NASBA
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July 5, 2018

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

Via e-mail: rule-comments@sec.gov

Re: Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships (File Number S7– 10–18)

Dear Mr. Fields:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced proposal, *Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships* (the proposal). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

The State Boards look to the Securities and Exchange Commission (SEC) to define independence-impairing interests, services and relationships that auditors and their personnel should avoid in maintaining independence of their public company and SEC registrant audit clients. We commend the SEC for its thorough and thoughtful investigation, analysis and conclusion that certain aspects of the loan provision in Rule 2-01 of Regulation S-X, *Qualifications of Accountants,* (Rule 2-01) can be revised, as they do not appear to affect an auditor's independence.

GENERAL COMMENTS

We support the amendments described in the above-cited proposal, which we have noted as having four (4) key components:

1. Focus the Analysis Solely on Beneficial Ownership
2. ''Significant Influence'' Test
3. ''Known Through Reasonable Inquiry''
4. Proposed Amendment to Exclude From ''Audit Client'' Other Funds That Would Be Considered an ''Affiliate of the Audit Client''

We agree with each of the above-proposed changes. Based on the explanation included for each of these components of the overall proposal to change the loan provision, we believe such amendments to the rule would allow the public interest to continue to be protected.

Request for Specific Comments

We have limited our responses to two (2) questions under item III. Request for Comment, 4.E:

Question: Should we make other changes to our auditor independence rules? If so, which rules and why?

NASBA has no specific recommendations currently. However, to the extent the SEC has observed that other aspects of Rule 2-01, like the loan provision, do not appear to impact auditor independence yet present particularly burdensome challenges and costs to auditors and their clients, we would encourage the SEC to propose such changes for public comment along with their rationale for any changes.

Question: Would our proposed amendments have any unintended impact on other professional standards that may exist, such as the requirements of the PCAOB, professional societies, or state boards of accountancy?

NASBA is not aware of any unintended impact on requirements of State Boards, professional societies, or the PCAOB, or professional standards generally, that would result from the proposed amendments to the loan provision in Rule 2-01.

Again, we appreciate the opportunity to comment on the proposed rule change.

Very truly yours,

Ted Long

Ken L. Bishop

Theodore W. Long, Jr., CPA
NASBA Chair

Ken L. Bishop
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