

Independent Accountant's Report

To Management
Thomson Reuters (Tax and Accounting) Inc.

We have examined:

- The content related to the relevant standards and interpretive guidance in Thomson Reuters' quality control materials titled *PPC's Practice Aids for Audits of Broker-Dealers*, September 19, 2024, 12th Edition, are accessible through EngagmentManager.ThomsonReuters.com (formerly AdvanceFlow.com) and available for download on Checkpoint.RIAG.com (the "QCM Content")
- The accompanying description prepared by Thomson Reuters titled "Description, as of September 30, 2024, of Thomson Reuters' *PPC's Practice Aids for Audits of Broker-Dealers*, September 19, 2024, 12th Edition" (the "Description")

Management of Thomson Reuters (Tax and Accounting) Inc. is responsible for the QCM Content being in accordance with the QCM Content Criteria included in Attachment A and for the Description being in accordance with the QCM Description Criteria included in Attachment A (collectively, the "QCM Criteria"). Our responsibility is to express an opinion on the QCM Content and the Description based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the QCM Content and the Description are in accordance with the QCM Criteria in all material respects. An examination involves performing procedures to obtain evidence about the QCM Content and the Description. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the QCM Content and the Description, whether due to fraud or error. In making an assessment of the risks of material misstatement, we considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, in all material respects:

- The QCM Content is in accordance with the QCM Content Criteria specified in Attachment A.
- The Description is in accordance with the QCM Description Criteria specified in Attachment A.

This report is intended solely for the information and use of management of Thomson Reuters (Tax and Accounting) Inc., users and potential users of the QCM Content, and users' peer reviewers and regulators.

This report is not intended to be, and should not be, used by anyone other than these specified parties.



Attachment A: QCM Content Criteria and QCM Description Criteria

QCM Content Criteria

The quality control materials (QCM) are in accordance with the following criteria:

CC1: The quality control materials content accurately reflects the standards and interpretive guidance addressed by the QCM and addresses the standards and interpretive guidance in the manner described in the description, including the following:

- a. QCM content reproduced in whole or in part from standards and interpretive guidance does the following:
 - i. Appropriately references the relevant standards and interpretive guidance to enable user firms to locate the content
 - ii. Agrees with the relevant standards and interpretive guidance
- b. QCM content derived from the standards and interpretive guidance explains, elaborates, interprets, or paraphrases the relevant standards and interpretive guidance in a manner that does not change the meaning and intent of the standards and interpretive guidance.
- c. QCM content that illustrates the application of the relevant standards and interpretive guidance is not in conflict with the standards and interpretive guidance.

CC2: QCM content

- a. Identifies assumptions or judgments made in developing QCM content related to the relevant standards and interpretive guidance, if any
- b. Identifies QCM content that is based on widely recognized or generally accepted practice rather than on the relevant standards and interpretive guidance
- c. Identifies QCM content that represents the QCM provider's opinion or interpretation of the relevant standards and interpretive guidance
- d. Uses the same terminology and definitions used in the relevant standards and interpretive guidance

CC3: QCM content does not omit relevant principles, topics, requirements, considerations, procedures, or other aspects of the relevant standards and interpretive guidance.

CC4: If the description indicates that a purpose of the QCM content is to provide a means to document compliance with the standards and interpretive guidance that the QCM address, the QCM content enables user firms to do so.

QCM Description Criteria

The description of the content of quality control materials (the "Description") contains the following information:

DC1: An identification of the quality control materials addressed by the Description, including the following:

- a. The title of the QCM, including the version name, number, or date
- b. An indication of all formats in which the QCM are provided and, if the QCM are in the format of application software, all delivery methods

**Attachment A: QCM Content Criteria and QCM Description Criteria
(Continued)**

DC2: An identification of any elements of the QCM content that are provided by another QCM provider

DC3: An identification of any elements (parts) of the QCM content that are not addressed by the Description. If applicable, identify how the elements relate to the entire QCM.

DC4: The date of the Description

DC5: A statement that “[*Identification of the QCM addressed by the description*] are quality control materials (QCM). The AICPA defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm’s system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications. QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.”

DC6: An identification of the characteristics of the QCM, including the following:

- a. The type of QCM (what the QCM are) and purpose of the type of QCM
- b. The topics addressed by the QCM
- c. If the QCM are intended to be used for a specific type of engagement or specific aspects of an engagement, an identification of the characteristics of that engagement, including the following:
 - i. The relevant characteristics of the type of client for which the QCM are intended to be used, including the following:
 - Area of practice
 - Industry
 - Form or type of organization
 - Operational characteristics
 - ii. The characteristics of the type of engagement for which the QCM are intended to be used, including the following:
 - Area of service
 - Level of service
 - Unique characteristics of the engagement

DC7: An identification of any other QCM intended to be used in conjunction with the QCM content

DC8: An identification of the standards and interpretive guidance relevant to the QCM that the QCM address, including the following:

- a. The standard-setting body that issued the standards and interpretive guidance
- b. Either:
 - i. The date through which the QCM address issued and effective standards and interpretive guidance (date approach)
 - ii. The number and title of the most recently issued and effective standards and interpretive guidance addressed by the QCM (title approach)

**Attachment A: QCM Content Criteria and QCM Description Criteria
(Continued)**

DC9: An identification of standards and interpretive guidance relevant to the QCM that were issued and effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii) but:

- a. Not addressed by the QCM
- b. Not fully addressed by the QCM, including why the relevant standards and guidance were not fully addressed, and how they were addressed by the QCM

DC10: A description of how the QCM address standards and interpretive guidance relevant to the QCM that were issued but not effective up to the date (if using the date approach referred to in DC8bi) or the number and title (if using the title approach referred to in DC8bii), including the following:

- a. The title and effective date of the standards and interpretive guidance
- b. Whether the standards and interpretive guidance are addressed by the QCM and, if so, how they are addressed
- c. Whether the standards and interpretive guidance allow for early implementation or adoption

DC11: A description of the QCM provider's policy for updating the QCM content, including the nature and anticipated timing of updates

DC12: A statement that user firms are responsible for the following:

- a. Determining whether the QCM are suitable for the user firm's purposes
- b. Understanding that the QCM are not intended to be a substitute for the standards and interpretive guidance, an evaluation thereof, or professional judgment
- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions

Description, as of September 30, 2024, of Thomson Reuters' PPC's Practice Aids for Audits of Broker-Dealers, September 19, 2024, 12th Edition

PPC's Practice Aids for Audits of Broker-Dealers, September 19, 2024, 12th edition, (the Practice Aids), are accessible through EngagementManager.ThomsonReuters.com (formerly AdvanceFlow.com) and available for download on Checkpoint.RIAG.com. The Practice Aids consists of introductory text and multiple practice aids, including audit programs, checklists, reports, and confirmation and correspondence letters. The Practice Aids are editable Microsoft Word and Excel documents.

Thomson Reuters Guided Assurance (formerly Checkpoint Engage) and PPC's SMART Practice Aids are Workflow Tools that not included in this description. They are designed to enhance productivity, efficiency, and quality when used in combination with the Practice Aids.

- Thomson Reuters Guided Assurance is a fully integrated online audit solution that provides enhanced technological functionality of content and engagement methodology in the Practice Aids.
- PPC's SMART Practice Aids is a desktop application that provides similar functionality.

Definition of QCM.

PPC's Practice Aids for Audits of Broker-Dealers are quality control materials (QCM). The AICPA defines QCM as materials (for example, manuals or tools), including industry- or subject matter-specific materials, intended to enable the operation of a firm's system of quality control and promote consistency in performing quality engagements. QCM may be made available through technology, for example, through automated tools and techniques, and IT applications.

QCM address standards and interpretive guidance related to accounting; audit, attestation, review, compilation, or preparation engagements or other services that CPA firms may provide; or ethics, independence, quality control, quality management, peer review, or practice monitoring related to those services.

Other QCM Providers

The elements of the QCM provided and within this description are delivered by Thomson Reuters (Tax and Accounting) Inc. (Thomson Reuters) and no other QCM provider.

Characteristics of the QCM

The Practice Aids are a full set of practice aids to perform an audit of the financial statements of noncarrying broker-dealers in accordance with auditing standards of the Public Company Accounting Oversight Board (PCAOB). The Practice Aids also address agreed-upon procedures and exemption review engagements for exemption reporting, as required by the Securities Investor Protection Corporation (SIPC) Series 600 Rules, specific to noncarrying broker-dealers in accordance with attestation standards of the AICPA and the PCAOB. The Practice Aids are intended to be used in conjunction with the guidance in *PPC's Guide to PCAOB Audits* (PCA).

The Practice Aids provide a means to document compliance with relevant standards and interpretive guidance and include illustrative reports; engagement, management representation, confirmation, and other illustrative letters; checklists; and audit programs. The unique characteristics and the necessary responses and procedures that would apply to carrying broker-dealers are not addressed within these Practice Aids. The Practice Aids are designed to complement rather than replace PCA. As such, the audit, accounting, and reporting guidance included in the chapters of PCA are not repeated in the Practice Aids. Accordingly, references to PCA are included throughout the Practice Aids to direct auditors to that extensive guidance.

The Practice Aids address engagement-level quality control requirements but do not address firm-level quality control system requirements. Consequently, with regard to the PCAOB's *Interim Quality Control Standards* that consist of the AICPA's *Statements on Quality Control Standards* in existence as of April 16, 2003, the Practice Aids are intended to be used in conjunction with *PPC's Guide to Quality Control*.

Relevant Standards and Interpretive Guidance Addressed by the Practice Aids

Auditing and Attestation Standards and Interpretive Guidance

Description, as of September 30, 2024, of Thomson Reuters' PPC's Practice Aids for Audits of Broker-Dealers, September 19, 2024, 12th Edition (continued)

The Practice Aids address relevant auditing and attestation standards and interpretive guidance issued and effective by the PCAOB through September 19, 2024.

Although the following may not be fully effective at the time of publication, the user applying the guidance in the Practice Aids must evaluate each standard's applicability and effective date based on the period covered in each specific engagement. The following auditing standards and conforming amendments were issued before September 19, 2024, and are fully incorporated into the Practice Aids, with extant guidance retained:

- PCAOB Release No. 2022-002, *Planning and Supervision of Audits Involving Other Auditors and Dividing Responsibility for the Audit with Another Accounting Firm*, is effective for audits of financial statements for fiscal years ending on or after December 15, 2024.
- PCAOB Release No. 2023-008, *The Auditor's Use of Confirmation, and Other Amendments to PCAOB Standards*, is effective for audits of financial statements for fiscal years ending on or after June 15, 2025.

The following auditing standards were also issued before September 19, 2024, were not fully effective at the time of publication, and are not fully incorporated into the Practice Aids:

- PCAOB Release No. 2024-004, *General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards*, is effective for audits of financial statements for fiscal years beginning on or after December 15, 2024, except that, for firms that provide audit opinions on 100 or fewer issuers, the amendments relating to the documentation completion date are effective for audits of financial statements for years beginning on or after December 15, 2025.
- PCAOB Release No. 2024-005, *A Firm's System of Quality Control And Other Amendments to PCAOB Standards, Rules and Forms*, is effective on December 15, 2025, with the initial evaluation of the QC system to be performed as of September 30, 2026, and initial reporting to the PCAOB by November 30, 2026.
- PCAOB Release No. 2024-007, *Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Forms*, is effective for audits of financial statements for fiscal years beginning on or after December 15, 2025.
- PCAOB Release No. 2024-008, *Amendment to PCAOB Rule 3502 Governing Contributory Liability*, which amends *PCAOB Rule 3502, Responsibility Not to Knowingly or Recklessly Contribute to Violations*, is effective October 19, 2024 (60 days after SEC approval of the amendment to PCAOB Rule 3502).

AICPA Professional Standards

The Practice Aids address relevant attestation (agreed-upon procedures and review) standards and interpretive guidance issued and effective by the Auditing Standards Board (ASB) of the AICPA before September 19, 2024, and up to SSAE No. 23, *Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*. SSAE No. 23 is not applicable to the Practice Aids.

The Practice Aids also address the following AICPA Audit and Accounting Guides:

- AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*, as of August 1, 2023.
- AICPA Audit and Accounting Guide, *Revenue Recognition*, as of July 1, 2022.
- AICPA Audit and Accounting Guide, *Risk Assessment in a Financial Statement Audit*, as of January 1, 2023.

The Practice Aids incorporate professional standards from the AICPA, beyond the attestation standards, that are relevant to the Practice Aids. These include standards relating to ethics from the AICPA *Code of Professional Conduct* in the context of their application to the Practice Aids.

Accounting Standards and Interpretive Guidance

The primary focus of the Practice Aids is on PCAOB engagement standards rather than accounting standards; however, they do provide limited relevant industry accounting guidance. In addition, accounting standards with disclosure requirements are included in the Disclosure Checklists (PBK-CX-13.1 and PBK-CX-13.2).

The Practice Aids address relevant accounting standards issued and effective by the Financial Accounting Standards Board (FASB) through September 19, 2024, and up to FASB Accounting Standards Update No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*.

Although the following may not be fully effective at the time of publication, the user applying the guidance in the Practice Aids must evaluate each standard's applicability and effective date based on the period covered in each specific engagement. The following relevant accounting standards were issued before September 19, 2024, and dual guidance is provided:

- ASU No. 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*, is effective prospectively for joint ventures with a formation date on or after January 1, 2025. Early adoption is permitted for financial statements that have not been issued.
- ASU No. 2023-06, *Disclosure Improvements—Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, is effective for entities subject to the existing disclosure requirements of the Securities and Exchange Commission (SEC) that are required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, on the date that the SEC's removal of each related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. As of September 19, 2024, the SEC had not removed the related guidance; thus, the effective date had not yet been defined.
- ASU No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, is effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for financial statements that have not been issued.
- ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, is effective for public business entities for fiscal years beginning after December 15, 2024. Early adoption is permitted for financial statements that have not been issued.
- ASU No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*, is effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods within those years. Early adoption is permitted for financial statements that have not been issued.

The Practice Aids also address relevant final rules and interpretive guidance issued by the SEC through September 19, 2024.

Policy for Updating the QCM Content

Thomson Reuters updates *PPC's Practice Aids for Audits of Broker-Dealers* annually and generally releases a new edition each fall to reflect changes in standards and interpretive guidance, content enhancements, and the corrections of minor errors not previously updated. The Practice Aids referenced herein were completed on September 19, 2024, and no changes have been made to this specific edition of the Practice Aids since then.

User Firm Responsibilities

User firms are responsible for the following:

- Determining whether the QCM are suitable for the user firm's purposes
- Understanding that the QCM are not intended to be a substitute for the standards and interpretive

guidance, an evaluation thereof, or professional judgment

- c. Using the most up-to-date QCM available that are applicable in the circumstances, including accessing and using the most recent and effective relevant standards and interpretive guidance that are not addressed or not fully addressed by the QCM
- d. Properly implementing the QCM and using professional judgment in the application of the QCM based on the facts and circumstances (for example, of each engagement)
- e. Providing the appropriate training for the use of the QCM and performing the appropriate supervision and review procedures regarding the use of the QCM based on the skill, training, knowledge, and experience of individual users within the user firm
- f. Identifying that there may be certain facts, circumstances, risk factors, or specific issues that exist for a particular client, engagement, or user firm that may not be addressed by the QCM; in that case, understanding that the QCM will require tailoring and augmentation to address such facts, circumstances, risk factors, or specific issues
- g. Monitoring the activities of standard-setting bodies for changes that would affect the user firm, including amendments of standards and interpretive guidance and deferrals of effective dates
- h. Complying with relevant professional standards and interpretive guidance
- i. Understanding that the effectiveness of the QCM is dependent on the user firm fulfilling the preceding responsibilities and the effectiveness of its actions