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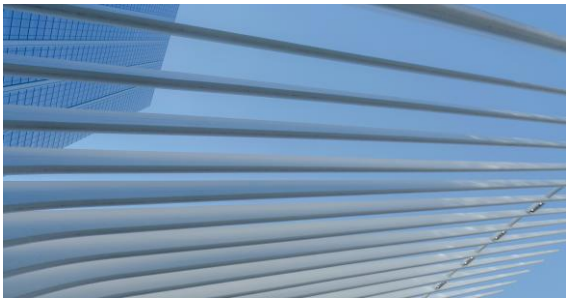
PCAOB Proposes Replacing 135-Day Comfort Letter Limit



November 2026

Proposal would allow negative assurance as of a date before the next required annual or interim financial statement filing deadline

On November 3, 2026, the U.S. Public Company Accounting Oversight Board ("PCAOB") issued for public comment a proposal to amend *AS 6101, Letters for Underwriters and Certain Other Requesting Parties*, to replace the existing 135-day limit on negative assurance regarding subsequent changes in specified financial statement items with an approach tied to an issuer's next required financial statement filing deadline. If adopted, the proposed changes could reduce gaps in the availability of comfort for U.S. securities offerings, giving issuers greater flexibility to access the capital markets.

AS 6101 establishes provisions for auditors to issue comfort letters for underwriters and certain other requesting parties in connection with financial statements contained in registration statements filed with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 (the "Securities Act") and other securities offerings.

Notably, however, the proposal would not amend AU-C Section 920, the comfort letter standard issued by the American Institute of Certified Public Accountants (the "AICPA") relating to the financial statements of non-issuers (generally, private companies). AU-C Section 920 contains a 135-day limitation on subsequent-change negative assurance that is substantially identical to the limitation in AS 6101.

135-day limitation

Currently, AS 6101 permits negative assurance on subsequent changes in specified financial statement items only as of a date less than 135 days after the end of the most recent period for which financial statements were audited or reviewed. If the requested assurance relates to a date 135 days or more after that period-end, the auditor cannot provide it, even if the auditor considers it appropriate in the circumstances. The auditor may instead report the procedures performed and findings obtained in the comfort letter.

The convention derives from SEC financial statement updating requirements adopted in 1980 and was carried into the PCAOB's interim standards in 2003. The 135-day limitation does not fully align with current reporting deadlines. For example, a non-accelerated filer with a December 31 year-end has a fourth quarter of 92 days and an annual report filing deadline 90

days after December 31, resulting in a total of 182 days after the date (typically September 30) of its most recent published, reviewed interim financial statements. Assuming the annual report is filed at the deadline and no more recent interim review has been performed, there would be a 47-day gap between the expiry of the 135-day period and the annual report filing. During that gap, the auditor would be unable to provide negative assurance on subsequent changes to financial statement items.

Moreover, earlier this year, the SEC proposed an optional semiannual reporting framework, which could further widen the gap between financial reporting deadlines and the existing comfort-letter limit. SEC-reporting foreign private issuers already face a related issue because they are not required to file quarterly reports, and interim financial statements furnished on Form 6-K need not be reviewed by an auditor. To obtain subsequent-change negative assurance beyond 134 days after the latest audited period-end, an issuer may therefore need to prepare and obtain a review of interim financial statements, with the requested assurance date falling less than 135 days after the reviewed period-end.

Proposed new approach

The proposed amendments to paragraphs .46 and .47 of AS 6101 would replace the fixed 135-day threshold with the deadline for filing financial statements for the next required annual or interim period. This means an auditor would be permitted to provide negative assurance on subsequent changes as of a date after the latest audited or reviewed period-end and before the next required financial statement filing deadline. However, under the proposal, if the next required financial statements have not been filed by that deadline, the auditor could not provide negative assurance as of a date on or after it and would instead be limited to reporting procedures performed and findings obtained.

The proposal would add a note to paragraph .46 making clear that negative assurance is permitted, but not required, within the available period. The note would identify a non-exhaustive list of factors relevant to the auditor's decision to provide negative assurance, including:

- the length of the period between the end of the most recent period for which the accountants have performed an audit or review and the specified date for which negative assurance on subsequent changes was requested;
- management's ability to respond to inquiries about changes in financial statement items through the specified date, for example, when the specified date does not coincide with a typical financial statement close date, such as month-end;
- changes in senior management or key personnel at the company during the change period;
- the effectiveness of the company's internal control over financial reporting;
- the company's ability to continue as a going concern;

- restatement activity or other retrospective changes to the specified financial statement item during the change period; and
- appointment of new accountants during the change period.

These factors are not intended to be comprehensive and would not prescribe a new checklist of procedures. An auditor could provide negative assurance on some requested items but limit its comments on others to procedures performed and findings obtained.

The proposal would not change the link between subsequent-change negative assurance and the most recent audit or interim review performed under PCAOB standards. It would also not change SEC financial statement updating requirements, issuers' underlying disclosure obligations, or underwriters' liability standards and responsibility to conduct a reasonable investigation.

Timing and next steps

The amendments are at the proposal stage and would require PCAOB adoption and SEC approval. The PCAOB is considering effectiveness immediately upon SEC approval, while also requesting comment on whether a 30-day delay would be sufficient if immediate effectiveness presents challenges.

Comments are due by January 4, 2027. Among other matters, the PCAOB is asking whether the amendments should proceed if the SEC does not adopt optional semiannual reporting, whether the proposed factors sufficiently guide auditor judgment, whether an alternative approach should retain the 135-day limit for quarterly filers and use a 225-day limit for semiannual filers, and whether the proposed amendments would change current practice.

Practical impact

If the PCAOB's changes are adopted as proposed, issuers could have greater flexibility in offering timetables, including a reduced need to obtain additional interim reviews solely to satisfy the existing timing convention. However, auditors may be unwilling to provide negative assurance over significantly longer periods. Removing the fixed 135-day limit would not oblige an auditor to provide negative assurance over a longer period or prevent underwriters from asking for more recent reviewed financial information. As the release acknowledges, longer change periods could entail additional procedures, auditor hours and fees.

Also, while AS 6101 expressly accommodates Rule 144A and certain other unregistered offerings, it applies to "issuers." For PCAOB purposes, an issuer is an entity whose securities are registered under Section 12 of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), that is required to file reports under Section 15(d) of the Exchange Act, or that files or has filed a registration statement with the SEC that has not yet become effective under the Securities Act and that it has not withdrawn.

Comfort letters in connection with securities offerings by "non-issuers" are generally governed by AU-C Section 920. Where AU-C Section 920 governs the comfort engagement, its existing 135-day restriction would remain unless

it is also amended. The AICPA's Auditing Standards Board monitors PCAOB developments for potential alignment, but any corresponding amendment to AU-C Section 920 would require separate AICPA action.

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We will continue to monitor developments in this area and welcome any queries you may have.

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