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February 7, 2019

Phoebe W. Brown
Secretary
Office of the Secretary, PCAOB
1666 K Street NW
Washington, DC 20006-2803
Re: No. 2018-001, PCAOB Draft Strategic Plan 2018-2022

Dear Ms. Brown:

Nasdaq, Inc. ("Nasdaq")¹ appreciates the opportunity to comment on the Public Company Accounting Oversight Board ("PCAOB") Draft Strategic Plan 2018-2022 (the "Strategic Plan").² We thank the PCAOB for soliciting our views and the views of public companies and the investing public.

As a National Securities Exchange, Nasdaq currently lists 3,047 companies in the U.S. Nasdaq communicates closely with our listed companies and their shareholders, as well as companies considering whether to list. These companies often highlight unnecessary burdens that discourage companies from entering or staying on public markets.³ In fulfilling our responsibilities as a self-regulatory organization to protect investors and the public interest, Nasdaq Staff annually reviews about 3,000 annual and 7,000 quarterly financial reports filed with the Securities and Exchange Commission by Nasdaq-listed companies.⁴ In addition, as a public company, Nasdaq itself is subject to the annual and quarterly reporting requirements. Nasdaq's comments reflect its experience in all of these roles.

¹ Nasdaq is a leading global provider of trading, clearing, exchange technology, listing, information and public company services. Through its diverse portfolio of solutions, Nasdaq enables customers to plan, optimize and execute their business vision with confidence, using proven technologies that provide transparency and insight for navigating today's global capital markets. As the creator of the world's first electronic stock market, its technology powers more than 100 marketplaces in 50 countries. Nasdaq is home to over 4,000 total listings with a market value of approximately \$12 trillion. To learn more, visit: nasdaq.com/ambition or business.nasdaq.com.

² <https://pcaobus.org/About/Administration/Documents/Strategic%20Plans/Draft-2018-2022.pdf>.

³ In a recent survey by Nasdaq of over 200 public companies, and those considering going public, over half of respondents cited regulatory reform, including disclosure reform, as a key focal area. Nasdaq also recently released its blueprint for revitalizing the U.S. capital markets: [The Promise of Market Reform – Reigniting America's Economic Engine](#), calling upon policy makers, regulators, market participants, companies and investors to modernize rules and consider new approaches to help reinvigorate the U.S. capital markets.

⁴ Annual reports filed with the Securities and Exchange Commission (typically on Form 10-K) must include, among other things, the company's annual financial statements, which must be audited by a registered public accounting firm. Auditors must also review public companies' quarterly reports (typically on Form 10-Q).

I. Background

On August 10, 2018, the PCAOB released a draft of its five-year strategic plan and sought public comment on the plan. This represents the first time that the PCAOB has solicited public input to a draft strategic plan. When finalized, the strategic plan will serve as a roadmap for the PCAOB and will be used to develop its budget each year. As outlined in the Strategic Plan, the PCAOB has identified five goals for 2018-2022, each of which includes a set of specific objectives:

1. Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation;
2. Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities;
3. Enhance transparency and accessibility through proactive stakeholder engagement;
4. Pursue operational excellence through efficient and effective use of the PCAOB's resources, information, and technology; and
5. Develop, empower, and reward the PCAOB's people to achieve shared goals.

II. Comments on the Strategic Plan

Nasdaq commends the PCAOB for taking an important step toward greater engagement with investors, audit committees and other stakeholders by soliciting input on the Strategic Plan and for its renewed focus on audit quality.

Because of our regulatory mandate, Nasdaq has been deeply involved with the accounting profession in general and has closely monitored the developments at PCAOB since its inception in 2002. On the eve of the five-year anniversary of the Sarbanes-Oxley Act, in June 2007, Nasdaq issued a press release delineating the proven benefits of this legislation and providing recommendations to PCAOB for further improvements.⁵ In testimony before the House Subcommittee on Capital Markets and GSEs in April 2016, Nasdaq EVP Nelson Griggs addressed a concern frequently raised by listed companies that public companies, especially smaller ones, face increasing auditing costs. He further stated that:

While companies do not object to costs that provide a concomitant investor benefit, the companies claim that some of the costs are the result of nonsensical, one-size-fits all application of guidance given in different situations. These companies feel stuck because the auditors claim these additional costs are due to requirements imposed on the auditor by the PCAOB, but the companies have no avenue to discuss the requirements with the PCAOB. For these reasons, we think the PCAOB should be required to establish an "ombudsman" office to consider these complaints and address them, as appropriate, with the auditors and PCAOB staff, serving as a resource for companies who feel their internal controls are being over-audited.⁶

To constructively address this concern, the PCAOB created the Office of Outreach and Small Business Liaison. In 2017, Nasdaq joined forces with this Office to conduct a webinar to discuss the PCAOB resources available for public companies.

Despite these efforts, Nasdaq continues to hear from our listed companies that the "over-auditing" problem

⁵ <https://globenewswire.com/news-release/2007/07/24/363100/123550/en/NASDAQ-Recommend-Further-Refinement-of-Public-Company-Accounting-Oversight-Board-s-Auditing-Standard-No-5.html>.


⁶ <https://financialservices.house.gov/uploadedfiles/hhrg-114-ba16-wstate-ngriggs-20160414.pdf>

remains. Anecdotally, companies suggest that the PCAOB might recommend a new control, test or procedure to cover a specific item, perhaps for a specific company or industry, but instead of applying the new control to just the situation PCAOB identified, the audit firms tend to apply it to all clients. This one-size-fits all approach taken by auditing firms unnecessarily burdens public companies.

Although the operations of the Office of Outreach and Small Business Liaison are helpful in educating PCAOB's stakeholders, Nasdaq believes that there remains a need for a more transparent and formalized process for PCAOB to address tensions between the audit firms and their clients, public companies. Addressing this concern would go a long way to fulfil the Strategic Plan's third objective to "enhance transparency and accessibility through proactive stakeholder engagement."

In the message from the Chairman introducing the Strategic Plan the Chairman states that "[w]e must engage more often and more directly with investors, audit committees, and our other stakeholders to promote robust and timely dialogue regarding the quality of audit services." Nasdaq commends the PCAOB for the initial steps in the Strategic Plan towards improving the quality of audit services and urges action to meaningfully reduce the hurdles of compliance as a public company where that can be done without harming investor protection or while enhancing investor protection.

Thank you for your consideration of our comments. Please feel free to contact me with any questions.

Sincerely,

John A. Zecca