



December 11, 2013

Ms. Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803
comments@pcaobus.org

Submitted electronically

Re: PCAOB Rulemaking Docket Matter No. 034

Dear Board Members,

Annaly Capital Management, Inc. (Annaly, the Company, we, our) welcomes the opportunity to provide comments to the Public Company Accounting Oversight Board (the Board) regarding the *Proposed Auditing Standards – The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion, and The Auditor’s Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements* (PCAOB Release No. 2013-005, August 13, 2013, PCAOB Rulemaking Docket Matter No. 034) (the Proposal)).

Annaly owns, manages, and finances a portfolio of real estate related investments and has elected to be taxed as a real estate investment trust (REIT) for federal income tax purposes. Annaly invests in residential mortgage-backed securities (RMBS) that are issued or guaranteed by a federally chartered corporation such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae as well as commercial real estate loans and commercial mortgage-backed securities. Our principal business objective is to generate net income for distribution to our shareholders from our investments.

While we appreciate the Board’s efforts to improve audit quality and enhance the audit report, we do not support all aspects of the proposal as further discussed below.

Critical Audit Matters (CAMs):

We support the Board’s decision to retain the current pass/fail model of auditor reporting however we have concerns about the Board’s proposal to discuss Critical Audit Matters (“CAMs”) in the audit report. Our financial reports filed with the SEC include disclosures about critical accounting policies, risk factors and significant estimates. Given that these disclosures already discuss the most judgmental, subjective and complex aspects of the financial statements, we believe the information

in the auditor's report would be duplicative of information already provided by management. Given the increased risk as a result of not discussing a matter, we think the auditor will be motivated to include more rather than less CAMs in the audit report. We are also concerned that highlighting audit procedures around CAMs in the auditor's report may lead financial statement users to construe this as emphasis of a matter. Additionally, we are concerned that information that is not required to be disclosed in the financial statements will be included in the audit report. While the existing audit requirement to raise issues to the audit committee provides the opportunity for the auditor to discuss issues and provide context, we are concerned that disclosure in the audit report will present summarized information to the users without the same opportunity for discussion.

Other Information:

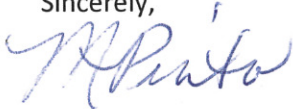
We are also concerned about the auditor's increased responsibility over other information outside of the financial statements and footnote disclosures. This information would include the Management Discussion and Analysis ("MD&A") section of the SEC filed financial reports. The MD&A section includes forward-looking information based upon management's analysis and insights into the business. Based on the highly-specialized, subjective, qualitative nature of this information, it may be extremely difficult for an auditor to objectively or adequately evaluate. We believe that the proposed change to "read and evaluate" from "read and consider" as to whether the other information in the financial statements is materially consistent with the audited financial statements, will result in a challenge for issuers to discuss the most relevant and useful information at the risk of this information being too difficult or costly for an auditor to evaluate. We further believe it will be unclear to users of financial statements the level of assurance provided by an "evaluation" of the MD&A or other information and therefore potentially subject both the preparers and auditors to increased liability risk. Additionally, we believe the increased level of assurance on the MD&A or other information blurs the line of responsibility between management and the auditor. We encourage the Board to retain the existing requirement to "read and consider" other information.

Auditor Tenor:

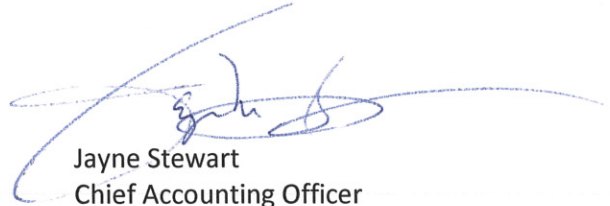
We don't believe that the disclosure of auditor tenor provides useful information as we don't think there is a direct correlation between audit tenor and audit quality, particularly given the mandate under Section 203 of the Sarbanes-Oxley Act which requires mandatory rotation of both the lead audit partner and the concurring partner after five years.

We appreciate your consideration of our comments. If you have any questions or require clarification, please contact Melanie Pinto at (646) 728-7673 or Jayne Stewart at (212) 696-0100.

Sincerely,



Melanie Pinto
Director of Accounting Policy
Annaly Capital Management, Inc.



Jayne Stewart
Chief Accounting Officer
Annaly Capital Management, Inc.