



KPMG LLP
757 Third Avenue
New York, NY 10017

Telephone 212 909 5600
Fax 212 909 5699
Internet www.us.kpmg.com

September 6, 2007

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

**PCAOB Rulemaking Docket Matter No. 017:
Proposed Ethics and Independence Rule 3526; Proposed Amendment to
Rule 3523 and Implementation Schedule for Rule 3523**

Dear Mr. Secretary:

KPMG LLP appreciates this opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) Release No. 2007-008 that includes the following Appendices (collectively, the Proposals):

- Proposed Amendment to Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*
- Proposed Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*

As further explained in this letter, we generally support:

- The Proposed Amendment to Rule 3523 to exclude the portion of the audit period that precedes the beginning of the professional engagement period from the scope of the Rule; and
- Proposed Rule 3526 on communication of independence matters with audit committees.

We believe the rationale for the Proposals, as expressed in the Release accompanying the Proposals, is well reasoned and practicable. We provide two recommendations for the Board's consideration in adopting the final rules.



Proposed Amendment to Rule 3523

We believe that Rule 3523 should be amended further to include a transition period to allow registered firms to complete any in-process services subject to Rule 3523. The transition period should be 180 days from the date that the professional engagement period begins. The decision to permit completion of the services within the transition period should be approved by the audit committee. A transition period is necessary and appropriate for the following reasons:

- Without a transition period, it is likely that one or more registered firms will determine that they cannot comply with Rule 3523 within the timeframe permitted. This would have the effect of reducing an audit committee's choices of registered accounting firms and could ultimately have a negative impact on the public interest; and
- Rule 3523 already provides a 180 day transition period for covered tax services to employees of an audit client who are promoted to a financial reporting oversight role. This exception recognizes the practical considerations and unnecessary hardships to individuals associated with quickly terminating in-process engagements and the minimal threat to independence associated with allowing completion of those services within a brief transition period. Providing a similar transition period for individuals in financial reporting oversight roles at new audit clients seems reasonable and would result in a consistent application of the rule for similar situations.

Proposed Rule 3526

With respect to proposed Rule 3526(a), it is our current practice to discuss with audit committees of both prospective audit clients and existing audit clients where we are being engaged to perform an audit pursuant to PCAOB standards for the first time (e.g., an initial public offering) the relationships that exist or existed that may reasonably be thought to bear on independence. We support the formalization of this process in Rule 3526.

With respect to the scope of the initial communication required under proposed Rule 3526(a), we believe that the proposed Rule appropriately defines the method for identifying matters that should be communicated to audit committees. Establishing a specific period in the proposed Rule could result in a "one size fits all" approach that could result in the arbitrary exclusion of certain relationships. To promote the disclosure of all relationships reasonably thought to bear on independence, we believe that Rule 3526(a) should not place limits on the periods that registered firms should consider when evaluating matters to be communicated to audit committees.



We would like to take this opportunity to formally recognize the efforts of the PCAOB and its staff in development of the Proposals. We welcome the opportunity to participate in strengthening auditor independence and serving the public interest.

We would be pleased to clarify any comments or answer any questions about our comments. Please call or write David Winetroub at (212) 909-5552 or dawinetroub@kpmg.com.

Very truly yours,

KPMG LLP