**Q9.** Are registration applications made public? If so, can my firm protect any of the information it provides in the application from public disclosure?

**A9.** The Board makes registration applications available to the public by posting them to its web site as soon as practicable after approving or disapproving them. If your firm wishes to protect information in its registration application from public disclosure, it may request confidential treatment for that information by checking the box labeled "CR" that appears in the application relating to exact item of information that you want to be treated confidentially. Your firm will be notified of the Board's determination with respect to your request after the Board has acted on your application.

For each request for confidential treatment, your firm must attach, as Exhibit 99.1, the information required by PCAOB Rule 2300(c)(2), which includes a representation that, to the requestor's knowledge, the information for which confidential treatment is requested has not otherwise been publicly disclosed and either (1) a detailed explanation of the grounds on which the information is considered proprietary or (2) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the requestor claims protects the information from public disclosure. If you attach an Exhibit 99.1 that fails to include this

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information, your request for confidential treatment may be denied solely on the basis of that failure. Unless the firm requests otherwise by checking the specified box in Part X of its Form 1, the Exhibit 99.1 will be afforded confidential treatment. Refer to Board Rule 2300 ([www.pcaobus.org/Rules/Rules\\_of\\_the\\_Board/Section\\_2.pdf](http://www.pcaobus.org/Rules/Rules_of_the_Board/Section_2.pdf)) for the test the Board will apply in considering whether to grant your requests.

Requesting confidential treatment of a portion of a text exhibit to Form 1 requires your firm to submit two versions of the exhibit – one version should contain all the information in the exhibit and the other version should redact those portions of the exhibit as to which the firm is seeking confidential treatment and show with a notation each redaction that has been made.

### **Further Questions About Registration**

**Q10.** What should I do if I have further questions?

**A10.** If you have questions, you should first review the Board's FAQs on Registration, the Board's rules and Instructions to Form 1, and the Instructions for filling out Form 1 that are available for download after you log in to the registration system. If you still have questions, you can email the PCAOB's registration staff at [registration-help@pcaobus.org](mailto:registration-help@pcaobus.org), or call the registration staff's help line at (202) 207-9329. The hours of operation for the help line are 9 a.m. to 4:30 p.m. EDT, Monday through Friday.