File No. PCAOB-2008-04
Consists of 413 Pages

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 19b-4

Proposed Rule Change

By

Public Company Accounting Oversight Board

In accordance with Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of the Proposed Rule

(a) Pursuant to the provisions of Section 107(b) of the Sarbanes-Oxley Act of 2002 (the "Act"), the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") is filing with the Securities and Exchange Commission ("SEC" or "Commission") proposed rules consisting of eight new rules (PCAOB Rules 2200-2207) concerning annual and special reporting by registered public accounting firms, instructions to two forms to be used for such reporting (Form 2 and Form 3), and related amendments to existing Board Rules. The proposed rules and amendments are attached as Exhibit A.

(b) The proposed rules will have a direct effect on the following existing rules by amending them: PCAOB Rule 1001(a)(vii), Audit Services (definition); PCAOB Rule 1001(n)(ii), Non-Audit Services (definition); PCAOB Rule 1001(o)(i), Other Accounting Services (definition); PCAOB Rule 2107, Withdrawal from Registration; PCAOB Rule 2300, Public Availability of Information Submitted to the Board; Confidential Treatment Requests; PCAOB Rule 4000, General (concerning Inspections); and PCAOB Rule 4003, Frequency of Inspections.

(c) The rules identified in (b) above were addressed in the following PCAOB filings in accordance with Rule 19b-4 under the Securities Exchange Act of 1934:

PCAOB Rules 1001(a)(vii), 1001(n)(ii), 1001(o)(i), and 2300: PCAOB-2003-03, filed May 6, 2003;

PCAOB Rule 2107: PCAOB-2003-09, filed September 29, 2003;

PCAOB Rule 4000: PCAOB-2003-08, filed October 7, 2003;

PCAOB Rule 4003: PCAOB 2003-08, filed October 7, 2003; PCAOB-2006-03, filed December 20, 2006; PCAOB-2006-03 Amendment No. 1, filed May 31, 2007; and PCAOB-2007-04, filed October 22, 2007.

2. Procedures of the Board

(a) The Board approved Rules 2200-2207, the instructions to Form 2 and Form 3, and amendments to Rules 1001(a)(vii), 1001(n)(ii), 1001(o)(i), 2107, 2300, 4000, and 4003 at a meeting on June 10, 2008. No other action by the Board is necessary for the filing of the proposed rule change.

(b) Questions regarding this rule filing may be directed to Michael Stevenson, Deputy General Counsel (202-207-9054; stevensonm@pcaobus.org).

3. Board's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rules

(a) Purpose

Section 102(d) of the Act provides that each registered public accounting firm shall provide an annual report to the Board, and may be required to report more frequently, as necessary to update information in its application for registration and to provide such additional information as the Board or the Commission may specify. As described in more detail in Exhibit 3 to this filing, the purpose of the proposed new rules and forms is to specify the details of those reporting obligations and provide forms for such reporting, and the purpose of the proposed amendments to existing rules is to revise aspects of those rules in relation to the new reporting requirements.

(b) Statutory Basis

The statutory basis for the proposed rule change is Title I of the Act.

4. Board's Statement on Burden on Competition

The Board does not believe that the proposed rules will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rules impose no burden beyond the burdens clearly imposed and contemplated by the Act.

5. Board's Statement on Comments on the Proposed Rule Received from Members, Participants or Others

The Board released the rules and form instructions for public comment on May 23, 2006. See Exhibit 2(a)(A). The Board received twelve written comment letters. See Exhibits 2(a)(B) and 2(a)(C).

The Board has carefully considered all comments it has received. In response to the written comments received, the Board has clarified and modified certain aspects of the proposed rules and form instructions. The Board's response to the comments it received and the changes made to the rules and form instructions in response to these comments are summarized in Exhibit 3 to this filing.

6. Extension of Time Period for Commission Action

The Board does not at this time consent to an extension of the time period specified in Section 19(b)(2) of the Securities Exchange Act of 1934.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) of the Securities Exchange Act

Not applicable.

8. Proposed Rules Based on Rules of Another Board or of the Commission

Not applicable.

9. Exhibits

Exhibit A –	Text of Proposed Rules
Exhibit 1 –	Form of Notice of Proposed Rule for Publication in the Federal Register.
Exhibit 2(a)(A) –	PCAOB Release No. 2006-004 (May 23, 2006)
Exhibit 2(a)(B) –	Alphabetical List of Comments
Exhibit 2(a)(C) –	Comment Letters Received on Proposed Rules in PCAOB Release No. 2006-004
Exhibit 3 –	PCAOB Release No. 2008-004 (June 10, 2008)

10. Signatures

Pursuant to the requirements of the Act and the Securities Exchange Act of 1934, as amended, the Board has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Public Company Accounting Oversight Board

By: _____
J. Gordon Seymour
General Counsel
and Secretary

June 17, 2008

Exhibit A – Text of Proposed Rules and Form Instructions

The Board has amended its rules by adding Rules 2200-2207, amending Rules 1001, 2107, 2300, 4000, and 4003, and adding instructions for two new forms, Form 2 and Form 3. The relevant portions of the Rules and form instructions are set out below. Language added by these amendments is underlined. Deleted language is in brackets. Other text that remains unchanged is indicated by " * * * " in the text below.

RULES OF THE BOARD

* * *

SECTION 1. GENERAL PROVISIONS

Rule 1001. Definitions of Terms Employed in Rules

When used in the Rules, unless the context otherwise requires:

* * *

(a)(vii) Audit Services

The term "audit services" means [–

(1) subject to paragraph (a)(vii)(2) of this Rule, professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports.

(2) effective after December 15, 2003,] professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

* * *

(n)(ii) Non-Audit Services

The term "non-audit services" means [–

(1) subject to paragraph (n)(ii)(2) of this Rule, services related to financial information systems design and implementation as defined in Rule 2-01(c)(4)(ii) of Regulation S-X, 17 C.F.R. 2-01(c)(4)(ii), and

all other services, other than audit services or other accounting services.

(2) effective after December 15, 2003,] all [other] services other than audit services, other accounting services, and tax services.

* * *

(o)(i) Other Accounting Services

The term "other accounting services" means [–

(1) subject to paragraph (o)(i)(2) of this Rule, services that are normally provided by the public accounting firm that audits the issuer's financial statements in connection with statutory and regulatory filings or engagements and assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.

(2) effective after December 15, 2003,] assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.

* * *

SECTION 2. REGISTRATION AND REPORTING
Part 1 – Registration of Public Accounting Firms

* * *

Rule 2107. Withdrawal from Registration

* * *

(c) Effect of Filing

[(1)] Beginning on the date of Board receipt of a completed Form 1-WD, [the firm that filed the Form 1-WD shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period, unless it first withdraws its Form 1-WD.

(2) Beginning on the fifth day following the Board's receipt of a completed Form 1-WD,] and continuing for as long as the Form 1-WD is pending –

[(i) the firm may satisfy the annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending;]

(1) the firm shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period;

(2i) the firm's obligation to file annual reports on Form 2, and special reports on Form 3 shall be suspended;

[(ii) any annual fee assessed shall be zero;]

(3[iii]) the Board shall have the discretion to forego any regular inspection that would otherwise commence pursuant to Rule 4003(a) or Rule 4003(b); and

(4[iv]) the firm's registration status shall be designated as "registered – withdrawal request pending," and the firm shall not publicly represent its registration status without specifying it as "registered – withdrawal request pending."

* * *

(f) Withdrawal of Form 1-WD

A registered public accounting firm that has submitted a Form 1-WD may withdraw the form at any time by filing with the Board a written notice of intent to withdraw the Form 1-WD along with any annual fee [and], annual report, and special report that the firm would have been required to submit during the period that the Form 1-WD was pending if not for the provisions of paragraph (c)(2).

Part 2 – Reporting

2200. Annual Report

Each registered public accounting firm must file with the Board an annual report on Form 2 by following the instructions to that form. Unless directed otherwise by the Board, the registered public accounting firm must file such annual report and exhibits thereto electronically with the Board through the Board's Web-based system.

2201. Time for Filing of Annual Report

Each registered public accounting firm must file the annual report on Form 2 no later than June 30 of each year, provided, however, that a registered public accounting

firm that has its application for registration approved by the Board in the period between and including April 1 and June 30 of any year shall not be required to file an annual report in that year.

Note: Pursuant to Rule 1002, in any year in which the filing deadline falls on a Saturday, Sunday, or federal legal holiday, the deadline for filing the annual report shall be the next day that is not a Saturday, Sunday, or federal legal holiday.

2202. Annual Fee

Each registered public accounting firm must pay an annual fee to the Board on or before July 31 of any year in which the firm is required to file an annual report on Form 2. The Board will, from time to time, announce the current annual fee. No portion of the annual fee is refundable.

2203. Special Reports

(a) A registered public accounting firm must file a special report on Form 3 to report information to the Board as follows –

(1) Upon the occurrence, on or after [insert effective date of this rule], of any event specified in Form 3, a registered public accounting firm must report the event in a special report filed no later than thirty days after the occurrence of the event;

(2) No later than thirty days after receiving notice of Board approval of its application for registration, a registered public accounting firm that becomes registered after [insert effective date of this rule] must file a special report to report any event specified in Form 3 that occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before the date that the Board approved the firm's registration; and

(3) No later than [insert date thirty days after the effective date of this rule], a registered public accounting firm that is registered as of [insert effective date of this rule], must file a special report to report, to the extent applicable to the firm, certain information described in General Instruction 4 to Form 3 and current as of [insert effective date of this rule].

(b) A registered public accounting firm required to file a special report shall do so by filing with the Board a special report on Form 3 in accordance with the instructions to that form. Unless directed otherwise by the Board, a registered public accounting firm must file such special report and exhibits thereto electronically with the Board through the Board's Web-based system.

2204. Signatures

Each signatory to a report on Form 2 or Form 3 shall manually sign a signature page or other document authenticating, acknowledging or otherwise adopting his or her signature that appears in typed form within the electronic submission. Such document shall be executed before or at the time the electronic submission is made and shall be retained by the filer for a period of seven years. Upon request, an electronic filer shall provide to the Board or its staff a copy of all documents retained pursuant to this Rule.

2205. Amendments

Amendments to a filed report on Form 2 or Form 3 shall be made by filing an amended report on Form 2 or Form 3 in accordance with the instructions to those forms concerning amendments. Amendments shall not be filed to update information in a report that was correct at the time the report was filed, but only to correct information that was incorrect at the time the report was filed or to provide information that was omitted from the report and was required to be provided at the time the report was filed.

2206. Date of Filing

(a) An annual report shall be deemed to be filed on the date on which the registered public accounting firm submits a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

(b) A special report on Form 3 shall be deemed to be filed on the date that the registered public accounting firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

2207. Assertions of Conflicts with Non-U.S. Laws

If, in a report on Form 2 or Form 3, a foreign registered public accounting firm omits any information or affirmation required by the instructions to the relevant form on the ground that it cannot provide such information or affirmation on the form filed with the Board without violating non-U.S. law, the foreign registered public accounting firm shall –

(a) In accordance with the instructions to the form –

(1) Indicate that it has omitted required information or affirmations on the ground that it cannot provide such information or affirmations on the form filed with the Board without violating non-U.S. law;
(2) Identify all Items on the form with respect to which it has withheld any required information or affirmation on that ground; and

(3) Represent that, with respect to all such omitted information or affirmations, the foreign registered public accounting firm has satisfied the requirements of paragraph (b) of this Rule and has in its possession the materials required by paragraph (c) of this Rule;

(b) Before filing the form with the Board, make reasonable, good faith efforts, where not prohibited by law, to seek any consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board without violating non-U.S. law;

(c) Have in its possession, before the date on which the foreign registered public accounting firm files the form with the Board and for a period of seven years thereafter –

(1) An electronic version of the form that includes all information required by the instructions to the form (including certification and signature) and a manually signed signature page or other document that would satisfy the requirement of Rule 2204 if that version of the form were filed with the Board;

(2) A copy of the provisions of non-U.S. law that the foreign registered public accounting firm asserts prohibit it from providing the required information or affirmations on the form filed with the Board, and an English translation of any such provisions that are not in English;

(3) A legal opinion, in English, addressed to the foreign registered public accounting firm and that the foreign registered public accounting firm has reason to believe is current with respect to the relevant point of law, that the firm cannot provide the omitted information or affirmation on the form filed with the Board without violating non-U.S. law;

(4) A written representation, in English, that the Firm has made reasonable efforts, and a written description of those efforts, to obtain consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board, manually signed by the same person whose signature appears in the certification portion of the form, and indicating that the signer has reviewed the description and that the description is, based on the signer's knowledge, accurate and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made not misleading, and dated –

(i) for Form 2, after the end of the reporting period and no later than the date of the Form 2 filing; and

(ii) for Form 3, after the date of the reportable event and no later than the date of the Form 3 filing;

(d) Not later than the fourteenth day after any request by the Board or by the Director of the Division of Registration and Inspections for any of the documents described in subparagraphs (2) – (4) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including, as an exhibit to the amended report, the requested documents; and

(e) Not later than the fourteenth day after any request by the Board for any of the information included in the document described in subparagraph (1) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including the requested information.

Note: Rule 2207(c)(1) does not require that the version of the form maintained by the firm include any affirmation required by Part IX of Form 2. If the firm withholds any such affirmation, however, the asserted legal conflict must be addressed in accordance with subparagraphs (2) – (4) of Rule 2207(c).

Note: Rule 2207(c)(1) does not require a firm to include on the form maintained by the firm any information (1) that the firm does not possess, and (2) as to which the firm asserts that the firm would violate non-U.S. law by requiring another person to provide the information to the firm. The asserted legal conflict that prevents the firm from requiring another person to provide the information to the firm, however, must be addressed in accordance with subparagraphs (2) - (4) of Rule 2207(c).

Note: The "reasonable efforts" element of Rule 2207(c)(4) does not require a firm to renew efforts to seek consents or waivers from parties who have previously declined to provide consents or waivers with respect to disclosure of similar types of information and does not require a firm to seek consents or waivers from parties other than firm personnel and firm clients.

Part 3 – Public Availability of Applications and Reports

Rule 2300. Public Availability of Information Submitted to the Board; Confidential Treatment Requests.

(a) Except as provided in paragraph (b) below –

(1) an application for registration will be publicly available as soon as practicable after the Board approves or disapproves such application; and

(2) all other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board, and any amendments thereto, will be publicly available as soon as practicable after filing, except to the extent otherwise specified in the Board's rules or the instructions to the form.

(b) Confidential Treatment Requests.

(1) A public accounting firm may request confidential treatment of any information submitted to the Board in connection with its application for registration on Form 1, and may request confidential treatment of information on other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board to the extent specified in the instructions to the form, provided that the information as to which confidential treatment is requested –

([1]i) has not otherwise been publicly disclosed, and

([2]ii) either (A[i]) contains information reasonably identified by the public accounting firm as proprietary information, or (B[ii]) is protected from public disclosure by applicable laws related to the confidentiality of proprietary, personal, or other information.

(2) Failure to provide an exhibit that complies with the requirements of paragraph (c)(2) of this Rule constitutes sufficient grounds for denial of any request for confidential treatment.

(c) Application Procedures.

To request confidential treatment of information for which such requests are permitted by paragraph (b)(1) of this Rule[submitted to the Board in connection with an application for registration], the [applicant] requestor must –

(1) identify, in accordance with the instructions [on Form 1] to the form, the information that it desires to keep confidential; and

(2) include as an exhibit to [Form 1 a detailed explanation as to why, based on the facts and circumstances of the particular case, the information meets the requirements of paragraph (b) of this Rule.] the form a representation that, to the requestor's knowledge, the information for which confidential treatment is requested has not otherwise been publicly disclosed and –

(i) a detailed explanation of the grounds on which the information is considered proprietary; or

(ii) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the requestor claims protects the information from public disclosure.

* * *

(f) Unless the [applicant] requestor requests otherwise, the exhibit containing an explanation supporting a confidential treatment request will be afforded confidential treatment without the need for a request for confidential treatment.

(g) Information as to which the Board grants confidential treatment under this [r]Rule will not be made available to the public by the Board. The granting of confidential treatment will not, however, limit the ability of the Board (1) to provide the information as to which confidential treatment was granted to the Commission, or (2) to comply with any subpoena validly issued by a court or other body of competent jurisdiction. In the event the Board receives such a subpoena, the Board will notify the [applicant] public accounting firm of such subpoena, to the extent permitted by law, to allow the [applicant] public accounting firm the opportunity to object to such subpoena.

*** * ***

SECTION 4. INSPECTIONS

Rule 4000. General

(a) Every registered public accounting firm shall be subject to all such regular and special inspections as the Board may from time-to-time conduct in order to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the Board's rules, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers.

(b) In furtherance of the Board's inspection process, the Board may at any time request that a registered public accounting firm provide to the Board additional information or documents relating to information provided by the firm in any report filed pursuant to Section 2 of these Rules, or relating to information that has otherwise come to the Board's attention. Any request for information or documents made pursuant to this Rule, and any information or documents provided in response to such a request, shall be considered to be in connection with the next regular or special inspection of the registered public accounting firm.

(c) Inspection steps and procedures shall be performed by the staff of the Division of Registration and Inspections, and by such other persons as the Board may authorize to participate in particular inspections or categories of inspections.

* * * *

Rule 4003. Frequency of Inspections

* * *

(c) With respect to a registered public accounting firm that has filed a completed Form 1-WD under Rule 2107, the Board shall have the discretion to forego any regular inspection that would otherwise commence during the period beginning on the [fifth day following the filing of the] date of Board receipt of a completed Form 1-WD and continuing until the firm's registration is deemed withdrawn or the firm withdraws the Form 1-WD.

* * *

FORMS

* * *

FORM 2 – ANNUAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. A *registered public accounting firm* must use this Form to file with the *Board* the annual report required by Section 102(d) of the *Act* and Rule 2200 and to file any amendments to an annual report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board*'s Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When Report is Considered Filed. Annual reports on this Form are required to be filed each year on or before June 30, subject to the qualification in Rule 2201 concerning any firm that has its application for registration approved by the *Board* in the period between and including April 1 and June 30. An annual report is considered filed when the Firm has submitted to the *Board* a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

4. Period Covered by this Report. Annual reports on this Form shall cover a 12-month period from April 1 to March 31, subject to the qualification in Part VIII of

Form 2 relating to the first annual report filed by a firm that becomes registered after [insert effective date of Rule 2201]. In the instructions to this Form, this is the period referred to as the "reporting period."

5. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 2 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be provided at the time the Form was filed. When filing a Form 2 to amend an earlier filed Form 2, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 2 all information, affirmations, and certifications that were required to be included in the original Form 2. The Firm may access the originally filed Form 2 through the *Board*'s Web-based system and make the appropriate amendments without needing to re-enter all other information.

Note: The *Board* will designate an amendment to an annual report as a report on "Form 2/A."

6. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

7. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Part VI, Part VII, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. *Foreign registered public accounting firms* may also request confidential treatment for Item 3.2 and Exhibit 3.2, though U.S. firms may not do so. If the Firm requests confidential treatment, it must identify the information in Part VI, Part VII, or Exhibit 99.3 (or, for a *foreign registered public accounting firm*, Item 3.2 and Exhibit 3.2) that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

8. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information and affirmations required by this Form if the Firm could not provide such information or

affirmations without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information and affirmations on that basis from any Part of the Form other than Parts I, II, and X and Items 3.1.a, 3.1.b, 3.1.d, and 4.1. If the firm withholds responsive information or affirmations, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information or a required affirmation. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information or a required affirmation.

9. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

PART I – IDENTITY OF THE FIRM AND CONTACT PERSONS

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

Item 1.1 Name of the Firm

a. State the legal name of the Firm.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*, or issued any *audit report* during the reporting period.

c. If the Firm's legal name at the beginning of the reporting period was different than the name provided under Item 1.1.a, state that legal name and any other legal name the Firm had during the reporting period. Include the legal name of any *registered public accounting firm* that merged into, or was acquired by, the Firm during the reporting period.

Item 1.2 Contact Information of the Firm

a. State the physical address (and, if different, mailing address) of the Firm's headquarters office.

b. State the telephone number and facsimile number of the Firm's headquarters office. If available, state the Website address of the Firm.

Item 1.3 Primary Contact with the *Board*

State the name, business title, physical business address (and, if different, business mailing address), business telephone number, business facsimile number, and business e-mail address of a partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board,* including for purposes of the annual report filed on this Form and any special reports filed on Form 3.

PART II – GENERAL INFORMATION CONCERNING THIS REPORT

Item 2.1 Reporting Period

State the reporting period covered by this report.

> Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, the special instruction at the beginning of Part VIII concerning the first annual report filed by certain firms.

Item 2.2 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period.

PART III – GENERAL INFORMATION CONCERNING THE FIRM

Item 3.1 The Firm's Practice Related to the Registration Requirement

a. Indicate whether the Firm issued any *audit report* with respect to an *issuer* during the reporting period.

b. In the event of an affirmative response to Item 3.1.a, indicate whether the *issuers* with respect to which the Firm issued *audit reports* during the reporting period were limited to employee benefit plans that file reports with the *Commission* on Form 11-K.

c. In the event of a negative response to Item 3.1.a, indicate whether the Firm *played a*

substantial role in the preparation or furnishing of an audit report with respect to an *issuer* during the reporting period.

d. In the event of a negative response to both Items 3.1.a and 3.1.c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a non-*issuer* broker-dealer in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed.

Item 3.2 Fees Billed to *Issuer Audit* Clients

a. Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (which may be rounded, but no less specifically than to the nearest five percent) attributable to fees billed to *issuer audit* clients for–

1. *Audit services*;

2. *Other accounting services;*

3. *Tax services;* and

4. *Non-audit services*.

b. Indicate, by checking the appropriate box, which of the following two methods the Firm used to calculate the percentages reported in Item 3.2.a –

1. The Firm used as a denominator the total fees billed to all clients for services rendered during the reporting period and used as numerators (for each of the four categories) total fees billed to *issuer audit* clients for the relevant services rendered during the reporting period.

2. The Firm used as a denominator the total fees billed to all clients in the Firm's fiscal year that ended during the reporting period and used as numerators (for each of the four categories) total *issuer audit* client fees as determined by reference to the fee amounts disclosed to the *Commission* by those clients for each client's fiscal year that ended during the reporting period (including, for clients who have not made the required *Commission* filings, the fee amounts required to be disclosed).

c. If the Firm has used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using the specific data, check this box and attach Exhibit 3.2 briefly describing the reasons for doing so and the methodology used in making those estimates.

Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in *Board Rules* 1001(i)(iii) (*issuer*), 1001(a)(v) (*audit*), 1001(a)(vii) (*audit services*), 1001(o)(i) (*other accounting services*), 1001(t)(i) (*tax services*), and 1001(n)(ii) (*non-audit services*). The

definitions of the four categories of services correspond to the *Commission*'s descriptions of the services for which an *issuer* must disclose fees paid to its auditor. Compare the descriptions of services in Item 9(e) of *Commission* Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the *Board*'s definitions of *Audit Services*, *Other Accounting Services, Tax Services*, and *Non-Audit Services*.

PART IV – *AUDIT* CLIENTS AND *AUDIT REPORTS*

Item 4.1 *Audit Reports* Issued by the Firm

a. Provide the following information concerning each *issuer* for which the Firm issued any *audit report*(s) during the reporting period –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any; and

3. The date(s) of the *audit report*(s).

b. If the Firm identified any *issuer*s in response to Item 4.1.a., indicate, by checking the box corresponding to the appropriate range set out below, the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period. If the Firm checks the box indicating that the number is in the range of 1-9, provide the exact number.

1-9
10-25
26-50
51-100
101-200
More than 200

Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001(a)(vi) of the *Board's Rules*, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(iii). Careful attention should also be paid to the definition of *issuer*. The Firm should not, for example, overlook the fact that investment companies may be issuers, or that employee benefit plans that file reports on *Commission* Form 11-K are *issuers*.

Note: In responding to Item 4.1, do not list any *issuer* more than once. For each *issuer,* provide in Item 4.1.a.3 the *audit report* dates (as described in AU 530,

Dating of the Independent Auditor's Report) of all such *audit reports* for that *issuer*, including each date of any dual-dated *audit report*.

Note: In responding to Item 4.1.a.3, it is not necessary to provide the date of any consent to an *issuer*'s use of an *audit report* previously issued for that *issuer*, except that, if such consents constitute the only instances of the Firm issuing *audit reports* for a particular *issuer* during the reporting period, the Firm should include that *issuer* in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

Item 4.2 *Audit Reports* With Respect to Which the Firm *Played a Substantial Role* during the Reporting Period

a. If no *issuer*s are identified in response to Item 4.1.a, but the Firm *played a substantial role in the preparation or furnishing of an audit report* that was issued during the reporting period, provide the following information concerning each *issuer* with respect to which the Firm did so –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any;

3. The name of the *registered public accounting firm* that issued the *audit report*(s);

4. The end date(s) of the fiscal period(s) covered by the financial statements that were the subject of the *audit report*(s); and

5. A description of the substantial role played by the Firm with respect to the *audit report*(s).

Note: If the Firm identifies any *issuer* in response to Item 4.1, the Firm need not respond to Item 4.2.

Note: In responding to Item 4.2, do not list any *issuer* more than once.

PART V – OFFICES AND AFFILIATIONS

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

Item 5.1 Firm's Offices

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Item 5.2 *Audit*-related Memberships, Affiliations, or Similar Arrangements

a. State whether the Firm has any:

1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes *audit* procedures or manuals or related materials, or the use of a name in connection with the provision of *audit services* or accounting services;

2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells *audit services* or through which joint *audit*s are conducted; or

3. Arrangement, whether by contract or otherwise, with another entity through or from which the Firm employs or leases personnel to perform *audit services*.

b. If the Firm provides an affirmative response to Item 5.2.a, identify, by name and address, the entity with which the Firm has each such relationship, and provide a brief description of each such relationship.

Note: Item 5.2.b does not require information concerning every other entity that is part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.

PART VI – PERSONNEL

In Part VI, the Firm should provide information that is current as of the last day of the reporting period.

Item 6.1 Number of Firm Personnel

Provide the following numerical totals –

a. Total number of the Firm's *accountants*;

b. Total number of the Firm's certified public accountants (include in this number all *accountants* employed by the Firm with comparable licenses from non-U.S. jurisdictions); and

c. Total number of the Firm's personnel.

PART VII – CERTAIN RELATIONSHIPS

Item 7.1 Individuals with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.1 of Form 3, and only if the Firm has not previously identified the individual and the sanction or *Commission* order on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm has any employee, partner, shareholder, principal, member, or owner who was the subject of a *Board* disciplinary sanction or a *Commission* order under Rule 102(e) of the *Commission's* Rules of Practice, entered within the five years preceding the end of the reporting period and without that sanction or order having been vacated on review or appeal, and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

b. If the Firm provides an affirmative response to Item 7.1.a, provide –

1. The name of each such individual;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

Item 7.2 Entities with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.2 of Form 3, and only if the Firm has not previously reported the information on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm was owned or partly owned by an entity that was the subject of (a) a *Board* disciplinary sanction entered within the five years preceding the end of the reporting period, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice entered within the five years preceding the end of the reporting period, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the *Commission*.

b. If the Firm provides an affirmative response to Item 7.2.a, provide –

1. The name of each such entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

Item 7.3 Certain Arrangements to Receive Consulting or Other Professional Services

a. Other than a relationship required to be reported in Item 4.3 of Form 3, state whether the Firm received, or entered into a contractual or other arrangement to receive, from any individual or entity meeting the criteria described in Items 7.1.a. or 7.2.a, consulting or other professional services related to the Firm's *audit* practice or related to services the Firm provides to *issuer audit* clients.

b. If the Firm provides an affirmative response to Item 7.3.a, provide –

1. The name of each such individual or entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship;

4. A description of the services provided or to be provided to the Firm by the individual or entity; and

5. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

PART VIII – ACQUISITION OF ANOTHER *PUBLIC ACCOUNTING FIRM* OR SUBSTANTIAL PORTIONS OF ANOTHER *PUBLIC ACCOUNTING FIRM*'S PERSONNEL

If the Firm became registered on or after [effective date of Rule 2201], the first annual report that the Firm files must provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.

Item 8.1 Acquisition of Another *Public Accounting Firm* or Substantial Portions of Another *Public Accounting Firm*'s Personnel

a. State whether the Firm acquired another *public accounting firm*.
b. If the Firm provides an affirmative response to Item 8.1.a, provide the name(s) of the *public accounting firm*(s) that the Firm acquired.

c. State whether the Firm, without acquiring another *public accounting firm*, took on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who, as of the beginning of the reporting period, were the partners, shareholders, principals, members, or owners of another *public accounting firm*.

d. If the Firm provides an affirmative response to Item 8.1.c, provide the name of the other *public accounting firm* and the number of the other *public accounting firm*'s former partners, shareholders, principals, members, owners, and *accountant*s that joined the Firm.

PART IX – AFFIRMATION OF CONSENT

Item 9.1 Affirmation of Understanding of, and Compliance with, Consent Requirements

Whether or not the Firm, in applying for registration with the *Board*, provided the signed statement required by Item 8.1 of Form 1, affirm that –

a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002;

b. The Firm has secured from each of its *associated persons*, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the *associated person* consents to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the *associated person* understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm; and

c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1.a, and the securing and enforcing of consents from its *associated persons* as described in Item 9.1.b, is a condition to the continuing effectiveness of the registration of the Firm with the *Board*.

> Note 1: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *registered public accounting firm.*
>
> Note 2: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *foreign public accounting firm* in circumstances where that *associated person* asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the *associated person's* assertion about non-U.S. law that would be sufficient to satisfy the requirements of

subparagraphs (2) through (4) of Rule 2207(c) if that *associated person* were a *registered public accounting firm* filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1.b does not relieve the Firm of its obligation to enforce cooperation and compliance with *Board* demands by any such *associated person* as a condition of continued association with the Firm.

Note 3: If the Firm is a *foreign registered public accounting firm*, the affirmations in Item 9.1 that relate to *associated persons* shall be understood to encompass every *accountant* who is a proprietor, partner, principal, shareholder, officer, or *audit* manager of the Firm and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

PART X – CERTIFICATION OF THE FIRM

Item 10.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm;

b. the signer has reviewed this Form;

c. based on the signer's knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred before the end of the reporting period and for which a special report on Form 3 is required under the *Board*'s *rules*;

d. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

e. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm and* has not failed to include in this Form any information or affirmation that is

required by the instructions to this Form except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 2 without violating non-U.S. law;

(B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information or affirmation.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

PART XI – EXHIBITS

To the extent applicable under the foregoing instructions or the *Board's rules*, each annual report must be accompanied by the following exhibits:

Exhibit 3.2 Description of Methodology Used to Estimate Components of Calculation in Item 3.2 and Reasons for Using Estimates

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)–(4) – *Submit Only as an Exhibit to an Amended Form 2 in Response to a Request Made Pursuant to Rule 2207(d)*

FORM 3 – SPECIAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. Effective [insert effective date of Rule 2203], a *registered public accounting firm* must use this Form to file special reports with the *Board* pursuant to Section 102(d) of the *Act* and Rule 2203 and to file any amendments to a special report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When this Report is Required and When It is Considered Filed. Upon the occurrence of any event specified in Part II of this Form, the Firm must report the event on this Form by following the instructions to this Form. With respect to events that occur on or after [insert effective date of Rule 2203] and while the Firm is registered, the Firm must file the Form no later than thirty days after the occurrence of the event reported. Certain additional requirements apply, but they vary depending on whether a firm was registered as of [insert effective date of Rule 2203]. A firm that becomes registered after [insert effective date of Rule 2203], must, within thirty days of receiving notice of *Board* approval of its registration application, file this Form to report any reportable events that occurred in a specified period before approval of the firm's application for registration. See Rule 2203(a)(2). A firm that was registered as of [insert effective date of Rule 2203], must, by [insert date 30 days after effective date of Rule 2203], file this Form to report certain additional information that is current as of [insert effective date of Rule 2203]. See Rule 2203(a)(3) and General Instruction No. 4 below. A special report shall be deemed to be filed on the date that the Firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

4. Required Filing to Bring Current Certain Information for Firms Registered as of [insert effective date of Rule 2203]. If the Firm is registered as of [insert effective date of Rule 2203], the Firm must file a special report on this Form no later than [insert date 30 days after effective date of Rule 2203], to report the information specified below, to the extent that it has not been reported on the Firm's Form 1 filing. The Firm must make this Form 3 filing to report the following information even if the Firm has previously informally disclosed the information to the *Board* or its staff–

    a. Information responsive to Items 2.4 through 2.9 and Item 4.1 if (1) the proceeding is pending as of [insert effective date of Rule 2203], and (2) the defendants or respondents as of that date include either the Firm or a person who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of that date;

    b. Information responsive to Items 2.10 and 4.2 if (1) the conclusion of a proceeding as to any party specified there occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before [insert effective date of Rule 2203], and (2) the proceeding resulted in any conviction of, judgment against, imposition of any liability or sanction on, or *Commission* Rule 102(e) order against the Firm or any person who is a

partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of [insert effective date of Rule 2203];

c. Information responsive to Items 2.11 and 4.3 if the Firm is the subject of a petition or proceeding described there as of [insert effective date of Rule 2203];

d. Information responsive to Items 2.12 through 2.14 and Part V if (1) the relationship commenced after the date used by the firm for purposes of General Instruction 9 to Form 1, (2) the specified disciplinary sanction or *Commission* Rule 102(e) order continued to be in effect as of [insert effective date of Rule 2203], and (3) the specified relationship continues to exist as of [insert effective date of Rule 2203];

e. Information responsive to Items 2.15 and 6.1 if (1) the loss of authorization relates to a jurisdiction or authority identified in Item 1.7 of the Firm's Form 1 and, (2) as of [insert effective date of Rule 2203], the Firm continues to lack the specified authorization in that jurisdiction;

f. Information responsive to Items 2.16 and 6.2 if the license or certification is in effect as of [insert effective date of Rule 2203]; and

g. Information responsive to Items 2.17 and 2.18 and Part VII that is current as of [insert effective date of Rule 2203] to the extent that it differs from the corresponding information provided on the Firm's Form 1.

5. Completing the Form. A firm filing this Form must always complete Parts I, II, and VIII of this Form. Parts III through VII should be completed to the extent applicable, as described more fully in the instructions to Part II of the Form.

6. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 3 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be provided at the time the Form was filed. When filing a Form 3 to amend an earlier filed Form 3, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 3 all information, affirmations, and certifications that were required to be included in the original Form 3. The Firm may access the originally filed Form 3 through the *Board*'s Web-based system and make the appropriate amendments without needing to re-enter all other information.

Note: The *Board* will designate an amendment to a special report as a report on "Form 3/A."

7. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

8. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Item 3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. If the Firm requests confidential treatment, it must identify the information in Item 3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

9. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information required by this Form if the Firm could not provide such information without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information on that basis from any Part of the Form other than Parts I, II, and VIII, and Items 7.1.a, 7.1.b, 7.1.c, and 7.2. If the firm withholds responsive information, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information.

10. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

PART I – IDENTITY OF THE FIRM

Item 1.1 Name of Firm

a. State the legal name of the Firm.

Note: If the Firm is filing this Form 3 to report that the Firm's legal name has changed, the name entered in Item 1.1.a should be the Firm's legal name before the name change that is being reported. The Firm's new name should be included in the response to Item 1.1.c.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*.

c. If the Firm is filing this Form 3 to report that the Firm's legal name has changed, state the new legal name of the Firm.

PART II – REASON FOR FILING THIS REPORT

Indicate, by checking the relevant box(es) from among Items 2.1 through 2.18 below, the event(s) being reported on this Form. More than one event may be reported in the same Form 3 filing. For each event indicated below, proceed to the Parts and Items of this Form indicated parenthetically for the specific event being reported and provide the information therein described. Provide responses only to those Parts and Items of the Form specifically indicated for the event or events that the Firm identifies in this Part II as an event being reported on this Form. (For example, if the Form is being filed solely to report that the Firm has changed its name, check the box for Item 2.17 in this Part of the Form, and complete only Item 7.1 and Part VIII of the Form.) If the Firm is filing this Form to amend a previous filing, the Firm also should complete Item 2.19.

Note: In Items 2.4 through 2.11 and Item 2.15, the reportable event is described in terms of whether the Firm "has become aware" of certain facts. For these purposes, the Firm is deemed to have become aware of the relevant facts on the date that any partner, shareholder, principal, owner, or member of the Firm first becomes aware of the facts.

Audit Reports

Item 2.1 The Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K. (Complete Item 3.1 and Part VIII.)

Item 2.2 The Firm has issued *audit reports* with respect to more than 100 *issuers* in a calendar year immediately following a calendar year in which the Firm did not issue *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Item 2.3 The Firm has issued *audit reports* with respect to 100 or fewer *issuers* in a completed calendar year immediately following a calendar year in which the Firm issued *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Certain Legal Proceedings

Item 2.4 The Firm has become aware that the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.5 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting services* to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.6 The Firm has become aware that a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority and is charged with fraud, embezzlement, forgery, extortion, bribery, obstruction of justice, perjury, or false statements; or charged with any crime arising out of alleged conduct relating to accounting, auditing, securities, banking, commodities, taxation, consumer protection, or insurance. (Complete Item 4.1 and Part VIII.)

Item 2.7 The Firm has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.8 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting services* to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.9 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.10 The Firm has become aware that a proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8, or 2.9 above has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise). (Complete Item 4.2 and Part VIII.)

Item 2.11 The Firm has become aware that the Firm, or the parent or a subsidiary of the Firm, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary. (Complete Item 4.3 and Part VIII.)

Certain Relationships

Item 2.12 The Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or

barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission.* (Complete Item 5.1 and Part VIII.)

Item 2.13 The Firm has become owned or partly owned by an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*. (Complete Item 5.2 and Part VIII.)

Item 2.14 The Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above. (Complete Item 5.3 and Part VIII.)

Licenses and Certifications

Item 2.15 The Firm has become aware that its authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction. (Complete Item 6.1 and Part VIII.)

Item 2.16 The Firm has obtained a license or certification authorizing the Firm to engage in the business of auditing or accounting and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in a license or certification number identified on a Form 1 or Form 3 previously filed by the Firm. (Complete Item 6.2 and Part VIII.)

Changes in the Firm or the Firm's *Board* Contact Person

Item 2.17 The Firm has changed its legal name while otherwise remaining the same legal entity that it was before the name change. (Complete Item 7.1 and Part VIII.)

Item 2.18 There has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or the Firm is designating a new person to serve as the primary contact. (Complete Item 7.2 and Part VIII.)

Amendment

Item 2.19 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.19) as to which the Firm's response has changed from that provided in the most recent Form 3 or amended Form 3 filed by the Firm with respect to the events reported on this Form.

PART III – WITHDRAWN *AUDIT REPORTS*

Item 3.1 Withdrawn *audit reports* and consents

If the Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K, provide –

a. The *issuer*'s name and CIK number, if any;

b. The date(s) of the *audit report*(s) that the Firm has withdrawn, or to which the Firm's withdrawal of consent relates; and

c. A description of the reason(s) the Firm has withdrawn the *audit report*(s) or the consent.

> Note: The 30-day period in which the Firm must report the event does not begin to run unless and until the *issuer* fails to report on Form 8-K within the time required by the *Commission*'s rules. The Firm must then report the event on Form 3 within 30 days of the expiration of the required Form 8-K filing deadline, unless, within that 30-day period, the *issuer* reports on a late-filed Form 8-K.

PART IV – CERTAIN PROCEEDINGS

Item 4.1 Criminal, Governmental, Administrative, or Disciplinary Proceedings

If the Firm has indicated in this Form 3 that any of the events described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9 has occurred, provide the following information with respect to

each such event –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding.

b. The name of the court, tribunal, or body in or before which the proceeding was filed.

c. An indication whether the Firm itself is a defendant or respondent in the proceeding and, if so, the statutes, rules, or legal duties that the firm is alleged to have violated, and a brief description of the firm's alleged conduct in violation of those statutes, rules, or legal duties.

d. The names of every defendant or respondent who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm, or who was such either at the time the Firm received notice of the proceeding or at the time of the alleged conduct on which any claim or charge is based, and who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recent fiscal year; and, as to each such defendant or respondent, the statutes, rules, or legal duties that he or she is alleged to have violated, and a brief description of his or her alleged conduct in violation of those statutes, rules, or legal duties.

e. The name of any client that was the recipient of the professional services to which any claim or charge in the proceeding relates.

Note: For the purpose of this Part, administrative or disciplinary proceedings include those of the *Commission*; any other federal, *state*, or non-U.S. agency, board, or administrative or licensing authority; and any professional association or body. Investigations that have not resulted in the commencement of a proceeding need not be included.

Item 4.2 Concluded Criminal, Governmental, Administrative, or Disciplinary Proceedings

If any proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9, including any proceeding reported in Item 4.1, has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise), provide –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding;

b. The name of the court, tribunal, or body in or before which the proceeding was filed; and

c. A brief description of the terms of the conclusion of the proceeding as to the Firm or partner, shareholder, principal, owner, member, or *audit* manager.

Item 4.3 Bankruptcy or Receivership

If the Firm, or the parent or a subsidiary thereof, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary, provide –

a. the name of the proceeding;

b. the name of the court or governmental body;

c. the date of the filing or of the assumption of jurisdiction; and

d. the identity of the receiver, fiscal agent or similar officer, if applicable, and the date of his or her appointment.

PART V – CERTAIN RELATIONSHIPS

Item 5.1 New Relationship with Person Subject to Bar or Suspension

If the Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission,* provide –

a. the name of the person;

b. the nature of the person's relationship with the Firm; and

c. the date on which the person's relationship with the Firm began.

Item 5.2 New Ownership Interest by Firm Subject to Bar or Suspension

If the Firm has become owned or partly owned by an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or

disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*, provide –

a. the name of the entity that has obtained an ownership interest in the Firm;

b. the nature and extent of the ownership interest; and

c. the date on which the ownership interest was obtained.

Item 5.3 Certain Arrangements to Receive Consulting or Other Professional Services

If the Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above, provide –

a. the name of the person or entity;

b. the date that the Firm entered into the contract or other arrangement; and

c. a description of the services to be provided to the Firm by the person or entity.

PART VI – LICENSES AND CERTIFICATIONS

Item 6.1 Loss of, or Limitations Imposed on, Authorization to Engage in the Business of Auditing or Accounting

If the Firm's authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction, provide –

a. the name of the *state*, agency, board or other authority that had issued the license or certification related to such authorization;

b. the number of the license or certification;

c. the date that the authorization ceased to be effective or became subject to conditions or contingencies, and

d. a brief description of the reason(s) for such action, including a description of the conditions or contingencies, if any.

Item 6.2 New License or Certification

If the Firm has obtained any license or certification authorizing the Firm to engage in the business of auditing or accounting, and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in any license or certification number identified on a Form 1 or Form 3 previously filed by the Firm, provide –

a. the name of the issuing *state*, agency, board or other authority;

b. the number of the license or certification;

c. the date the license or certification took effect; and

d. if the license or certification replaces another license or certification issued by the same authority, the number of the replaced license or certification.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report on Form 4, rather than Form 3, any related license change that takes effect before the submission of the Form 4.

PART VII – CHANGES IN THE FIRM OR THE FIRM'S *BOARD* CONTACT PERSON

Item 7.1 Change in Name of Firm

If the Firm is reporting a change in its legal name –

a. State the new legal name of the Firm;

b. State the legal name of the Firm immediately preceding the new legal name;

c. State the effective date of the name change;

d. Provide a brief description of the reason(s) for the change; and

e. Affirm, by checking the box corresponding to this Item, that, other than the name change, the Firm is the same legal entity that it was before the name change.

Note: If, other than the name change, the Firm is not the same legal entity that it was before the name change, whether because of a change in the Firm's legal form of organization or because of other transactions, the registration status of the predecessor firm does not automatically attach to the Firm, and the Firm cannot report the event as a name change. If the Firm cannot make the affirmation required

by Item 7.1.e, the Firm cannot execute the certification in Part VIII as to Item 7.1, and this Form cannot be deemed filed under Rule 2206.

In that event, the Firm should consider whether, pursuant to the provisions of Rule 2108, the Firm can make the representations required in a Form 4 filing to enable the predecessor firm's registration to attach to the Firm. If the Firm cannot or does not file with the *Board* a Form 4 making all necessary representations, the predecessor firm's registration does not attach to the Firm. In those circumstances, the Firm may not lawfully prepare or issue an *audit report* without first filing an application for registration on Form 1 and having that application approved by the *Board*.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report any related name change on Form 4 and not on Form 3.

Item 7.2 Change in Contact Information

If there has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail address of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or if the Firm is designating a new person to serve as the primary contact, provide the name and current business mailing address, business telephone number, business facsimile number, and business e-mail of the partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board*.

PART VIII – CERTIFICATION OF THE FIRM

Item 8.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm;

b. the signer has reviewed this Form;

c. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

d. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm* and has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 3 without violating non-U.S. law;

(B) with respect to any such withheld information or affirmation, the Firm has made the efforts required by PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

PART IX – EXHIBITS

To the extent applicable under the foregoing instructions, each special report must be accompanied by the following exhibits:

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)-(4) – *Submit Only as an Exhibit to an Amended Form 3 in Response to a Request Made Pursuant to Rule 2207(d)*

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. PCAOB-2008-04)

June 17, 2008

Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

Pursuant to Section 107(b) of the Sarbanes-Oxley Act of 2002 (the "Act"), notice is hereby given that on June 17, 2008, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Securities and Exchange Commission (the "SEC" or "Commission") the proposed rule changes described in Items I, II, and III below, which items have been prepared by the Board. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Board's Statement of the Terms of Substance of the Proposed Rule

On June 10, 2008, the Board adopted rules, forms, and rule amendments related to annual and special reporting by registered public accounting firms. New PCAOB Rules 2200-2207 and the instructions to two new forms, Form 2 and Form 3, are set out below. The Board has also adopted related amendments to PCAOB Rules 1001, 2107, 2300, 4000, and 4003, which are described below following the instructions to Form 3.

SECTION 2. REGISTRATION AND REPORTING
Part 2 – Reporting

2200. Annual Report

Each registered public accounting firm must file with the Board an annual report on Form 2 by following the instructions to that form. Unless directed otherwise by the Board, the registered public accounting firm must file such annual report and exhibits thereto electronically with the Board through the Board's Web-based system.

2201. Time for Filing of Annual Report

Each registered public accounting firm must file the annual report on Form 2 no later than June 30 of each year, provided, however, that a registered public accounting firm that has its application for registration approved by the Board in the period between and including April 1 and June 30 of any year shall not be required to file an annual report in that year.

Note: Pursuant to Rule 1002, in any year in which the filing deadline falls on a Saturday, Sunday, or federal legal holiday, the deadline for filing the annual report shall be the next day that is not a Saturday, Sunday, or federal legal holiday.

2202. Annual Fee

Each registered public accounting firm must pay an annual fee to the Board on or before July 31 of any year in which the firm is required to file an annual report on Form 2. The Board will, from time to time, announce the current annual fee. No portion of the annual fee is refundable.

2203. Special Reports

(a) A registered public accounting firm must file a special report on Form 3 to report information to the Board as follows –

(1) Upon the occurrence, on or after [insert effective date of this rule], of any event specified in Form 3, a registered public accounting firm must report the event in a special report filed no later than thirty days after the occurrence of the event;

(2) No later than thirty days after receiving notice of Board approval of its application for registration, a registered public accounting firm that becomes registered after [insert effective date of this rule] must file a special report to report any event specified in Form 3 that occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before the date that the Board approved the firm's registration; and

(3) No later than [insert date thirty days after the effective date of this rule], a registered public accounting firm that is registered as of [insert effective date of this rule], must file a special report to report, to the extent applicable to the firm, certain information described in General Instruction 4 to Form 3 and current as of [insert effective date of this rule].

(b) A registered public accounting firm required to file a special report shall do so by filing with the Board a special report on Form 3 in accordance with the instructions to that form. Unless directed otherwise by the Board, a registered public accounting firm

must file such special report and exhibits thereto electronically with the Board through the Board's Web-based system.

2204. Signatures

Each signatory to a report on Form 2 or Form 3 shall manually sign a signature page or other document authenticating, acknowledging or otherwise adopting his or her signature that appears in typed form within the electronic submission. Such document shall be executed before or at the time the electronic submission is made and shall be retained by the filer for a period of seven years. Upon request, an electronic filer shall provide to the Board or its staff a copy of all documents retained pursuant to this Rule.

2205. Amendments

Amendments to a filed report on Form 2 or Form 3 shall be made by filing an amended report on Form 2 or Form 3 in accordance with the instructions to those forms concerning amendments. Amendments shall not be filed to update information in a report that was correct at the time the report was filed, but only to correct information that was incorrect at the time the report was filed or to provide information that was omitted from the report and was required to be provided at the time the report was filed.

2206. Date of Filing

(a) An annual report shall be deemed to be filed on the date on which the registered public accounting firm submits a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

(b) A special report on Form 3 shall be deemed to be filed on the date that the registered public accounting firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

2207. Assertions of Conflicts with Non-U.S. Laws

If, in a report on Form 2 or Form 3, a foreign registered public accounting firm omits any information or affirmation required by the instructions to the relevant form on the ground that it cannot provide such information or affirmation on the form filed with the Board without violating non-U.S. law, the foreign registered public accounting firm shall –

(a) In accordance with the instructions to the form –

(1) Indicate that it has omitted required information or affirmations on the ground that it cannot provide such information or affirmations on the form filed with the Board without violating non-U.S. law;

(2) Identify all Items on the form with respect to which it has withheld any required information or affirmation on that ground; and

(3) Represent that, with respect to all such omitted information or affirmations, the foreign registered public accounting firm has satisfied the requirements of paragraph (b) of this Rule and has in its possession the materials required by paragraph (c) of this Rule;

(b) Before filing the form with the Board, make reasonable, good faith efforts, where not prohibited by law, to seek any consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board without violating non-U.S. law;

(c) Have in its possession, before the date on which the foreign registered public accounting firm files the form with the Board and for a period of seven years thereafter –

(1) An electronic version of the form that includes all information required by the instructions to the form (including certification and signature) and a manually signed signature page or other document that would satisfy the requirement of Rule 2204 if that version of the form were filed with the Board;

(2) A copy of the provisions of non-U.S. law that the foreign registered public accounting firm asserts prohibit it from providing the required information or affirmations on the form filed with the Board, and an English translation of any such provisions that are not in English;

(3) A legal opinion, in English, addressed to the foreign registered public accounting firm and that the foreign registered public accounting firm has reason to believe is current with respect to the relevant point of law, that the firm cannot provide the omitted information or affirmation on the form filed with the Board without violating non-U.S. law;

(4) A written representation, in English, that the Firm has made reasonable efforts, and a written description of those efforts, to obtain consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board, manually signed by the same person whose signature appears in the certification portion of the form, and indicating that the signer has reviewed the description and that the description is, based on the signer's knowledge, accurate and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made not misleading, and dated –

(i) for Form 2, after the end of the reporting period and no later than the date of the Form 2 filing; and

(ii) for Form 3, after the date of the reportable event and no later than the date of the Form 3 filing;

(d) Not later than the fourteenth day after any request by the Board or by the Director of the Division of Registration and Inspections for any of the documents described in subparagraphs (2) – (4) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including, as an exhibit to the amended report, the requested documents; and

(e) Not later than the fourteenth day after any request by the Board for any of the information included in the document described in subparagraph (1) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including the requested information.

Note: Rule 2207(c)(1) does not require that the version of the form maintained by the firm include any affirmation required by Part IX of Form 2. If the firm withholds any such affirmation, however, the asserted legal conflict must be addressed in accordance with subparagraphs (2) – (4) of Rule 2207(c).

Note: Rule 2207(c)(1) does not require a firm to include on the form maintained by the firm any information (1) that the firm does not possess, and (2) as to which the firm asserts that the firm would violate non-U.S. law by requiring another person to provide the information to the firm. The asserted legal conflict that prevents the firm from requiring another person to provide the information to the firm, however, must be addressed in accordance with subparagraphs (2) - (4) of Rule 2207(c).

Note: The "reasonable efforts" element of Rule 2207(c)(4) does not require a firm to renew efforts to seek consents or waivers from parties who have previously declined to provide consents or waivers with respect to disclosure of similar types of information and does not require a firm to seek consents or waivers from parties other than firm personnel and firm clients.

FORMS

FORM 2 – ANNUAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. A *registered public accounting firm* must use this Form to file with the *Board* the annual report required by Section 102(d) of the *Act* and Rule 2200 and to file any amendments to an annual report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When Report is Considered Filed. Annual reports on this Form are required to be filed each year on or before June 30, subject to the qualification in Rule 2201 concerning any firm that has its application for registration approved by the *Board* in the period between and including April 1 and June 30. An annual report is considered filed when the Firm has submitted to the *Board* a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

4. Period Covered by this Report. Annual reports on this Form shall cover a 12-month period from April 1 to March 31, subject to the qualification in Part VIII of Form 2 relating to the first annual report filed by a firm that becomes registered after [insert effective date of Rule 2201]. In the instructions to this Form, this is the period referred to as the "reporting period."

5. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 2 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be provided at the time the Form was filed. When filing a Form 2 to amend an earlier filed Form 2, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 2 all information, affirmations, and certifications that were required to be included in the original Form 2. The Firm may access the originally filed Form 2 through the *Board*'s Web-based system and make the appropriate amendments without needing to re-enter all other information.

   Note: The *Board* will designate an amendment to an annual report as a report on "Form 2/A."

6. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

7. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Part VI, Part VII, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. *Foreign registered public accounting firm*s may also request confidential treatment for Item 3.2 and Exhibit 3.2, though U.S. firms may not do so. If the Firm requests confidential treatment, it must identify the information in Part VI, Part VII, or Exhibit 99.3 (or, for a *foreign registered public accounting firm*, Item 3.2 and Exhibit 3.2) that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

8. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information and affirmations required by this Form if the Firm could not provide such information or affirmations without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information and affirmations on that basis from any Part of the Form other than Parts I, II, and X and Items 3.1.a, 3.1.b, 3.1.d, and 4.1. If the firm withholds responsive information or affirmations, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information or a required affirmation. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information or a required affirmation.

9. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

PART I – IDENTITY OF THE FIRM AND CONTACT PERSONS

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

Item 1.1 Name of the Firm

a. State the legal name of the Firm.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*, or issued any *audit report* during the reporting period.

c. If the Firm's legal name at the beginning of the reporting period was different than the name provided under Item 1.1.a, state that legal name and any other legal name the Firm had during the reporting period. Include the legal name of any *registered public accounting firm* that merged into, or was acquired by, the Firm during the reporting period.

Item 1.2 Contact Information of the Firm

a. State the physical address (and, if different, mailing address) of the Firm's headquarters office.

b. State the telephone number and facsimile number of the Firm's headquarters office. If available, state the Website address of the Firm.

Item 1.3 Primary Contact with the *Board*

State the name, business title, physical business address (and, if different, business mailing address), business telephone number, business facsimile number, and business e-mail address of a partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board,* including for purposes of the annual report filed on this Form and any special reports filed on Form 3.

PART II – GENERAL INFORMATION CONCERNING THIS REPORT

Item 2.1 Reporting Period

State the reporting period covered by this report.

> Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, the special instruction at the beginning of Part VIII concerning the first annual report filed by certain firms.

Item 2.2 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period.

PART III – GENERAL INFORMATION CONCERNING THE FIRM

Item 3.1 The Firm's Practice Related to the Registration Requirement

a. Indicate whether the Firm issued any *audit report* with respect to an *issuer* during the reporting period.

b. In the event of an affirmative response to Item 3.1.a, indicate whether the *issuers* with respect to which the Firm issued *audit reports* during the reporting period were limited to employee benefit plans that file reports with the *Commission* on Form 11-K.

c. In the event of a negative response to Item 3.1.a, indicate whether the Firm *played a substantial role in the preparation or furnishing of an audit report* with respect to an *issuer* during the reporting period.
d. In the event of a negative response to both Items 3.1.a and 3.1.c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a non-*issuer* broker-dealer in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed.

Item 3.2 Fees Billed to *Issuer Audit* Clients

a. Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (which may be rounded, but no less specifically than to the nearest five percent) attributable to fees billed to *issuer audit* clients for–

1. *Audit services*;

2. *Other accounting services;*

3. *Tax services;* and

4. *Non-audit services*.

b. Indicate, by checking the appropriate box, which of the following two methods the Firm used to calculate the percentages reported in Item 3.2.a –

1. The Firm used as a denominator the total fees billed to all clients for services rendered during the reporting period and used as numerators (for each of the four categories) total fees billed to *issuer audit* clients for the relevant services rendered during the reporting period.

2. The Firm used as a denominator the total fees billed to all clients in the Firm's fiscal year that ended during the reporting period and used as numerators (for each of the four categories) total *issuer audit* client fees as determined by reference to the fee amounts disclosed to the *Commission* by those clients for each client's fiscal year that ended during the reporting period (including, for clients who have not made the required *Commission* filings, the fee amounts required to be disclosed).

c. If the Firm has used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using the specific data, check this box and attach Exhibit 3.2 briefly describing the reasons for doing so and the methodology used in making those estimates.

Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in *Board Rules* 1001(i)(iii) (*issuer*), 1001(a)(v) (*audit*), 1001(a)(vii) (*audit services*), 1001(o)(i) (*other accounting services*), 1001(t)(i) (*tax services*), and 1001(n)(ii) (*non-audit services*). The definitions of the four categories of services correspond to the *Commission*'s descriptions of the services for which an *issuer* must disclose fees paid to its auditor. Compare the descriptions of services in Item 9(e) of *Commission* Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the *Board*'s definitions of *Audit Services*, *Other Accounting Services, Tax Services*, and *Non-Audit Services*.

PART IV – *AUDIT* CLIENTS AND *AUDIT REPORTS*

Item 4.1 *Audit Reports* Issued by the Firm

a. Provide the following information concerning each *issuer* for which the Firm issued any *audit report*(s) during the reporting period –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any; and

3. The date(s) of the *audit report*(s).

b. If the Firm identified any *issuer*s in response to Item 4.1.a., indicate, by checking the box corresponding to the appropriate range set out below, the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period. If the Firm checks the box indicating that the number is in the

range of 1-9, provide the exact number.

1-9
10-25
26-50
51-100
101-200
More than 200

Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001(a)(vi) of the *Board's Rules*, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(iii). Careful attention should also be paid to the definition of *issuer*. The Firm should not, for example, overlook the fact that investment companies may be issuers, or that employee benefit plans that file reports on *Commission* Form 11-K are *issuers*.

Note: In responding to Item 4.1, do not list any *issuer* more than once. For each *issuer,* provide in Item 4.1.a.3 the *audit report* dates (as described in AU 530, Dating of the Independent Auditor's Report) of all such *audit reports* for that *issuer*, including each date of any dual-dated *audit report*.

Note: In responding to Item 4.1.a.3, it is not necessary to provide the date of any consent to an *issuer*'s use of an *audit report* previously issued for that *issuer*, except that, if such consents constitute the only instances of the Firm issuing *audit reports* for a particular *issuer* during the reporting period, the Firm should include that *issuer* in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

Item 4.2 *Audit Reports* With Respect to Which the Firm *Played a Substantial Role* during the Reporting Period

a. If no *issuer*s are identified in response to Item 4.1.a, but the Firm *played a substantial role in the preparation or furnishing of an audit report* that was issued during the reporting period, provide the following information concerning each *issuer* with respect to which the Firm did so –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any;

3. The name of the *registered public accounting firm* that issued the *audit report*(s);

4. The end date(s) of the fiscal period(s) covered by the financial statements that were the subject of the *audit report*(s); and

5. A description of the substantial role played by the Firm with respect to the *audit report*(s).

Note: If the Firm identifies any *issuer* in response to Item 4.1, the Firm need not respond to Item 4.2.

Note: In responding to Item 4.2, do not list any *issuer* more than once.

PART V – OFFICES AND AFFILIATIONS

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

Item 5.1 Firm's Offices

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Item 5.2 *Audit*-related Memberships, Affiliations, or Similar Arrangements

a. State whether the Firm has any:

1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes *audit* procedures or manuals or related materials, or the use of a name in connection with the provision of *audit services* or accounting services;

2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells *audit services* or through which joint *audit*s are conducted; or

3. Arrangement, whether by contract or otherwise, with another entity through or from which the Firm employs or leases personnel to perform *audit services*.

b. If the Firm provides an affirmative response to Item 5.2.a, identify, by name and address, the entity with which the Firm has each such relationship, and provide a brief description of each such relationship.

Note: Item 5.2.b does not require information concerning every other entity that is part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.

PART VI – PERSONNEL

In Part VI, the Firm should provide information that is current as of the last day of the reporting period.

Item 6.1 Number of Firm Personnel

Provide the following numerical totals –

a. Total number of the Firm's *accountants*;

b. Total number of the Firm's certified public accountants (include in this number all *accountants* employed by the Firm with comparable licenses from non-U.S. jurisdictions); and

c. Total number of the Firm's personnel.

PART VII – CERTAIN RELATIONSHIPS

Item 7.1 Individuals with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.1 of Form 3, and only if the Firm has not previously identified the individual and the sanction or *Commission* order on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm has any employee, partner, shareholder, principal, member, or owner who was the subject of a *Board* disciplinary sanction or a *Commission* order under Rule 102(e) of the *Commission's* Rules of Practice, entered within the five years preceding the end of the reporting period and without that sanction or order having been vacated on review or appeal, and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

b. If the Firm provides an affirmative response to Item 7.1.a, provide –

1. The name of each such individual;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

Item 7.2 Entities with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.2 of Form 3, and only if the Firm has not previously reported the information on Form 1, Form 2, or Form 3,

state whether, as of the end of the reporting period, the Firm was owned or partly owned by an entity that was the subject of (a) a *Board* disciplinary sanction entered within the five years preceding the end of the reporting period, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice entered within the five years preceding the end of the reporting period, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the *Commission*.

b. If the Firm provides an affirmative response to Item 7.2.a, provide –

1. The name of each such entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

Item 7.3 Certain Arrangements to Receive Consulting or Other Professional Services

a. Other than a relationship required to be reported in Item 4.3 of Form 3, state whether the Firm received, or entered into a contractual or other arrangement to receive, from any individual or entity meeting the criteria described in Items 7.1.a. or 7.2.a, consulting or other professional services related to the Firm's *audit* practice or related to services the Firm provides to *issuer audit* clients.

b. If the Firm provides an affirmative response to Item 7.3.a, provide –

1. The name of each such individual or entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship;

4. A description of the services provided or to be provided to the Firm by the individual or entity; and

5. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

PART VIII – ACQUISITION OF ANOTHER *PUBLIC ACCOUNTING FIRM* OR SUBSTANTIAL PORTIONS OF ANOTHER *PUBLIC ACCOUNTING FIRM*'S PERSONNEL

> If the Firm became registered on or after [effective date of Rule 2201], the first annual report that the Firm files must provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.

Item 8.1 Acquisition of Another *Public Accounting Firm* or Substantial Portions of Another *Public Accounting Firm*'s Personnel

a. State whether the Firm acquired another *public accounting firm*.

b. If the Firm provides an affirmative response to Item 8.1.a, provide the name(s) of the *public accounting firm*(s) that the Firm acquired.

c. State whether the Firm, without acquiring another *public accounting firm*, took on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who, as of the beginning of the reporting period, were the partners, shareholders, principals, members, or owners of another *public accounting firm*.

d. If the Firm provides an affirmative response to Item 8.1.c, provide the name of the other *public accounting firm* and the number of the other *public accounting firm*'s former partners, shareholders, principals, members, owners, and *accountant*s that joined the Firm.

PART IX – AFFIRMATION OF CONSENT

Item 9.1 Affirmation of Understanding of, and Compliance with, Consent Requirements

Whether or not the Firm, in applying for registration with the *Board*, provided the signed statement required by Item 8.1 of Form 1, affirm that –

a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002;

b. The Firm has secured from each of its *associated persons*, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the *associated person* consents to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the

associated person understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm; and

c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1.a, and the securing and enforcing of consents from its *associated persons* as described in Item 9.1.b, is a condition to the continuing effectiveness of the registration of the Firm with the *Board*.

Note 1: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *registered public accounting firm.*

Note 2: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *foreign public accounting firm* in circumstances where that *associated person* asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the *associated person's* assertion about non-U.S. law that would be sufficient to satisfy the requirements of subparagraphs (2) through (4) of Rule 2207(c) if that *associated person* were a *registered public accounting firm* filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1.b does not relieve the Firm of its obligation to enforce cooperation and compliance with *Board* demands by any such *associated person* as a condition of continued association with the Firm.

Note 3: If the Firm is a *foreign registered public accounting firm*, the affirmations in Item 9.1 that relate to *associated persons* shall be understood to encompass every *accountant* who is a proprietor, partner, principal, shareholder, officer, or *audit* manager of the Firm and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

PART X – CERTIFICATION OF THE FIRM

Item 10.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm*;*

b*.* the signer has reviewed this Form;

c. based on the signer's knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred before the end of the reporting period and for which a special report on Form 3 is required under the *Board*'s *rules*;

d. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

e. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm and* has not failed to include in this Form any information or affirmation that is required by the instructions to this Form except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 2 without violating non-U.S. law;

(B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information or affirmation.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

PART XI – EXHIBITS

To the extent applicable under the foregoing instructions or the *Board's rules*, each annual report must be accompanied by the following exhibits:

Exhibit 3.2 Description of Methodology Used to Estimate Components of Calculation in Item 3.2 and Reasons for Using Estimates

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)–(4) – *Submit Only as an Exhibit to an Amended Form 2 in Response to a Request Made Pursuant to Rule 2207(d)*

FORM 3 – SPECIAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. Effective [insert effective date of Rule 2203], a *registered public accounting firm* must use this Form to file special reports with the *Board* pursuant to Section 102(d) of the *Act* and Rule 2203 and to file any amendments to a special report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When this Report is Required and When It is Considered Filed. Upon the occurrence of any event specified in Part II of this Form, the Firm must report the event on this Form by following the instructions to this Form. With respect to events that occur on or after [insert effective date of Rule 2203] and while the Firm is registered, the Firm must file the Form no later than thirty days after the occurrence of the event reported. Certain additional requirements apply, but they vary depending on whether a firm was registered as of [insert effective date of Rule 2203]. A firm that becomes registered after [insert effective date of Rule 2203], must, within thirty days of receiving notice of *Board* approval of its registration application, file this Form to report any reportable events that occurred in a specified period before approval of the firm's application for registration. See Rule 2203(a)(2). A firm that was registered as of [insert effective date of Rule 2203], must, by [insert date 30 days after effective date of Rule 2203], file this Form to report certain additional information that is current as of [insert effective date of Rule 2203]. See Rule 2203(a)(3) and General Instruction No. 4 below. A special report shall be deemed to be filed on the date that the Firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

4. Required Filing to Bring Current Certain Information for Firms Registered as of [insert effective date of Rule 2203]. If the Firm is registered as of [insert effective date of Rule 2203], the Firm must file a special report on this Form no later than [insert date 30 days after effective date of Rule 2203], to report the information specified below, to the extent that it has not been reported on the Firm's Form 1 filing. The Firm must make this Form 3 filing to report the following information even if the Firm has previously informally disclosed the information to the *Board* or its staff–

a. Information responsive to Items 2.4 through 2.9 and Item 4.1 if (1) the proceeding is pending as of [insert effective date of Rule 2203], and (2) the defendants or respondents as of that date include either the Firm or a person who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of that date;

b. Information responsive to Items 2.10 and 4.2 if (1) the conclusion of a proceeding as to any party specified there occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before [insert effective date of Rule 2203], and (2) the proceeding resulted in any conviction of, judgment against, imposition of any liability or sanction on, or *Commission* Rule 102(e) order against the Firm or any person who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of [insert effective date of Rule 2203];

c. Information responsive to Items 2.11 and 4.3 if the Firm is the subject of a petition or proceeding described there as of [insert effective date of Rule 2203];

d. Information responsive to Items 2.12 through 2.14 and Part V if (1) the relationship commenced after the date used by the firm for purposes of General Instruction 9 to Form 1, (2) the specified disciplinary sanction or *Commission* Rule 102(e) order continued to be in effect as of [insert effective date of Rule 2203], and (3) the specified relationship continues to exist as of [insert effective date of Rule 2203];

e. Information responsive to Items 2.15 and 6.1 if (1) the loss of authorization relates to a jurisdiction or authority identified in Item 1.7 of the Firm's Form 1 and, (2) as of [insert effective date of Rule 2203], the Firm continues to lack the specified authorization in that jurisdiction;

f. Information responsive to Items 2.16 and 6.2 if the license or certification is in effect as of [insert effective date of Rule 2203]; and

g. Information responsive to Items 2.17 and 2.18 and Part VII that is current as of [insert effective date of Rule 2203] to the extent that it differs from the corresponding information provided on the Firm's Form 1.

5. Completing the Form. A firm filing this Form must always complete Parts I, II, and VIII of this Form. Parts III through VII should be completed to the extent applicable, as described more fully in the instructions to Part II of the Form.

6. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 3 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be

provided at the time the Form was filed. When filing a Form 3 to amend an earlier filed Form 3, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 3 all information, affirmations, and certifications that were required to be included in the original Form 3. The Firm may access the originally filed Form 3 through the *Board*'s Web-based system and make the appropriate amendments without needing to re-enter all other information.

Note: The *Board* will designate an amendment to a special report as a report on "Form 3/A."

7. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

8. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Item 3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. If the Firm requests confidential treatment, it must identify the information in Item 3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

9. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information required by this Form if the Firm could not provide such information without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information on that basis from any Part of the Form other than Parts I, II, and VIII, and Items 7.1.a, 7.1.b, 7.1.c, and 7.2. If the firm withholds responsive information, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information.

10. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

PART I – IDENTITY OF THE FIRM

Item 1.1 Name of Firm

a. State the legal name of the Firm.

Note: If the Firm is filing this Form 3 to report that the Firm's legal name has changed, the name entered in Item 1.1.a should be the Firm's legal name before the name change that is being reported. The Firm's new name should be included in the response to Item 1.1.c.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*.

c. If the Firm is filing this Form 3 to report that the Firm's legal name has changed, state the new legal name of the Firm.

PART II – REASON FOR FILING THIS REPORT

Indicate, by checking the relevant box(es) from among Items 2.1 through 2.18 below, the event(s) being reported on this Form. More than one event may be reported in the same Form 3 filing. For each event indicated below, proceed to the Parts and Items of this Form indicated parenthetically for the specific event being reported and provide the information therein described. Provide responses only to those Parts and Items of the Form specifically indicated for the event or events that the Firm identifies in this Part II as an event being reported on this Form. (For example, if the Form is being filed solely to report that the Firm has changed its name, check the box for Item 2.17 in this Part of the Form, and complete only Item 7.1 and Part VIII of the Form.) If the Firm is filing this Form to amend a previous filing, the Firm also should complete Item 2.19.

Note: In Items 2.4 through 2.11 and Item 2.15, the reportable event is described in terms of whether the Firm "has become aware" of certain facts. For these purposes, the Firm is deemed to have become aware of the relevant facts on the date that any partner, shareholder, principal, owner, or member of the Firm first becomes aware of the facts.

Audit Reports

Item 2.1 The Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report

concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K. (Complete Item 3.1 and Part VIII.)

Item 2.2 The Firm has issued *audit reports* with respect to more than 100 *issuers* in a calendar year immediately following a calendar year in which the Firm did not issue *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Item 2.3 The Firm has issued *audit reports* with respect to 100 or fewer *issuers* in a completed calendar year immediately following a calendar year in which the Firm issued *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Certain Legal Proceedings

Item 2.4 The Firm has become aware that the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.5 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting services* to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.6 The Firm has become aware that a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority and is charged with fraud, embezzlement, forgery, extortion, bribery, obstruction of justice, perjury, or false statements; or charged with any crime arising out of alleged conduct relating to accounting, auditing, securities, banking, commodities, taxation, consumer protection, or insurance. (Complete Item 4.1 and Part VIII.)

Item 2.7 The Firm has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.8 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting*

services to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.9 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.10 The Firm has become aware that a proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8, or 2.9 above has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise). (Complete Item 4.2 and Part VIII.)

Item 2.11 The Firm has become aware that the Firm, or the parent or a subsidiary of the Firm, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary. (Complete Item 4.3 and Part VIII.)

Certain Relationships

Item 2.12 The Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission.* (Complete Item 5.1 and Part VIII.)

Item 2.13 The Firm has become owned or partly owned by an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of

Practice suspending or denying the privilege of appearing or practicing before the *Commission*. (Complete Item 5.2 and Part VIII.)

Item 2.14 The Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above. (Complete Item 5.3 and Part VIII.)

Licenses and Certifications

Item 2.15 The Firm has become aware that its authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction. (Complete Item 6.1 and Part VIII.)

Item 2.16 The Firm has obtained a license or certification authorizing the Firm to engage in the business of auditing or accounting and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in a license or certification number identified on a Form 1 or Form 3 previously filed by the Firm. (Complete Item 6.2 and Part VIII.)

Changes in the Firm or the Firm's *Board* Contact Person

Item 2.17 The Firm has changed its legal name while otherwise remaining the same legal entity that it was before the name change. (Complete Item 7.1 and Part VIII.)

Item 2.18 There has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or the Firm is designating a new person to serve as the primary contact. (Complete Item 7.2 and Part VIII.)

Amendment

Item 2.19 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.19) as to which the Firm's response has changed from that provided in the most recent Form 3 or amended Form 3 filed by the Firm with respect to the events reported on this Form.

PART III – WITHDRAWN *AUDIT REPORTS*

Item 3.1 Withdrawn *audit reports* and consents

If the Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K, provide –

a. The *issuer*'s name and CIK number, if any;

b. The date(s) of the *audit report*(s) that the Firm has withdrawn, or to which the Firm's withdrawal of consent relates; and

c. A description of the reason(s) the Firm has withdrawn the *audit report*(s) or the consent.

> Note: The 30-day period in which the Firm must report the event does not begin to run unless and until the *issuer* fails to report on Form 8-K within the time required by the *Commission*'s rules. The Firm must then report the event on Form 3 within 30 days of the expiration of the required Form 8-K filing deadline, unless, within that 30-day period, the *issuer* reports on a late-filed Form 8-K.

PART IV – CERTAIN PROCEEDINGS

Item 4.1 Criminal, Governmental, Administrative, or Disciplinary Proceedings

If the Firm has indicated in this Form 3 that any of the events described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9 has occurred, provide the following information with respect to each such event –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding.

b. The name of the court, tribunal, or body in or before which the proceeding was filed.

c. An indication whether the Firm itself is a defendant or respondent in the proceeding and, if so, the statutes, rules, or legal duties that the firm is alleged to have violated, and a brief description of the firm's alleged conduct in violation of those statutes, rules, or legal duties.

d. The names of every defendant or respondent who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm, or who was such either at the time the Firm received notice of the proceeding or at the time of the alleged conduct on

which any claim or charge is based, and who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recent fiscal year; and, as to each such defendant or respondent, the statutes, rules, or legal duties that he or she is alleged to have violated, and a brief description of his or her alleged conduct in violation of those statutes, rules, or legal duties.

e. The name of any client that was the recipient of the professional services to which any claim or charge in the proceeding relates.

Note: For the purpose of this Part, administrative or disciplinary proceedings include those of the *Commission*; any other federal, *state*, or non-U.S. agency, board, or administrative or licensing authority; and any professional association or body. Investigations that have not resulted in the commencement of a proceeding need not be included.

Item 4.2 Concluded Criminal, Governmental, Administrative, or Disciplinary Proceedings

If any proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9, including any proceeding reported in Item 4.1, has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise), provide –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding;

b. The name of the court, tribunal, or body in or before which the proceeding was filed; and

c. A brief description of the terms of the conclusion of the proceeding as to the Firm or partner, shareholder, principal, owner, member, or *audit* manager.

Item 4.3 Bankruptcy or Receivership

If the Firm, or the parent or a subsidiary thereof, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary, provide –

a. the name of the proceeding;

b. the name of the court or governmental body;

c. the date of the filing or of the assumption of jurisdiction; and

d. the identity of the receiver, fiscal agent or similar officer, if applicable, and the date of his or her appointment.

PART V – CERTAIN RELATIONSHIPS

Item 5.1 New Relationship with Person Subject to Bar or Suspension

If the Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission,* provide –

a. the name of the person;

b. the nature of the person's relationship with the Firm; and

c. the date on which the person's relationship with the Firm began.

Item 5.2 New Ownership Interest by Firm Subject to Bar or Suspension

If the Firm has become owned or partly owned by an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*, provide –

a. the name of the entity that has obtained an ownership interest in the Firm;

b. the nature and extent of the ownership interest; and

c. the date on which the ownership interest was obtained.

Item 5.3 Certain Arrangements to Receive Consulting or Other Professional Services

If the Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above, provide –

a. the name of the person or entity;

b. the date that the Firm entered into the contract or other arrangement; and

c. a description of the services to be provided to the Firm by the person or entity.

PART VI – LICENSES AND CERTIFICATIONS

Item 6.1 Loss of, or Limitations Imposed on, Authorization to Engage in the Business of Auditing or Accounting

If the Firm's authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction, provide –

a. the name of the *state*, agency, board or other authority that had issued the license or certification related to such authorization;

b. the number of the license or certification;

c. the date that the authorization ceased to be effective or became subject to conditions or contingencies, and

d. a brief description of the reason(s) for such action, including a description of the conditions or contingencies, if any.

Item 6.2 New License or Certification

If the Firm has obtained any license or certification authorizing the Firm to engage in the business of auditing or accounting, and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in any license or certification number identified on a Form 1 or Form 3 previously filed by the Firm, provide –

a. the name of the issuing *state*, agency, board or other authority;

b. the number of the license or certification;

c. the date the license or certification took effect; and

d. if the license or certification replaces another license or certification issued by the same authority, the number of the replaced license or certification.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report on Form 4, rather than Form 3, any related license change that takes effect before the submission of the Form 4.

PART VII – CHANGES IN THE FIRM OR THE FIRM'S *BOARD* CONTACT PERSON

Item 7.1 Change in Name of Firm

If the Firm is reporting a change in its legal name –

a. State the new legal name of the Firm;

b. State the legal name of the Firm immediately preceding the new legal name;

c. State the effective date of the name change;

d. Provide a brief description of the reason(s) for the change; and

e. Affirm, by checking the box corresponding to this Item, that, other than the name change, the Firm is the same legal entity that it was before the name change.

Note: If, other than the name change, the Firm is not the same legal entity that it was before the name change, whether because of a change in the Firm's legal form of organization or because of other transactions, the registration status of the predecessor firm does not automatically attach to the Firm, and the Firm cannot report the event as a name change. If the Firm cannot make the affirmation required by Item 7.1.e, the Firm cannot execute the certification in Part VIII as to Item 7.1, and this Form cannot be deemed filed under Rule 2206.

In that event, the Firm should consider whether, pursuant to the provisions of Rule 2108, the Firm can make the representations required in a Form 4 filing to enable the predecessor firm's registration to attach to the Firm. If the Firm cannot or does not file with the *Board* a Form 4 making all necessary representations, the predecessor firm's registration does not attach to the Firm. In those circumstances, the Firm may not lawfully prepare or issue an *audit report* without first filing an application for registration on Form 1 and having that application approved by the *Board*.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report any related name change on Form 4 and not on Form 3.

Item 7.2 Change in Contact Information

If there has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail address of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or if the Firm is designating a new person to serve as the primary contact, provide the name and current business mailing address, business telephone number, business facsimile number, and business e-mail of the partner or

authorized officer of the Firm who will serve as the Firm's primary contact with the *Board*.

PART VIII – CERTIFICATION OF THE FIRM

Item 8.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm;

b. the signer has reviewed this Form;

c. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

d. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm* and has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 3 without violating non-U.S. law;

(B) with respect to any such withheld information or affirmation, the Firm has made the efforts required by PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing

address, business telephone number, business facsimile number, and business e-mail address.

PART IX – EXHIBITS

To the extent applicable under the foregoing instructions, each special report must be accompanied by the following exhibits:

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)-(4) – *Submit Only as an Exhibit to an Amended Form 3 in Response to a Request Made Pursuant to Rule 2207(d)*

In addition to the above rules and form instructions, the Board has adopted related amendments to PCAOB Rules 1001, 2107, 2300, 4000, and 4003. The amendments are shown below, with new language underlined, deleted language in brackets, and unchanged language indicated by a series of three asterisks.

SECTION 1. GENERAL PROVISIONS

Rule 1001. Definitions of Terms Employed in Rules

When used in the Rules, unless the context otherwise requires:

* * *

(a)(vii) Audit Services

The term "audit services" means [–

(1) subject to paragraph (a)(vii)(2) of this Rule, professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports.

(2) effective after December 15, 2003,] professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports or services that are normally

provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

* * *

(n)(ii) Non-Audit Services

The term "non-audit services" means [–

(1) subject to paragraph (n)(ii)(2) of this Rule, services related to financial information systems design and implementation as defined in Rule 2-01(c)(4)(ii) of Regulation S-X, 17 C.F.R. 2-01(c)(4)(ii), and all other services, other than audit services or other accounting services.

(2) effective after December 15, 2003,] all [other] services other than audit services, other accounting services, and tax services.

* * *

(o)(i) Other Accounting Services

The term "other accounting services" means [–

(1) subject to paragraph (o)(i)(2) of this Rule, services that are normally provided by the public accounting firm that audits the issuer's financial statements in connection with statutory and regulatory filings or engagements and assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.

(2) effective after December 15, 2003,] assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.

* * *

SECTION 2. REGISTRATION AND REPORTING
Part 1 – Registration of Public Accounting Firms

* * *

Rule 2107. Withdrawal from Registration

* * *

(c) Effect of Filing

[(1)] Beginning on the date of Board receipt of a completed Form 1-WD, [the firm that filed the Form 1-WD shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period, unless it first withdraws its Form 1-WD.

(2) Beginning on the fifth day following the Board's receipt of a completed Form 1-WD,] and continuing for as long as the Form 1-WD is pending –

[(i) the firm may satisfy the annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending;]

(1) the firm shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period;

(2i) the firm's obligation to file annual reports on Form 2, and special reports on Form 3 shall be suspended;

[(ii) any annual fee assessed shall be zero;]

(3[iii]) the Board shall have the discretion to forego any regular inspection that would otherwise commence pursuant to Rule 4003(a) or Rule 4003(b); and

(4[iv]) the firm's registration status shall be designated as "registered – withdrawal request pending," and the firm shall not publicly represent its registration status without specifying it as "registered – withdrawal request pending."

* * *

(f) Withdrawal of Form 1-WD

A registered public accounting firm that has submitted a Form 1-WD may withdraw the form at any time by filing with the Board a written notice of intent to withdraw the Form 1-WD along with any annual fee [and], annual report, and special report that the firm would have been required to submit during the period that the Form 1-WD was pending if not for the provisions of paragraph (c)(2).

Part 3 – Public Availability of Applications and Reports

Rule 2300. Public Availability of Information Submitted to the Board; Confidential Treatment Requests.

(a) Except as provided in paragraph (b) below –

(1) an application for registration will be publicly available as soon as practicable after the Board approves or disapproves such application; and

(2) all other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board, and any amendments thereto, will be publicly available as soon as practicable after filing, except to the extent otherwise specified in the Board's rules or the instructions to the form.

(b) Confidential Treatment Requests.

(1) A public accounting firm may request confidential treatment of any information submitted to the Board in connection with its application for registration on Form 1, and may request confidential treatment of information on other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board to the extent specified in the instructions to the form, provided that the information as to which confidential treatment is requested –

([1]i) has not otherwise been publicly disclosed, and

([2]ii) either (A[i]) contains information reasonably identified by the public accounting firm as proprietary information, or (B[ii]) is protected from public disclosure by applicable laws related to the confidentiality of proprietary, personal, or other information.

(2) Failure to provide an exhibit that complies with the requirements of paragraph (c)(2) of this Rule constitutes sufficient grounds for denial of any request for confidential treatment.

(c) Application Procedures.

To request confidential treatment of information for which such requests are permitted by paragraph (b)(1) of this Rule[submitted to the Board in connection with an application for registration], the [applicant] requestor must –

(1) identify, in accordance with the instructions [on Form 1] to the form, the information that it desires to keep confidential; and

(2) include as an exhibit to [Form 1 a detailed explanation as to why, based on the facts and circumstances of the particular case, the information meets the requirements of paragraph (b) of this Rule.]the form a representation that, to the requestor's knowledge, the information for which confidential treatment is requested has not otherwise been publicly disclosed and –

(i) a detailed explanation of the grounds on which the information is considered proprietary; or

(ii) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the requestor claims protects the information from public disclosure.

* * *

(f) Unless the [applicant] requestor requests otherwise, the exhibit containing an explanation supporting a confidential treatment request will be afforded confidential treatment without the need for a request for confidential treatment.

(g) Information as to which the Board grants confidential treatment under this [r]Rule will not be made available to the public by the Board. The granting of confidential treatment will not, however, limit the ability of the Board (1) to provide the information as to which confidential treatment was granted to the Commission, or (2) to comply with any subpoena validly issued by a court or other body of competent jurisdiction. In the event the Board receives such a subpoena, the Board will notify the [applicant] public accounting firm of such subpoena, to the extent permitted by law, to allow the [applicant] public accounting firm the opportunity to object to such subpoena.

* * *

SECTION 4. INSPECTIONS

Rule 4000. General

(a) Every registered public accounting firm shall be subject to all such regular and special inspections as the Board may from time-to-time conduct in order to assess

the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the Board's rules, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers.

(b) In furtherance of the Board's inspection process, the Board may at any time request that a registered public accounting firm provide to the Board additional information or documents relating to information provided by the firm in any report filed pursuant to Section 2 of these Rules, or relating to information that has otherwise come to the Board's attention. Any request for information or documents made pursuant to this Rule, and any information or documents provided in response to such a request, shall be considered to be in connection with the next regular or special inspection of the registered public accounting firm.

(c) Inspection steps and procedures shall be performed by the staff of the Division of Registration and Inspections, and by such other persons as the Board may authorize to participate in particular inspections or categories of inspections.

* * * *

Rule 4003. Frequency of Inspections

* * *

(c) With respect to a registered public accounting firm that has filed a completed Form 1-WD under Rule 2107, the Board shall have the discretion to forego any regular inspection that would otherwise commence during the period beginning on the [fifth day following the filing of the] date of Board receipt of a completed Form 1-WD and continuing until the firm's registration is deemed withdrawn or the firm withdraws the Form 1-WD.

* * *

II. Board's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule

In its filing with the Commission, the Board included statements concerning the purpose of, and basis for, the proposed rule. The text of these statements may be examined at the places specified in Item IV below. The Board has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Board's Statement of the Purpose Of, and Statutory Basis for, the Proposed Rule

(a) Purpose

Section 102(d) of the Act provides that each registered public accounting firm shall provide an annual report to the Board, and may be required to report more frequently, as necessary to update information it is application for registration and to provide such additional information as the Board or the Commission may specify. The purpose of the proposed new rules and forms is to establish the foundation of a reporting and disclosure system for registered public accounting firms pursuant to Section 102(d) of the Act, and to specify the details of certain reporting obligations and provide forms for such reporting. To the extent that the Board identifies additional reporting requirements that are necessary or appropriate in the public interest or for the protection of investors, the Board may propose and adopt them in the future.

The proposed reporting requirements serve three fundamental purposes. First, firms will report information to keep the Board's records current about such basic matters as the firm's name, location, contact information, and licenses. Second, firms will report information reflecting the extent and nature of the firm's audit practice related to issuers in order to facilitate analysis and planning related to the Board's inspection responsibilities and to inform other Board functions, as well as for the value the information may have to the public. Third, firms will report circumstances or events that could merit follow-up through the Board's inspection process or its enforcement process, and that also may otherwise warrant being brought to the public's attention (such as a firm's withdrawal of an audit report in circumstances where the information is not otherwise publicly available).

The reporting framework includes two types of reporting obligations. First, it requires each registered firm to provide basic information once a year about the firm and the firm's issuer-related practice over the most recent 12-month period. The firm must do so by filing an annual report on Form 2. Second, upon the occurrence of specified events, a firm must report certain information by filing a special report on Form 3.

Proposed Rule 2201 sets June 30 as the deadline for the annual filing of Form 2. The reporting period covered by the report would be April 1 to March 31, leaving each firm with three months to prepare and file a Form 2 reflecting information from that 12-month period. Any firm that was registered as of March 31 of a particular year would be required to file Form 2 by June 30 of that year, but any firm that became registered in the period between and including April 1 and June 30 would not be required to file a Form 2 until June 30 of the following year.

Under the proposed rules, the occurrence of specified events triggers an obligation to file a special report on Form 3. The proposed rules provide that special reports must be filed within 30 days of the triggering event.

The Board expects annual and special reports to be complete and accurate, and inaccuracies or omissions could form the basis for disciplinary sanctions for failing to comply with the reporting requirements reflected in Rules 2200 and 2203 and the instructions to Forms 2 and 3. Proposed Rule 2205 provides for the filing of amendments to previously filed annual or special reports if the originally filed report included information that was incorrect at the time of the filing, or if the originally filed

form omitted any information or affirmation that was, at the time of such filing, required to be included in that report.

Annual and special reports will be made public on the Board's Web site promptly upon being filed by a firm, subject to exceptions for information for which a firm requests confidential treatment. The Board intends that as much reported information as possible be publicly available as soon as possible after filing. The proposed forms identify certain categories of information for which a firm may request confidential treatment. The proposed rules include new requirements concerning the support that a firm must supply for a confidential treatment request.[1/] The proposed amendments require that a firm support a request with both a representation that the information has not otherwise been publicly disclosed and either (1) a detailed explanation of the grounds on which the information is considered proprietary, or (2) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law. The proposed amendments also provide that the firm's failure to supply the required support constitutes sufficient grounds for denial of the request.

Under proposed Rule 2207, a non-U.S. firm may withhold required information from Form 2 or Form 3 if the firm cannot provide the information without violating non-U.S. law. If the firm withholds information on that ground, it must have certain supporting materials, including (1) a copy of the relevant provisions of non-U.S. law, (2) a legal opinion concluding that the firm would violate non-U.S. law by submitting the

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[1/] The proposed amendments to Rule 2300(b)-(c), concerning the required support, would also apply prospectively to confidential treatment requests on applications for registration on Form 1.

information to the Board, and (3) a written explanation of the firm's efforts to seek consents or waivers that would be sufficient to overcome the conflict with respect to the information. The firm must certify on the form that it has the supporting materials in its possession. The rule reserves to the Board, and to the Director of the Division of Registration and Inspections, the discretion to require that a firm submit any of those supporting materials in a particular case. The rule also reserves to the Board the discretion to require that the firm provide any of the withheld information in a particular case.

The proposed rules include an amendment to the Board's inspection rules that makes clear that the Board may require a firm to provide additional information. Specifically, existing Rule 4000 provides that registered firms shall be subject to such regular and special inspections as the Board chooses to conduct. The proposed amendment adds a paragraph providing that the Board, in the exercise of its inspection authority, may at any time request that a registered firm provide additional information or documents relating to information provided on Form 2 or Form 3, or relating to information that has otherwise come to the Board's attention. The amendment provides that the request and response are considered to be in connection with the firm's next regular or special inspection. Accordingly, the cooperation requirements of Rule 4006 apply, and the request and response are subject to the confidentiality restrictions of Section 105(b)(5) of the Act.

Existing Rule 2107 governs the process by which a firm may seek to withdraw from registration with the Board. Under Rule 2107, a firm cannot withdraw at will, but must request the Board's permission to withdraw, and the Board may withhold that

permission under certain conditions. The proposed rules include an amendment to Rule 2107 to change the way it addresses the reporting obligations of a firm that has filed Form 1-WD seeking leave to withdraw. Existing Rule 2107(c)(2)(i) provides that, beginning on the fifth day after the Board receives a completed form 1-WD, the firm can satisfy any annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending. Under the proposed amendment, the firm's reporting obligation, including both annual and special reporting, would simply be suspended while Form 1-WD was pending. If a firm withdraws its Form 1-WD and continues as a registered firm, however, Rule 2107 would require the filing of any annual or special reports, and the payment of any annual fee, that otherwise would have been required while the Form 1-WD was pending. The Board is also eliminating from Rule 2107 the five-day delay between receipt of a completed Form 1-WD and the effect of that filing on a firm's reporting obligation. Suspension of that obligation would occur immediately upon the Board's receipt of the completed Form 1-WD.[2/]

The Board also proposed to delete from definitions in PCAOB Rule 1001 certain provisions that ceased to apply after December 15, 2003. Specifically, the Board proposes to amend Rules 1001(a)(vii) (definition of "audit services"), 1001(o)(i) (definition of "other accounting services"), and 1001(n)(ii) (definition of "tax services") by deleting the paragraph denominated "(1)" from each rule.

[2/] In connection with that change to Rule 2107, the amendment also eliminates the five-day delay before certain other consequences take effect. Among other things, the Board is amending Rule 2107(c)(2)(iii) so that the Board would, immediately upon receipt of the completed Form 1-WD, have the discretion to forego any regular inspection of the firm that otherwise would commence. This change necessitates a conforming change to Rule 4003(c), and the Board is making that conforming change as well.

The proposed rules would take effect 60 days after Securities and Exchange Commission approval.

(b) Statutory Basis

The statutory basis for the proposed rule is Title I of the Act.

B. Board's Statement on Burden on Competition

The Board does not believe that the proposed rules will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rules impose no burden beyond burdens clearly imposed and contemplated by the Act.

C. Board's Statement on Comments on the Proposed Rule Received from Members, Participants or Others

The Board released the proposed rules and form instructions for public comment in Release No. 2006-004 (May 23, 2006). A copy of Release No. 2006-004 and the comment letters received in response to the PCAOB's request for comment are available on the PCAOB's Web site at www.pcaobus.org. The Board received twelve written comment letters. The Board has clarified and modified certain aspects of the proposed rules and form instructions in response to the comments it received, as discussed below.

Commenters voiced concern about burdens associated with the proposed requirement to report the percentage of total fees billed to all clients that is attributable to fees billed in each of four categories of services provided to issuer audit clients. Commenters indicated that firms, particularly large firms, may not be able to comply with the proposed requirement without making costly changes to their internal systems. The Board has weighed these concerns carefully, bearing in mind that the purposes for

which the information is sought do not depend upon a high level of precision in the data. The Board is adopting a modified version of the proposed requirement, incorporating some elements of alternatives suggested by commenters.

Form 2 will allow a firm to select from two methods of calculating the percentages to report. Firms that are reasonably able to report the requested percentages based on data precisely coinciding with the annual reporting period (i.e., the data specified by the proposed requirement) may do so. As an alternative, a firm may, for each category of services, report the percentage derived by (1) using as a denominator the total fees billed to all clients in the firm's fiscal year that ended during the annual reporting period and (2) using as a numerator the total issuer audit client fees as determined by reference to the fee amounts disclosed to the Commission by those clients for each client's fiscal year that ended during the reporting period (or, for clients who have not made the required Commission filings, the fee amounts required to be disclosed). Under either approach, a firm may use any reasonable method to estimate the components and may round the reported percentages to the nearest five percent. Firms that use estimated data in their calculations should briefly describe their methodology in an exhibit to Form 2.

Some commenters also expressed concern about what they saw as a disconnect between the four categories of services used in the proposed form and the four categories of fees that the Commission requires issuers to report in proxy filings. The Board reiterates that its definitions of these four categories of services correspond to the Commission's descriptions of services for which an issuer must disclose the fees paid to

its auditor.[3/] The Board is not adopting commenters' suggestions to make the Board's labels conform to the Commission's labels (i.e., to say "audit-related services" instead of "other accounting services" and to say "all other services" instead of "non-audit services") because the labels that the Board uses come from Section 102(b)(2)(B) of the Act and have been used in all applications for registration on Form 1. Commenters also noticed a disconnect between Item 3.2's focus on fees billed and the reference to "revenues" in Item 3.2's caption. The Board has changed the caption to refer to fees billed instead of revenues.

Item 4.1 of Form 2 requires information relating to a firm's issuance of audit reports during the reporting period. As it was proposed, Item 4.1 would have required, among other things, the total number of firm personnel who exercised authority to sign the firm's name to an audit report during the reporting period. Commenters suggested various alternatives to requiring that precise number. Bearing in mind that, here too, the purposes for which the information is sought – principally inspection scoping and planning – do not depend upon precise information, the Board has adopted a slightly modified version of an approach suggested by a commenter. As adopted, Item 4.1.b requires a firm to indicate from among the following ranges how many individuals exercised the authority to sign the firm's name to an audit report in the reporting period:

[3/] Compare the descriptions of services in Item 9(e) of Commission Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the Board's definitions of "Audit Services" (Rule 1001(a)(vii)), "Other Accounting Services" (Rule 1001(o)(i)), "Tax Services" (Rule 1001(t)(i)), and "Non-Audit Services" (Rule 1001(n)(ii)). The note to Item 3.2 on Form 2 has been expanded to highlight this point.

1-9, 10-25, 26-50, 51-100, 101-200, or more than 200. If the firm indicates that the range is 1-9, the firm must also provide the exact number.

One commenter sought clarification on whether the audit report date being requested referred to the date of the auditor's report, the report release date pursuant to PCAOB Auditing Standard No. 3, *Audit Documentation*, or the date that the issuer filed the report with the Commission. A note to Item 4.1 now clarifies that the date called for by Item 4.1.a.3 is the date of the audit report, as described in AU 530, *Dating of the Independent Auditor's Report*. A note has also been added to clarify that it is not necessary to provide the date of any consent to an issuer's use of an audit report previously issued for that issuer, except that, if such consents constitute the only instances of the firm issuing audit reports for a particular issuer during the reporting period, the firm should include that issuer in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

If, during the reporting period, a firm plays a substantial role in the preparation or furnishing of an audit report that was issued in the reporting period, but the firm did not issue audit reports required to be reported under Item 4.1, the firm must report certain information under Item 4.2. As proposed, Item 4.2.a.4 would have required the firm to report the date of each such audit report. One commenter expressed concern that a firm might not have access to the date of an audit report issued by another firm. The Board has revised Item 4.2.a.4 to require, instead, the end date of the fiscal period covered by the financial statements that were the subject of the audit report.

Item 5.2.a.3, as proposed, would have required the firm to state whether it has any "affiliation, whether by contract or otherwise, with another entity through or from

which the firm commonly employs or leases personnel to perform audit services, or with which the firm otherwise engages in an alternative practice structure." Commenters asked for clarification of "commonly" and also suggested that the term "affiliation" could cause confusion since the item does not appear intended to be limited to relationships commonly viewed as "affiliate" relationships. The final version of Item 5.2.a.3 avoids the use of "affiliation" and "commonly" and requires the firm to state whether it has any "arrangement, whether by contract or otherwise, with another entity through or from which the firm employs or leases personnel to perform audit services." One commenter also asked the Board to clarify that Item 5.2.a.3 does not encompass a firm's hiring of, or contracting for, support personnel. Item 5.2.a.3, by its terms, encompasses only arrangements through which the firm employs or leases "personnel to perform audit services."

Regarding Part VI, commenters expressed concern about Item 6.1.d's requirement to provide information about the number of firm personnel, segregated by functional level, who provided audit services during the reporting period. Commenters stated that some firms cannot readily track with precision the number of such individuals. Commenters constructively suggested various alternative ways to collect a rough surrogate for that number. The Board has concluded, however, not to adopt any version of Item 6.1.d at this time.

Item 6.1.b requires the firm to report the total number, as of the end of the reporting period, of the firm's certified public accountants, and requires the firm to include in that number any firm accountants with "comparable licenses" from non-U.S. jurisdictions. One commenter asked for clarification of the "comparable license"

concept. The "comparable license" concept is not new, but is employed in the Form 1 application for registration. Even so, the commenter suggested clarifying that the requirement refers to accountants that are (1) licensed by the jurisdiction in which they render services and (2) by virtue of such license, are certified to perform the functions of a public accountant. The Board confirms this as the appropriate understanding of the requirement.

In Part VII of Form 2, the firm must report information if it stands in certain relationships to individuals who, or entities that, were the subject of a Board order imposing a disciplinary sanction or a Commission Rule 102(e) order entered within the five years preceding the end of the reporting period.

As proposed, the Part VII items would have required a firm to report new relationships commenced during the reporting period, and the proposal would have required every firm's first Form 2 filing to report this information not only for the reporting period but for the entire period back to the cut-off date that the firm used for information it supplied in its Form 1 application. For hundreds of firms' first Form 2 filings, that period would be more than five years.

In response to comments about that burden, the Board has restructured the Part VII items relating to firm personnel or owners to capture only relationships that (1) exist as of the end of the reporting period, (2) are with individuals or entities whose relevant disciplinary sanction or Rule 102(e) order was entered within the five years preceding the end of the reporting period, and (3) have not previously been reported by the firm on Forms 1, 2, or 3. The Board has also restructured the Part VII item relating to receipt of consulting or professional services to capture only relationships that involve services

received, or contracted for, in the reporting period. With these changes, a firm's first Form 2 will still effectively serve to fill any gap, but the burden will only extend to currently relevant information. Subsequent Form 2 filings need not report the same information again just because the relationship continues to exist at the end of the reporting period.

In response to commenters' concerns and suggestions, the Board has also limited the scope of relevant firm personnel to those who provided at least ten hours of audit services for any issuer during the reporting period. It is important to note, however, how this change intersects with the structural change described above. Just because an individual does not meet the ten-hour threshold during the reporting period in which the relationship begins does not mean that the firm need never report the relationship. If there is a later reporting period in which that person meets the ten-hour threshold, and that reporting period end is still within five years of the entry of the disciplinary sanction or Commission order, the firm must report that relationship in its annual report for that period. The relationship need only be reported one time, however, and need not be reported again for future reporting periods in which the criteria are met.

Also in response to comments, the Board has added a scope limitation to Part VII's approach concerning the firm's receipt of consulting or other professional services. The Board has narrowed the reporting trigger to encompass only arrangements for services related to the firm's audit practice or related to services the firm provides to issuer audit clients. The reporting obligation is triggered for any reporting period that

ends less than five years after entry of the disciplinary sanction or Commission order and in which the firm has received or arranged to receive such services.

Finally, the Board is eliminating one category of reportable relationships that was included in the proposal. The Board proposed that firms report information if they entered into a relationship with any individual who, while not having been sanctioned personally, was a principal of a firm at the time of conduct for which the firm was later subjected to specified sanctions. After carefully considering comments, however, the Board is persuaded that any occasional value this information might have is outweighed by the fact that treating this information as a risk indicator about either the firm or the individual has the potential to diminish the professional opportunities of (1) individuals who had no connection to the misconduct at all, and (2) individuals who had a connection to alleged misconduct, but who never had an opportunity to defend against charges because a regulator was satisfied to conclude the matter through a settlement with the firm. In addition, the Board is sensitive to the unusual burden that would be placed on firms not only to ascertain this information at the time they commence the relationship, but also to continually monitor for it, since the relevant sanction might not be entered until years after the conduct.

In Part VIII of Form 2, the firm must report information if it has acquired another public accounting firm or taken on 75 percent or more of another accounting firm's principals. Commenters suggested the need for some clarification, and the Board has made changes to clarify two points. First, where the proposal referred only to acquisition of an "accounting firm" – which commenters correctly noted is not a term defined in the Act or the Board's rules – the final form now refers to a "public accounting

firm," which is defined in both the Act and the rules. Second, with respect to taking on 75 percent or more of another firm's principals, the final form includes language clarifying that the reference is to 75 percent of the persons who were principals of the other firm "as of the beginning of the reporting period."

Form 2 requires an annual affirmation related to the Act's requirements that the firm consent to cooperate with the Board and enforce cooperation by the firm's associated persons. Tracking the consent language included in Form 1, Form 2 requires the firm (1) to affirm its consent to cooperate with Board requests for testimony or documents, (2) to affirm that it has secured from each of its associated persons the required consents to cooperate with the Board, and (3) to affirm the firm's understanding and agreement that its cooperation and compliance, and the securing and enforcing of consents from its associated persons, is a condition of its continued registration with the Board.

One commenter seemed to misunderstand the proposal and suggested that the Board make clear that this requirement is an update of the Form 1 consent and is required only for new employees since a firm's initial registration. The Form 2 affirmation does not impose a new substantive requirement but merely requires the firm to affirm that it remains aware of its continuing obligation to cooperate and that it has in fact been keeping up with its ongoing obligation to secure the requisite consents from all of its associated persons.

The reporting framework includes accommodations for firms faced with potential non-U.S. legal obstacles to their ability to comply with Form 2 requirements. One such accommodation is reflected in a note to the Form 2 affirmation section. The note

explains that the affirmation shall not be understood to include an affirmation that the firm has secured consents from associated persons that are unregistered foreign firms that assert that non-U.S. law prohibits them from providing the consent, as long as certain requirements concerning that assertion are satisfied. Two commenters expressed concern about the note's provision that the registered firm (filing the Form 2) must have in its possession documents relating to the unregistered firm's asserted conflict that would be sufficient to satisfy the requirements of Rule 2207(c)(2)-(4). The commenters expressed concern about whether that language effectively requires the registered firm (filing the Form 2) to assess the substance of the unregistered non-U.S. firm's conflict assertion. The note requires no such assessment by the registered firm, but only requires the firm to ascertain that the documents appear, on their face, to be the documents described in Rule 2207(c)(2)-(4).

Rule 2201 sets June 30 as the deadline for the annual filing of Form 2. The reporting period covered by the report would be April 1 to March 31. Commenters suggested alternatives, such as tying a firm's reporting deadline to that firm's fiscal year, to avoid what those commenters saw as unnecessary burdens on firms. In the Board's view, a single filing deadline for all firms is more appropriate than varying deadlines tied to individual firms' fiscal years. The Board has considered the comments about burden and has made changes that will address those concerns – such as allowing a firm to use its and its clients' fiscal year data in reporting the fee billing information – without introducing varying reporting periods and deadlines for different firms. With those changes, the required Form 2 reporting does not involve any complexity or burden that

makes it unreasonable to require all firms to supply the information according to the same schedule.

Under the rules, the occurrence of specified events triggers an obligation to file a special report on Form 3. The list of reporting triggers reflects the Board's decision, after consideration of comments, to drop some items from the list that was proposed and to refine the focus of other items. The changes and clarifications relate to a client's unauthorized use of the firm's name, reportable criminal and other proceedings, reportable new relationships, and changes in authorization to engage in the business of auditing.

The Board has excluded from the final requirements one special reporting trigger that was proposed: an issuer's unauthorized use of the firm's name, such as by making a filing with the Commission that includes an audit report that the issuer falsely represents as having been issued by the firm. In proposing that item, the Board noted that it might protect investors and serve the public interest by drawing attention to a potential problem relatively quickly. The commenters who addressed the point expressed a view that this reporting requirement would be fundamentally about issuer conduct and, therefore, is more appropriately left to the Commission in the context of its disclosure framework and its framework for addressing Section 10A(b) reports from auditors. After consideration of those comments, the Board has decided not to adopt such a requirement at this time.

The proposed rules included a requirement that a firm file a special report when it withdraws an audit report, but also provided an exception to that requirement if the issuer audit client had already disclosed the relevant information in a Form 8-K filing

with the Commission. The views expressed by commenters on this point were similar to the views described above with respect to an issuer's unauthorized use of a firm's name.

The Board is adopting this item as proposed. The point of this item is not to have the firm draw the Board's attention to potential problems with an issuer's financial statements. A withdrawn audit report is a risk indicator concerning the auditor's conduct preceding the withdrawal, not merely a risk indicator concerning the issuer's financial statements. The Board has a regulatory interest in being aware of that information and possibly following up on that information for reasons directly related to its oversight of auditors.

Nor is the point of the item to have the firm draw the Board's attention to a failure by the issuer to file a required Form 8-K. The Board's interest is in the fact of the withdrawn audit report. In the usual case, the Board can obtain that information from issuer Form 8-K filings without requiring duplicative filing by the firm, but the Board cannot do so if the issuer does not file the Form 8-K. For that reason, the Form 3 requirement is limited to circumstances in which the information is not otherwise available to the Board through a Form 8-K filing.

One commenter noted that if an issuer is no longer a client, the firm may not be in a position to monitor whether that former client has made the Form 8-K filing. Item 4.02(c) of Form 8-K, however, requires the issuer to provide the firm with a copy of the disclosures it is making in response to Item 4.02 no later than the day the issuer files the Form 8-K, and also requires the issuer to request that the firm furnish to the issuer a letter addressed to the Commission stating whether the firm agrees with the statements

made by the issuer in response to Item 4.02. The firm should, therefore, generally be in a position to know whether the issuer has made the filing.

As proposed, Form 3 would have required a firm to file a special report if a partner, shareholder, principal, owner, member, or audit manager of the firm became a defendant in criminal proceedings involving certain categories of offenses. After consideration of comments, the Board has narrowed this requirement in two respects. First, the Board has reformulated these Form 3 reporting triggers to distinguish between proceedings that arise out of conduct in providing audit services or other accounting services for issuers and proceedings that do not arise out of such conduct. As to the latter category, the reporting obligation will be triggered only if the relevant individual provided at least ten hours of audit services for any issuer during the firm's current or most recently completed fiscal year. Second, the Board has eliminated from the categories of relevant offenses two relatively broadly described categories: crimes arising out of alleged conduct relating to "dishonesty," and crimes arising out of alleged conduct that, if proven, "would bear materially on the individual's fitness to provide audit services to issuers."

One commenter expressed uncertainty about whether a firm would need to report the event if the firm suspended or terminated the individual or prohibited the individual from providing audit services for issuers. The reporting obligation includes no such qualification. The firm's reporting obligation is triggered when it becomes aware of the proceeding, and that obligation is not cut off if the firm terminates its relationship with the individual.

Some commenters sought clarification about the inclusion of "managers" and "members" within the scope of relevant individuals. One commenter asked whether "members" was meant to include employees generally. "Members" is not meant to include all employees but, rather, is intended as it is often used in firms' structures and parlance to distinguish those with certain ownership or governance rights from others. Some commenters noted that "managers" typically are not owners or partners and so questioned whether the Board intended to include them within the scope of this requirement. The Board is aware of the distinction and does intend the requirement to encompass manager-level personnel. The Board has, however, referred in the final rules to "audit manager" rather than merely "manager," to avoid any possible confusion about other sorts of managers, as the term is more generally used.

Some commenters expressed concern about the information that Form 3 would require the firm to provide about the proceedings that triggered the reporting requirement. Commenters suggested that providing descriptions of the proceedings could be burdensome, that the descriptions would be inherently subjective, and that the descriptions should not be in the public arena while the proceeding is ongoing. The Board has not made any changes related to this point. Form 3 requires the firm to list the statutes, rules, or legal duties that are alleged to have been violated, which involves no subjective or qualitative analysis, and requires a brief description of the alleged conduct, which can be drawn from the relevant complaint or charging document without creating any implication that the firm concedes anything about the allegations. If grounds exist, under Rule 2300, for keeping the reported information confidential, the firm may request confidential treatment.

Form 3 requires a firm to file a special report if it enters into certain specified relationships with individuals or entities that are currently subject to any of the following: (1) a Board disciplinary sanction suspending or barring an individual from being an associated person of a registered public accounting firm, (2) a Board order disapproving an entity's application for registration, or (3) a Commission order under Rule 102(e) of the Commission's Rules of Practice suspending or denying the privilege of appearing or practicing before the Commission. Commenters suggested that the scope of relevant individuals should be limited to those who provide audit services. Although the Board has made such a change to the similar Form 2 requirement, such a change is not appropriate for this Form 3 requirement, which is generally intended to gather information about new relationships with persons or entities that are effectively restricted from providing audit services. In this context, the qualification suggested by commenters would have the effect of either negating the requirement entirely or transforming it into a requirement for a firm to report that a person or entity is violating such a restriction in connection with audits performed by the firm. For similar reasons, the Board has rejected suggestions to narrow the scope of consulting and professional services received by the firm that trigger this reporting requirement.

Commenters also expressed concern about the burden associated with identifying the existence of the sanction or 102(e) order. Firms should understand, however, that to a significant extent that burden effectively exists regardless of whether the firm has a reporting obligation. Not only does the firm have an obvious need to know, for its own purposes, of any such limitations on the person's ability to provide services, but Board Rule 5301(b) provides that "no registered public accounting firm that

knows, or in the exercise of reasonable care should have known, of the suspension or bar of a person may permit such person to become or remain associated with it, without the consent of the Board, pursuant to Rule 5302, or the Commission."[4/]

Form 3 requires a firm to file a special report regarding certain changes in its authorization to engage in the business of auditing or accounting in a particular jurisdiction. After considering comments, the Board has made wording changes to clarify three points: (1) the requirement is intended only to cover circumstances that involve a loss of the firm's authorization to engage in the business of auditing or accounting; (2) the proposed phrase, "made subject to condition or contingencies," was not intended to encompass conditions or contingencies that are broadly applicable to all firms licensed in the jurisdiction; and (3) the requirement to report new licenses or certifications, or changes in existing licenses or certifications, is limited to licenses and certifications that authorize the firm to engage in the business of auditing or accounting.

The proposed rules would have required that special reports on Form 3 be filed no later than 14 days after the triggering event. Several commenters expressed concern that 14 days was not sufficient time in which to review and assess an event and report the required information, and that this was particularly true for non-U.S. firms that may need to assess possible legal obstacles to reporting and prepare the materials necessary to comply with Rule 2207. Commenters' alternative suggestions included 30 days, 45 days, 60 days, and 90 days. The Board is persuaded that a longer period than

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[4/] Rule 5301(b)'s prohibition on allowing such a person to "become or remain associated with" the firm is not a prohibition against any and all employment or other relationships, but only a prohibition against allowing the person to be an "associated" person as that term is defined in Section 2(a)(9) of the Act and Board Rule 1001(p)(i).

14 days is appropriate and is adopting a requirement to file special reports within 30 days of the triggering event.

Commenters also raised questions about when, for certain reportable events, the "trigger" actually occurs. In particular, several triggering events are described in Form 3 in terms of when the firm has "become aware" that something has occurred. Commenters asked for clarification of what it means, in this context, to say that the firm has become aware of a matter. The Board has added a note to the beginning of Part II of Form 3 to specify that the firm is deemed to have become aware of the relevant facts on the date that any partner, shareholder, principal, owner, or member of the firm first becomes aware of the facts. The Board believes it is reasonable to expect a firm to have controls designed to ensure that any such person who becomes aware of relevant facts understands the firm's reporting obligation and brings the matter to the attention of persons responsible for compliance with the obligation.

As proposed, Rule 2205 would have required a firm to amend its filing within a fixed time after becoming aware of an error or omission. Commenters raised concerns about the practical difficulties posed in this context by reliance on the concept of a firm becoming "aware" of an error or omission. The Board recognizes those difficulties. Rather than prescribe requirements for firms to have systems and procedures to surface such errors or omissions and then report them within a prescribed time, the Board's revised approach relies on the firm understanding its self-interest. The Board expects annual and special reports to be complete and accurate, and inaccuracies or omissions could form the basis for disciplinary sanctions for failing to comply with the reporting requirements reflected in Rules 2200 and 2203 and the instructions to Forms

2 and 3. Firms should be sufficiently motivated to have procedures to detect any need for amendments, and to amend filings as soon as possible, in order to mitigate the possibility of disciplinary sanctions for the inaccurate original filing.

The amendment to Rule 4000 adds a paragraph providing that the Board, in the exercise of its inspection authority, may at any time request that a registered firm provide additional information or documents relating to information provided on Form 2 or Form 3, or relating to information that has otherwise come to the Board's attention. The amendment provides that the request and response are considered to be in connection with the firm's next regular or special inspection. In response to concerns raised by some commenters, the Board confirms that the information-gathering activity described in the amendment is an exercise of the Board's inspection authority. It does not provide a basis for the Board to compel a firm to provide information beyond the scope of information encompassed by the inspection authority, or for purposes other than assessing compliance by the firm or its associated persons with the "Act, the rules of the Board, the rules of the Commission, or professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers."[5/]

Annual and special reports will be made public on the Board's Web site promptly upon being filed by a firm, subject to exceptions for information for which a firm requests confidential treatment. The amendments to Rule 2300 require that a firm support a request with both a representation that the information has not otherwise been publicly disclosed and either (1) a detailed explanation of the grounds on which the information

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[5/] Section 104(a) of the Act.

is considered proprietary, or (2) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law. The amendments also provide that the firm's failure to supply the required support constitutes sufficient grounds for denial of the request.

In response to questions raised by commenters, the Board emphasizes that this approach to confidential treatment requests does nothing to change a firm's right to seek review of an initial denial of confidential treatment. Initial decisions will continue to be made by the Director of Registration and Inspections, pursuant to delegated authority, under Rule 2300(h). A firm may, under Rule 5468, seek Board review of any denial.

One commenter noted that confidentiality protection might arise from sources other than statutes and regulation, including common law, judicial orders, and contractual terms, and that the Board should more broadly define the scope of documentation that may be presented in support of a confidential treatment request. Rule 2300(b), however, does not limit the scope of documentation that a firm may present to support its argument that the rule's criteria for confidentiality are satisfied. The Board also agrees that "applicable law related to the confidentiality of proprietary, personal, or other information" that may protect information from public disclosure is not limited to statutes and regulations. At the same time, however, a contractual agreement between two parties does not constitute "applicable law" and is unlikely to satisfy the rule's criteria.

Under proposed Rule 2207, a non-U.S. firm may initially withhold required information from Form 2 or Form 3 if it could not provide the information without

violating non-U.S. law. If non-U.S. firm withholds information on that ground, it must have certain supporting materials, including (1) a copy of the relevant provisions of non-U.S. law, (2) a legal opinion concluding that the firm would violate non-U.S. law by submitting the information to the Board, and (3) a written explanation of the firm's efforts to seek consents or waivers that would be sufficient to overcome the conflict with respect to the information.

To address a concern raised by commenters, the Board has revised Rule 2207(c)(4), and added a related note at the end of the rule, to make clear that the rule does not require a firm to repeat previously futile efforts to obtain consents and waivers. Specifically, Rule 2207(c)(4) requires the firm to prepare and maintain a written representation that it has made "reasonable efforts" to obtain relevant consents and waivers. The note at the end of the rule makes clear that the "reasonable efforts" element of the rule does not require either (1) that the firm renew efforts with parties that have previously declined to provide consents or waivers with respect to similar types of information, or (2) that the firm seek consents or waivers from parties other than firm personnel and firm clients.

In its initial proposal, the Board stated that it intended for the reporting requirements to take effect 21 days after Commission approval, with "catch-up" Form 3 filings due 14 days later. The Board has considered comments expressing concern that this is too ambitious a schedule, and the Board is now taking a different approach. The Board intends that the rules, rule amendments, and Forms 2 and 3 that it is adopting today will take effect on the date that is 60 days after Commission approval. This will

build in more than ample lead time for firms to become aware of Commission approval of the rules and to prepare any reports that will be due after the rules take effect.

III. Date of Effectiveness of the Proposed Rule and Timing for Commission Action

Within 35 days of the date of publication of this notice in the *Federal Register* or within such longer period as (i) the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule is consistent with the requirements of Title I of the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule that are filed with the Commission, and all written communications relating to the proposed rule between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for

inspection and copying at the principal office of the PCAOB. All submissions should refer to File No. PCAOB-2008-04 and should be submitted within [ ] days.

By the Commission.

Secretary

PCAOB
Public Company Accounting Oversight Board

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PROPOSED RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC ACCOUNTING FIRMS	PCAOB Release No. 2006-004 May 23, 2006 PCAOB Rulemaking Docket Matter No. 019

Summary: The Public Company Accounting Oversight Board ("Board" or "PCAOB") is proposing rules to establish a reporting framework for registered public accounting firms. The proposal includes a requirement that each firm report certain information annually. The proposal also requires special reporting regarding certain specified events within 14 days of the occurrence of the event. The proposal consists of eight new rules (PCAOB Rules 2200 through 2207), two new forms (PCAOB Form 2 and PCAOB Form 3), and amendments to four existing rules (PCAOB Rules 2107, 2300, 4000, and 4003). The Board invites public comment on the proposal and will consider all comments received, modify its proposal as it deems appropriate, and submit a final rule to the Securities and Exchange Commission ("Commission") for approval pursuant to Section 107 of the Sarbanes-Oxley Act of 2002 ("the Act").

Public Comments: Interested persons may submit written comments to the Board. Comments should be sent to the Office of the Secretary, PCAOB, 1666 K Street, N.W., Washington, DC 20006. Comments also may be submitted by e-mail to comments@pcaobus.org or through the Board's Web site at www.pcaobus.org. All comments should refer to PCAOB Rulemaking Docket Matter No. 019 in the subject or reference line and should be received by the Board no later than 5:00 p.m. (EDT) on July 24, 2006.

Board Contacts: Sarah Williams, Associate Director, Division of Registration and Inspections (202-207-9076; williamss@pcaobus.org); Heidi Murdy, Assistant General Counsel (202-207-9162; murdyh@pcaobus.org), and, for questions relating to non-U.S. firms, Rhonda Schnare, Director of International Affairs (202-207-9167; schnarer@pcaobus.org).

RELEASE

I. Background and Overview

Section 102(d) of the Sarbanes-Oxley Act of 2002 ("the Act") provides that each registered public accounting firm shall submit an annual report to the Board, and may also be required to report more frequently to provide to the Board information specified by the Board or the Commission. Pursuant to Section 102(d), the Board is proposing rules and forms to govern and facilitate annual reporting of certain information and to require, govern, and facilitate special reporting of certain other information if specified events occur.

The proposal reflects the Board's view that reporting should serve three fundamental purposes. First, firms should report information to keep the Board's records current about such basic matters as the firm's name, location, contact information, and licenses. Second, firms should report information reflecting the extent and nature of the firm's audit practice related to issuers, in order to facilitate analysis and planning related to the Board's inspection responsibilities and to inform other Board functions. Third, firms should report circumstances or events that could, depending upon the situation, merit follow-up through the Board's inspection process or its investigative process, or that otherwise may warrant being brought to the public's attention.

The Board's proposal seeks to accomplish those purposes without imposing any unnecessary burdens. For example, the proposal generally does not require firms to report information that is reasonably available to the Board and the public in other ways, such as through reports that a firm's audit client is required to make to the Commission. As another example, the proposal does not require firms to provide a roster of the firm's accountants. Rather, the proposal focuses on a narrower scope of more immediately meaningful information, by requiring a firm to report information if the firm becomes associated with an individual with a certain type of disciplinary history. The nature of the proposal's substantive reporting requirements is discussed below in Section II.

Under the Board's proposal, annual and special reports would be made public on the Board's Web site promptly upon being filed by the firm, subject to exceptions for information for which a firm requests confidential treatment. The proposal includes amendments to the existing rule on confidential treatment for registration applications (Rule 2300) so that the rule will apply to annual and special reporting as well. The proposal would, however, exclude the possibility of confidential treatment requests, on annual and special reports, for certain categories of information as to which there is no reasonable basis for asserting confidentiality. The public availability of that information should not have to be delayed while the Board processes a baseless request for confidential treatment. Confidential treatment issues are discussed in Section III below.

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In the proposal, the Board continues its practice of affording reasonable accommodations to foreign registered firms faced with non-U.S. legal restrictions on their ability to provide information to the Board. The proposal adapts to the reporting process the same principles underlying PCAOB Rule 2105, which allows firms to withhold certain otherwise required information when applying for registration. Section IV below addresses the legal conflict point.

II. The Substance of the Proposed Reporting Requirements

The Board's proposed reporting framework includes two types of reporting obligations. First, the proposal would require each registered firm to provide basic information once a year about the firm and the firm's issuer-related practice over the most recent 12-month period. The firm would do so by filing an annual report on Form 2. Second, the proposal identifies certain events that, if they occur with respect to a registered firm, must be reported by the firm within 14 days. The firm would comply with this requirement by filing a special report on Form 3.

There is no significant overlap between the information required to be reported annually on Form 2 and the special reporting required on Form 3. Special reporting does not, as a general matter, serve to update information reported on Form 2.[1/] The purpose of Form 2 reporting is principally to provide a profile of the firm at a point in time, based on its activity related to issuers over the most recent 12-month period. The purpose of Form 3 reporting is principally to alert the Board to the occurrence of events that may, depending upon the situation, have somewhat more immediate bearing on how the Board carries out its regulatory responsibilities regarding the firm. The proposed rules and forms would accomplish these objectives without burdensome reporting requirements.

[1/] Among the things that would be required in an annual report on Form 2 are the firm's name and certain contact information for the firm's Board contact person. The proposal would require that any changes to those two specific items be reported on Form 3. No other information required on Form 2 would be subject to similar updating via Form 3.

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A. Annual Reporting on Form 2

1. Required Information

Proposed Form 2 naturally requires threshold information about the identity of the firm and the location of its offices. Beyond that, proposed Form 2 requires substantive information in essentially three broad categories. The information required in all three categories would provide basic profiling information relevant to analysis and planning for the Board's inspection program, and may also be relevant to other Board operations.

First, proposed Form 2 requires information about the firm's issuer-related practice in the 12-month reporting period. Required reporting on this point includes information about whether the firm issued any audit reports for issuers (and, if not, whether the firm played a substantial role in any audits of issuers),[2/] identifying information concerning all such issuers, the number of firm personnel who exercised authority to sign the firm's name to an audit report, and a breakdown showing the percentage of the firm's total billings that was attributable to each of the following categories of services provided to issuer audit clients: audit services, other accounting services, tax services, and non-audit services.[3/]

Proposed Form 2 does not require a firm to provide the actual dollar amounts it billed, either to particular issuers or in the aggregate. Rather, the proposed form requires the information to be reported only in percentage terms, relative to the firm's total billings for all services rendered to all clients. This information will provide a picture of how the firm's services for issuer audit clients compare generally with the firm's services for other clients, and will also provide a picture of the allocation of services the firm provided to issuer audit clients.[4/]

[2/] Continuing with the approach employed on Form 1, Form 2 would not require a firm that reports having issued any audit reports to report separately whether the firm played a substantial role in any other audits.

[3/] These four categories are defined in the Board's rules. See PCAOB Rules 1001(a)(vii) (audit services), 1001(o)(i) (other accounting services), 1001(t)(i) (tax services), and 1001(n)(ii) (non-audit services). These categories correspond to categories with respect to which the Commission's rules require issuers to report the amounts paid to the issuer's auditor.

[4/] The Board's 2003 release adopting rules related to registration indicated an intention to later adopt reporting rules under which the fee information reported by a firm in each of the above four categories would include fees received from issuers and non-issuers. See PCAOB Release No. 2003-007

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Second, proposed Form 2 requires information about internal and external resources on which the firm draws in performing audits for issuers. As to internal resources, the proposed form requires information about the total number of the firm's personnel, accountants, and certified public accountants, and the total number of those personnel (broken down by functional level) who provided audit services during the reporting period.[5/] The proposed form does not require the firm to identify all of the individuals in any of those categories. As to external resources, the proposed form requires the firm to identify and describe any memberships or affiliations in or with any network, alliance, or similar arrangement that affords the firm access to resources for use in issuer audits, including procedures, manuals, or personnel.

Third, the proposed form requires that the firm report certain potentially significant new relationships entered into during the reporting period. If the firm took on (whether as an employee, partner, or in some other ownership capacity), or entered into an arrangement to receive consulting or other professional services from, individuals or entities meeting certain criteria regarding disciplinary history, proposed Form 2 requires the firm to report information about that relationship.[6/] If the firm acquired another accounting firm, or took on at least

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(May 6, 2003) at A3-xlviii. In preparing the current proposal, the Board has concluded that combining issuer and non-issuer fees in each of the four categories would be less enlightening concerning the firm's issuer audit practice (which is the Board's focus) than the proposed approach, which limits reporting to information specifically about the firm's issuer audit practice and does so in a way that facilitates analysis of how that practice compares generally with the firm's practice for clients that are not issuer audit clients.

[5/] PCAOB Rule 1001(a)(vii)(2) defines "audit services" as "professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years."

[6/] Proposed Form 3 requires prompt reporting of new relationships in circumstances that resemble this Form 2 requirement but that, in fact, are different from and do not overlap with the circumstances described in the Form 2 requirement. The nature of the disciplinary history criteria described in the Form 3 requirement is such that the new relationship is more likely to warrant some degree of consideration by the Board's inspection or enforcement staff more immediately than a new relationship meeting the Form 2 criteria.

75% of the individuals who were partners, shareholders, principals, members, or owners of another firm, proposed Form 2 requires the firm to report that as well.

The proposed reporting requirements for this third category include a distinctive feature: the first time that a firm files a Form 2, the firm must provide information on new relationships and acquisitions (Parts VII and VIII of Form 2), not only for the 12-month reporting period, but back to the cut-off date that the firm used for purposes of information provided on its Form 1 application for registration. Unlike other information reported on Form 2, this information is useful to a current profile of the firm even if it has its origins before the reporting period. The proposal therefore seeks to eliminate any information gaps on these points between the time of the Form 1 information and the beginning of the firm's first Form 2 reporting period.[7/]

In addition to requiring the information described above, proposed Form 2 requires an annual affirmation related to the Act's requirements that the firm consent to cooperate with the Board and enforce cooperation by the firm's associated persons. Tracking the consent language included in Form 1, proposed Form 2 requires the firm (1) to affirm its consent to cooperate with Board requests for testimony or documents, (2) to affirm that it has secured from each of its associated persons the required consents to cooperate with the Board, and (3) to affirm the firm's understanding and agreement that its cooperation and compliance, and the securing and enforcing of consents from its associated persons, is a condition of its continued registration with the Board.

The inclusion of the affirmation in Form 2 should not be understood to suggest that a firm's original consent, as required by the Act and executed in the firm's Form 1, expires at any point. Rather, the purposes of the Form 2 affirmation are to serve as an annual reminder to the firm of both the firm's obligation to cooperate and its obligation to secure signed consents from new associated persons.[8/] Under the proposed rules, subject only to an

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[7/] The requirement to reach back to the Form 1 cut-off date will apply both to firms that are currently registered (many of which would reach back to a 2003 cut-off date to supply this information, if any, in their first Form 2) and to firms that register in the future (since a firm could have a Form 1 cut-off date that predates the beginning of the reporting period for the firm's first Form 2).

[8/] As time passes, and firm leadership changes from the persons responsible for the firm's Form 1 submission, the Form 2 affirmation will help keep the firm's cooperation obligations in focus.

accommodation for registered firms that face non-U.S. legal obstacles,[9/] the firm's affirmation of these points is strictly required. The Board's system will not accept for filing a Form 2 that does not include the affirmation.

To be accepted for filing, a Form 2 must also include a signed certification by an authorized partner or officer of the firm. In addition to certifying to the completeness and accuracy of the information in the form, the signer must certify that the firm filed a special report on Form 3 with respect to each Form 3 event that occurred during the reporting period. If a firm ignored or overlooked the special reporting requirements for some period of time, the firm would eventually discover that it needed to become current on its Form 3 obligations, even if that meant late filing of a Form 3, so that it could truthfully provide the certification required in order to satisfy the annual reporting requirement.[10/]

2. Timing

Proposed Rule 2201 sets June 30 as the deadline for the annual filing of Form 2. The reporting period covered by the report would be April 1 to March 31, leaving each firm with three months to prepare and file a Form 2 reflecting information from that 12-month period. Any firm that was registered as of March

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[9/] The proposed reporting framework includes accommodations for foreign registered firms that assert that non-U.S. law limits their ability to comply with Form 2 requirements. These accommodations are discussed in Section IV below. In addition, a note to the affirmation section in Form 2 explains that the affirmation shall not be understood to include an affirmation that the firm has secured consents from associated persons that are unregistered foreign firms that assert that non-U.S. law prohibits them from providing the consent, as long as certain requirements concerning that assertion are satisfied. The point of the note is solely to put a parameter on the reporting requirement being created. The proposal includes this parameter to facilitate reporting concerning all other associated person consents, without miring the affirmation point in the issues raised by unregistered foreign firms' assertions about non-U.S. restrictions. This parameter on the reporting requirement is not intended to modify a firm's obligation, under Section 102(b)(3)(A) of the Act, to secure the required consents, and it is not in any way an exercise of the Board's exemption authority under Section 106(c) of the Act.

[10/] Form 2 does not require a firm to certify that it has filed all required Form 3's on a timely basis, but only that it has filed them. The result is to force a firm to file any overdue Form 3 before the firm can truthfully provide the certification necessary to file Form 2.

31 of a particular year would be required to file Form 2 by June 30 of that year, but any firm that became registered in the period between and including April 1 and June 30 would not be required to file a Form 2 until June 30 of the following year.

In the Board's view, a single filing deadline for all firms is more appropriate than varying deadlines tied to individual firms' fiscal years. The use of a reporting period ending March 31 is intended to coincide with the end point of the period for which the Board's inspection staff will generally request substantial information from firms scheduled for inspection in that year. Using that same end point for purposes of Form 2 may spare a firm from having to prepare, on a single topic (e.g., a list of issuers for which the firm prepared audit reports and the dates of the reports), a lengthy response for purposes of the inspection and a different lengthy response for purposes of Form 2. In addition, none of the information required by proposed Form 2 involves any complexity or burden that makes it unreasonable to require a firm to prepare the information for a period other than its fiscal year.

B. Special Reporting on Form 3

1. Required Information

The proposed rules require a registered firm to file a special report on Form 3 if any of the reportable events described in Form 3 occur, and to file that special report no more than 14 days after the event. The reportable events described on proposed Form 3 are not events that routinely occur, and the Board anticipates that most firms will go through most years without having any of the reportable events occur. Many firms may never experience a reportable event. Nevertheless, reportable events will sometimes occur with some firms, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, would be served by contemporaneous reporting of the event.

The events that trigger a reporting requirement under proposed Form 3 are summarized below. For ease of reference, the events, as summarized, are set out together on a single page.

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Proposed Form 3 Reporting Triggers

- With respect to the 100 issuer audit client threshold that determines the frequency of Board inspections under Rule 4003, the firm has crossed to a different side of the threshold than the firm was on in the preceding calendar year.

- The firm has withdrawn an audit report on financial statements, and the issuer failed to comply with Commission reporting requirements (Item 4.02 of Commission Form 8-K) concerning the matter.

- The firm has learned that an issuer, in a report containing the issuer's financial statements, has made use of the Firm's name without the consent of the Firm in circumstances where such consent is required or the *issuer* indicates that such consent was provided.

- The firm, or a partner, shareholder, principal, owner, member, or manager of the firm, has become a defendant in certain types of criminal proceedings, or any such proceeding has been concluded as to the firm or the individual.

- The firm, or a partner, shareholder, principal, owner, member, or manager of the firm, has become a defendant or respondent in a government-initiated civil proceeding, or an administrative or disciplinary proceeding (other than a Board proceeding), arising out of conduct in the course of providing professional services, or any such proceeding has been concluded as to the firm or the individual.

- The firm, or a parent or subsidiary, has become the subject of a petition filed in bankruptcy court or certain similar proceedings.

- The firm has taken on, or entered into an arrangement to receive consulting or other professional services from, individuals or entities meeting certain criteria regarding disciplinary history.

- The firm has obtained a new license or certification authorizing the firm to engage in the business of accounting or auditing, or there has been a change in the status of an existing license or certification.

- The firm has changed its legal name, while otherwise remaining the same legal entity that it was before the name change.

- Contact information for the firm's Board contact person has changed.

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Each trigger is potentially of some immediate concern to the Board for specific reasons. If a firm has gone from a calendar year in which it issued audit reports for 100 or fewer issuers to a calendar year in which it issued reports for more than 100 issuers, or vice versa, the Board wants to know that fact as early as possible because of the implications, under Rule 4003, for inspection scheduling. If a firm, or certain individuals in a firm are charged with certain types of crimes or with misconduct in the course of providing professional services, the specific circumstances may suggest the need for follow-up through a Board inspection or a Board investigation. Similarly, if a firm has taken on, or entered into arrangements with, persons or entities who are subject to certain sanctions, such as a bar or suspension on association with a registered public accounting firm, the specific circumstances may suggest the need for follow-up. (In addition, that reporting requirement should drive firms to ascertain that disciplinary status in circumstances in which some firms might otherwise overlook it.)

A bankruptcy petition or similar proceeding that threatens to shift control of the firm's assets could have immediate implications for pending or contemplated enforcement investigations concerning the firm. Changes in a firm's license status may affect whether a particular state regulator is what the Act defines as an "appropriate state regulatory authority" with respect to that firm, with immediate implications for whether the Board should transmit any new inspection report on that firm to that state. The usefulness of prompt reporting of changes in a firm's legal name or contact information is apparent.[11/]

Two of the proposed reporting triggers raise issues that the Board particularly encourages commenters to address. Both the requirement to report a withdrawn audit report (triggered only if the issuer has failed to make the

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[11/] Under the proposed reporting framework, a registered firm's name change should be reported on Form 3 only if the firm remains the same legal entity that it was before the name change. If the name change is in connection with a more significant change in which the firm, as previously constituted, ceases to exist – such as a change in the legal form of the firm or a merger resulting in a new legal entity – the new entity does not automatically succeed to the registration status of the former entity and may not report the event on Form 3 as a mere name change. In a separate release, the Board is today proposing rules and a form (Form 4) that would govern whether and how a new firm may succeed to the registration status of a predecessor. Under that proposal, succession to registration status would not involve any Form 3 filing.

required report to the Commission on the Commission's Form 8-K),[12/] and the requirement to report that an issuer has used the firm's name without the firm's consent (such as by misrepresenting a draft audit report as an audit report that the firm has issued),[13/] are intended to draw investors' attention to the problem relatively quickly. In the Board's view, imposing these reporting obligations on registered firms would protect investors and serve the public interest.

At the same time, these obligations might be viewed as unnecessary in light of a registered firm's existing obligation, under Section 10A(b) of the Securities Exchange Act of 1934, to follow the steps prescribed there when the firm becomes aware of an illegal act. The Board does not intend that its proposed reporting requirements on these two points would supplant Section 10A(b), or that compliance with the reporting requirements would substitute for compliance with Section 10A(b). It is possible, though, that many registered firms faced with these reportable events may not recognize that the circumstances involve the type of illegal act that triggers the obligations set out in Section 10A(b). In the case of such a firm, a Board reporting requirement would inform the public of important information that might otherwise remain unknown indefinitely.[14/] Moreover, even if a firm does address these issues through the Section 10A(b) process, that process would not necessarily ensure that relevant information would become public as quickly as it would pursuant to the proposed Form 3 reporting. The Board encourages commenters to address, in light of Section 10A(b), the value of including these two reporting triggers.

[12/] Item 2.1 of proposed Form 3 would require a firm to file a report on Form 3 if "the Firm has withdrawn an audit report, or withdrawn its consent to the use of its name in a report, document, or written communication containing an issuer's financial statements, and the issuer has failed to comply with a Commission requirement to make a timely report concerning the matter pursuant to Item 4.02 of Commission Form 8-K."

[13/] Item 2.4 of proposed Form 3 would require a firm to file a report on Form 3 if "the Firm has become aware that an issuer has made use of the Firm's name, without the consent of the Firm, in a report, document, or written communication containing the issuer's financial statements."

[14/] In addition, the fact of the Board's reporting requirement (and the discussion in this Release) may help to raise awareness among registered firms that the circumstances discussed here can trigger the obligations set out in Section 10A(b).

The proposed requirement to report withdrawn audit reports (Item 2.1 of Form 3) is limited to circumstances in which the firm's issuer client has an obligation to make a report pursuant to Item 4.02 of the Commission's Form 8-K and has failed to do so.[15/] One consequence of that approach is to exclude from the Form 3 requirement any obligation to report that a firm has withdrawn a report on management's assessment of internal control over financial reporting, since a firm's issuer client has no obligation to report that event, in and of itself, under Item 4.02 of Form 8-K.[16/]

2. Organization of Form 3

One aspect of proposed Form 3's organization warrants discussion. Part II of the proposed form requires the firm to indicate, by checking a box, which triggering event listed in Part II has occurred and is the reason for the report. For each box checked, Part II directs the firm to the particular Parts of the report that the firm must complete to provide the relevant details.

This approach serves two principal purposes. First, it allows a reader of the form to ascertain quickly, from a glance at Part II, the nature of the event or events being reported, without having to page through the entire form to see where the firm has included information. Second, it takes into account that some foreign registered firms may assert that non-U.S. law prohibits them from providing the details that the form requires about a particular event,[17/] and it provides a mechanism for at least alerting the Board at a very general level that a certain type of event has occurred.[18/]

[15/] If the issuer reports the matter under Item 4.02 of Commission Form 8-K, proposed Item 2.1 of Form 3 would not require reporting by the firm, regardless of whether the issuer reports under Item 4.02(a) or Item 4.02(b) of Form 8-K.

[16/] Another consequence of tying this Form 3 item to the Commission requirement is that the requirement to file a Form 3 catch-up report (as discussed in Section II.B.3 below) would, for this item, extend back only to August 23, 2004, the effective date of the Commission's Item 4.02 reporting requirement.

[17/] The Board's proposed approach to making accommodations for conflicts with non-U.S. law is described in Section IV below.

[18/] For example, a firm might contend that non-U.S. law prohibits the firm from providing the name of a partner who has been charged with a crime. Without running afoul of that prohibition, the firm still could report the general fact that someone in the firm has been charged with a crime encompassed by Form

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To make the firm's responses to Part II as specifically informative as possible, Part II breaks some of the categories of reportable events into granular components. That is, some of the reportable events summarized in a single bullet point above are broken down in Part II into two or three more specific triggers in order to provide more focused information, from a simple checkbox in Part II, about the event being reported.

3. Form 3 Reporting to Fill Gaps in the Period After a Firm's Cut-Off Date for Information on Form 1

In addition to requiring firms to file Form 3 as events occur going forward, proposed Rule 2203 includes filing requirements designed to eliminate gaps that otherwise would occur in the information the Board has about a firm. The proposed rule requires that within 14 days after a firm becomes registered with the Board, the firm must file a Form 3 concerning any reportable events that occurred between the cut-off date that the firm used for information provided on Form 1 and the date of registration.

The proposed rule also includes a corresponding catch-up provision for firms already registered. Specifically, if a Form 3 reportable event occurred between the firm's cut-off date for Form 1 information and the effective date of the proposed rule, the proposed rule would require the firm to report the event. Even for firms with Form 1 cut-off dates as far back as 2003, however, the Board anticipates that most firms would have few or no Form 3 events to report for the catch-up period. The deadline for that catch-up reporting relates to the timing of Commission approval of the proposed rule and is discussed in Section VII below.

C. Amendments

Under proposed Rule 2205, a firm that becomes aware that it provided incorrect information or omitted required information on Form 2 or Form 3 must file an amended form unless the error or omission is clearly inconsequential. The proposed rule requires that the firm file the amended form within 14 days of becoming aware of the error or omission. When filing an amended form, the firm would be required to re-file the entire completed form, as corrected, rather than

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3, and Part II of proposed Form 3 provides the vehicle for that general report. The Board then could consider the possible need to follow up through the Board's inspection or investigation processes in the context of the Board's framework for cooperation with non-U.S. regulators, discussed in Section IV below.

only filing the corrected information.[19/] A section of the proposed forms will require the firm to identify the particular item or items with respect to which the firm has revised its response.

The requirement to amend an incorrect or incomplete report should not be understood to include any duty to update information reported on a form in the event the information changes. The proposed rule imposes a duty to amend only when the firm learns that a report was incorrect or incomplete at the time the firm filed the report.

The proposed rule would not require amendment if the error or omission is clearly inconsequential. Insignificant discrepancies in quantitative information, or misspellings and typographical errors that do not affect the meaning of the information or the identifiability of a person or entity, for example, would not trigger a requirement to file an amended report.

D. The Effect of Pending Requests to Withdraw from Registration

Existing Rule 2107 governs the process by which a firm may seek to withdraw from registration with the Board. Under Rule 2107, a firm cannot withdraw at will, but must request the Board's permission to withdraw, and the Board may withhold that permission under certain conditions.[20/]

The Board proposes to modify the way Rule 2107 addresses the reporting obligations of a firm that has filed Form 1-WD seeking leave to withdraw. Existing Rule 2107(c)(2)(i) provides that, beginning on the fifth day after the Board receives a completed form 1-WD, the firm can satisfy any annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending. Under the proposed amendment, the firm's reporting obligation, including both annual and special reporting, would simply be suspended while Form 1-WD was pending. Because a firm cannot prepare or issue audit reports, or play a substantial role in the preparation or furnishing of audit reports, while Form 1-WD is pending, and because the withdrawal process normally ends with the firm ceasing to be registered, there is no reason to subject

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[19/] The Board's Web-based reporting system will facilitate such re-filing by giving the firm access to an electronic copy of the previously filed form that the firm wishes to amend, so that the firm can make the necessary changes without needing to reconstruct the entire form.

[20/] See PCAOB Rule 2107(d)-(e).

the firm to a reporting burden. If a firm withdraws its Form 1-WD and continues as a registered firm, however, Rule 2107 would require the filing of any annual or special reports, and the payment of any annual fee, that otherwise would have been required while the Form 1-WD was pending.

The proposal also includes eliminating from Rule 2107 the five-day delay between receipt of a completed Form 1-WD and the effect of that filing on a firm's reporting obligation. Suspension of that obligation would occur immediately upon the Board's receipt of the completed Form 1-WD.[21]

III. Balancing Legitimate Confidentiality Interests and the Public Interest in Prompt Availability of Information

The Board intends that as much reported information as possible be publicly available as soon as possible after filing. To accomplish that goal, the proposal relies on two elements.

First, the Board's Web-based reporting system will automatically publish a Form 2 or a Form 3 to the Board's Web site as soon as the form is filed.[22/] In doing so, the system will redact from the published version any information for

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[21/] In connection with that change to Rule 2107, the proposal would also eliminate the five-day delay before certain other consequences take effect. Among other things, the proposal would amend Rule 2107(c)(2)(iii) so that the Board would, immediately upon receipt of the completed Form 1-WD, have the discretion to forego any regular inspection of the firm that otherwise would commence. This proposed change necessitates a conforming change to Rule 4003(c), and that conforming change is included in this proposal.

[22/] Under the proposal, a form is treated as "filed" when a form, completed in accordance with the form's instructions, is submitted. Satisfaction of the criteria for "filing" will be recognized in the automated system, which will then direct the form to the Web site for publication. Users of the Web site will be able to go to a page for a particular firm and find there a chronological list of all filings by the firm, with each item on the list linking to a complete copy of the filed form. The Board envisions eventually adding a separate current profile page for each firm, which will bring together in one place the most current information reported by the firm on certain basic matters, drawn from various reports (including amendments) filed by the firm.

which the firm requested confidential treatment.[23/] Unless and until the request for confidential treatment is denied, the information will remain redacted, but processing the pending request will not delay publication of the rest of the form.

Second, the proposed forms identify certain categories of information for which a firm simply may not request confidential treatment. The proposal reflects an effort to identify categories of information as to which there is no genuine possibility that the information could include information that is proprietary or is otherwise protected from disclosure by any applicable law. Precluding the possibility of confidential treatment requests for those categories will avoid having to delay publication while the Board processes a baseless request.

The Board does not take lightly the preclusion of confidential treatment requests. Section 102(e) of the Act requires the Board to honor "applicable laws relating to the confidentiality of proprietary, personal, or other information," and also requires that "in all events, the Board shall protect from public disclosure information reasonably identified by the subject accounting firm as proprietary information." Taking into account confidential treatment issues with which the Board and its staff have become familiar in connection with the registration process, including issues of non-U.S. law, the proposal errs on the side of allowing confidential treatment requests with respect to categories for which there is any genuine possibility that the required information could include information that is proprietary or is otherwise protected from disclosure by any applicable law.

Set out below is a summary of the types of reportable information for which the proposal does not permit confidential treatment requests. The Board encourages commenters to review the specific corresponding items in the forms and to comment on whether the proposal overlooks any confidentiality protection provided by law.

- Information identifying the firm (including any changes in the firm's name), contact persons, and office locations.

- The period covered by an annual report.

[23/] PCAOB Rule 2300(b)-(h) provides a process for confidential treatment requests for information provided on Form 1. The Board's proposal would amend Rule 2300 to encompass confidential treatment requests on Forms 2 and 3. As discussed below in this Section, the proposed amendments also would revise certain aspects of the process.

- Very general information about the nature of a firm's practice (e.g., whether, during the reporting period, the firm issued any audit reports for issuers).

- The percentage of a firm's annual billings attributable to certain broad categories of services provided to issuers.

- The identity of a firm's issuer audit clients.

- Basic information about whether the firm is a member of any network or affiliation related to its audit practice for issuers.

- The identity of any other firm acquired by the firm.

- Affirmation of the firm's statutorily required consent to cooperate with the Board.

- The identity of an issuer concerning which the firm has withdrawn an audit report.[24/]

- The identity of an issuer that has, without the firm's consent, used the firm's name in a document containing the issuer's financial statements.

- Changes in licenses authorizing the firm to engage in the business of auditing or accounting.

In addition to limiting the categories of information for which a firm may request confidential treatment, the Board's proposal includes new requirements concerning the support that a firm must supply for a confidential treatment request.[25/] The proposed amendments require that a firm support a request with both a representation that the information has not otherwise been publicly disclosed and either (1) a detailed explanation of the grounds on which the information is considered proprietary, or (2) a detailed explanation of the basis for

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[24/] As discussed above, the proposal requires a firm to report this information only if the issuer has failed to make a timely filing on SEC Form 8-K concerning the matter.

[25/] The proposed amendments concerning the required support would apply prospectively to confidential treatment requests on Form 1, as well as on Forms 2 and 3. See Proposed Rule 2300(b)-(c).

asserting that the information is protected by law from public disclosure and a copy of the specific provision of law.

The proposed amendments also provide that the firm's failure to supply the required support constitutes sufficient grounds for denial of the request. The Board does not, however, intend to deny confidential treatment reflexively in every case in which support is not provided. In some cases, the appropriateness of the request may be evident on its face, or the Board may otherwise be aware of a provision of law that protects the information. In those circumstances, the Board will not deny confidential treatment just because the firm failed to supply support. At the same time, the Board does not view Section 102(e) as requiring that the Board independently research whether certain information is protected from disclosure if the firm itself does not point to any basis for that protection. Accordingly, under proposed Rule 2300(b)(2), a firm's failure to supply the required support may well, on that basis alone, result in denial of the request.

IV. Accommodating Non-U.S. Legal Restrictions

In developing its rules, policies, and programs, the Board consistently seeks to accommodate the legitimate concerns of non-U.S. firms faced with legal restrictions that might limit their ability to provide information to the Board. Early on, the Board adopted a rule that allowed firms to omit required information from registration applications if non-U.S. law prohibited the firm from submitting the information to the Board.[26/] The Board has also articulated a framework for cooperation with non-U.S. regulators, the objectives of which include working with those regulators to resolve potential conflict of law problems as they arise.[27/] The Board's commitment to that framework is embodied in Board rules related to inspections and a Board rule related to disciplinary investigations.[28/]

[26/] See PCAOB Rule 2105; see also Registration System for Public Accounting Firms, PCAOB Release No. 2003-007 (May 6, 2003), at 13-21 (www.pcaobus.org/Rules/Docket_001/2003-06-06_Release_2003-007.pdf)

[27/] See Oversight of Non-U.S. Public Accounting Firms, PCAOB Release No. 2003-020 (Oct. 28, 2003) (hereafter "Oversight of Non-U.S. Firms"), at 5 (www.pcaobus.org/News_and_Events/News/2003/10-28.aspx).

[28/] See PCAOB Rules 4011, 4012, and 5013; see also Final Rules Relating to the Oversight of Non-U.S. Public Accounting Firms, PCAOB Release No. 2004-005 (June 9, 2004) (www.pcaobus.org/Rules/Docket_013/2004-06-09_Release_2004-005.pdf).

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With proposed Rule 2207, the Board continues its commitment to reasonable accommodations for non-U.S. firms and reliance on a cooperative framework with non-U.S. regulators. The core principle underlying proposed Rule 2207's treatment of legal conflicts is the same as the core principle underlying Rule 2105 in the registration context. Specifically, so long as a firm has certain materials that support its assertion of a legal conflict and has made appropriate efforts to obtain waivers or consents that would overcome the conflict, a report on Form 2 or Form 3 will satisfy the basic filing requirement even if it omits the information that is the subject of the conflict.

Although the core principle is the same, the proposed Rule 2207 process differs in some respects from the Rule 2105 process. As described below, the process differences are designed to accomplish two goals: (1) minimizing certain burdens relating to the supporting materials; and (2) making clear to readers of the form whether the firm is actually withholding information, and eliminating the possibility of an ambiguous general assertion that non-U.S. law limits the firm's ability to provide information of a particular type.

A. Materials Supporting the Asserted Conflict

Under proposed Rule 2207, when a firm withholds required information from Form 2 or Form 3, it must have certain supporting materials, including (1) a copy of the relevant provisions of non-U.S. law, (2) a legal opinion concluding that the firm would violate non-U.S. law by submitting the information to the Board, and (3) a written explanation of the firm's efforts to seek consents or waivers that would be sufficient to overcome the conflict with respect to the information. These are the same materials that are required to support the withholding of information from a registration application under Rule 2105.

Unlike in the Rule 2105 process, however, proposed Rule 2207 would not require a firm routinely to include those supporting materials with the form that the firm files. Rather, the firm must certify on the form that it has the supporting materials in its possession. The proposed rule reserves to the Board, and to the Director of the Division of Registration and Inspections, the discretion to require that a firm submit any of those supporting materials in a particular case, but the proposed rule does not include those materials in the basic filing requirement.

In addition, proposed Rule 2207 makes clear that a firm is not required to secure a new legal opinion specific to each Form 2 or Form 3 that the firm files. Rather, the supporting materials maintained by the firm need only contain a legal opinion that the firm has reason to believe is current with respect to the relevant point of law. The proposed rule does not attempt to specify the ways in which a firm may satisfy this requirement, and various approaches might be satisfactory.

Compliance does, however, depend upon a firm implementing in good faith some mechanism for generally being aware of relevant changes in the law, rather than relying on a particular legal opinion in perpetuity without genuine regard for whether the law changes.

B. Transparency Concerning the Meaning of an Asserted Conflict

The Board's experience with legal conflict assertions in the registration context has informed the design of the proposed Rule 2207 process in two significant respects. In combination, these elements are intended to allow a reader of a Form 2 or a Form 3 to discern at a basic level whether a certain condition exists or a certain event has occurred, while preserving a firm's opportunity to withhold details that it asserts it cannot lawfully provide.

First, in the vast majority of cases in which firms assert conflicts, firms do not assert that non-U.S. law prohibits them from providing a general indication of whether a condition exists or an event has occurred. Accordingly, both Form 2 and Form 3 routinely employ formulations that facilitate reporting of the basic foundational point. For example, if a partner in a non-U.S. firm becomes a defendant in a criminal proceeding involving certain types of crimes, Item 2.6 of Form 3 provides a place for (and requires) the firm to report that basic fact, even if the firm asserts that it cannot lawfully provide identifying information or other details required in Part V of the Form. Once notified of the basic fact, the Board can determine whether the matter warrants additional follow-up, including, for example, through the cooperative framework with non-U.S. regulators.

Second, unlike with Form 1, a legal conflict can be asserted on Form 2 or Form 3 only if the firm is actually withholding information that the form requires. A firm may not indicate a legal conflict on Form 2 or Form 3 as a way of making a general point that non-U.S. law would prohibit the firm from providing certain information if the firm had any such information. For clarity on this point, Form 2 and Form 3 will differ from Form 1 with respect to how a legal conflict is indicated. On Form 1, the opportunity to indicate a legal conflict appears throughout the form with an "LC" checkbox next to each item in the form, giving rise to the potential for ambiguity about whether the firm is actually withholding information.[29/] On Form 2 and Form 3, "LC" checkboxes will not appear

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[29/] For example, on Form 1, a firm that does not have any information to report on a particular item would leave the item blank but might nevertheless check an "LC" box next to that item, with the idea of making a general point about the legal conflict or attempting to preserve a right to withhold information in that category at a later date. A reader of the form would not know whether the firm had information that it was withholding or was just making the general point.

throughout the form. Instead, a separate section at the end of each relevant part of the form instructs the firm that if any portion of its response in that part is incomplete because of an asserted legal conflict, the firm must, in that separate section, identify the specific items in that part with respect to which the firm actually has withheld responsive information.[30/]

C. Limits on Asserting a Conflict

The Board believes it is feasible to identify a small number of items on Forms 2 and 3 as to which either (1) it is not realistically foreseeable that any law would prohibit supplying the information or (2) the Board could not, consistent with its most basic responsibilities, allow a firm to withhold the information and remain registered. Accordingly, for those few items, the proposal does not afford a firm the option of withholding the information on the basis of non-U.S. law.

Set out below is a summary of the types of reportable information that the proposal does not permit a firm to withhold on the basis of non-U.S. law. The Board encourages comment on whether the proposal overlooks any actual or realistically foreseeable non-U.S. legal restriction and, if so, the Board encourages comment on whether the Board could realistically satisfy its most basic obligations under the Act with respect to a firm that does not supply the information.

- Basic identifying information about the firm (including any changes in the firm's name) and a firm contact person.
- The period covered by an annual report.
- Very general information about the nature of a firm's practice (e.g., whether, during the reporting period, the firm issued any audit reports for issuers).
- The identity of a firm's issuer audit clients.

30/ Rule 2207 and the instructions to Forms 2 and 3 make clear that only a foreign registered public accounting firm may withhold required information on the basis of an asserted legal conflict. The Board cannot envision a circumstance in which the Board would honor any assertion by a U.S. firm that non-U.S. law prohibits the firm from providing, on Form 2 or Form 3, information in the firm's possession.

D. Preservation of the Board's Authority

While resolutely committed to cooperation and reasonable accommodation in its oversight of registered non-U.S. firms, the Board has not surrendered any of its statutory authority ultimately to compel firms to provide information necessary for the Board to fulfill its investor protection and public interest mandates. For example, while Rule 2105 lets applicants withhold required information without having the application treated as incomplete, the Board reserves its ultimate authority to deny registration if questions concerning the withheld information prevent the Board from finding that approval is consistent with the public interest and the protection of investors.[31/] Similarly, the Board's commitment to the cooperative framework – a framework for carrying out the Board's mission without creating unnecessary confrontations between legal systems – does not entail any relinquishing of the Board's ultimate authority to require information from registered firms if the cooperative framework is unavailing in a particular case.[32/]

Proposed Rule 2207 continues in that vein. The proposed rule is first and foremost an important accommodation to reasonable concerns of non-U.S. firms. Paragraph (e), however, provides that the Board may ultimately require a firm to file an amended Form 2 or Form 3 providing the withheld information. Although the Board by no means intends to invoke paragraph (e) with any regularity, its inclusion is necessary to preserve the authority that Congress intended for the Board to have over all registered firms.[33/]

[31/] See Frequently Asked Questions Regarding Issues Relating to Non-U.S. Accounting Firms (March 11, 2004), at 2 (www.pcaobus.org/Registration/2004-03-11_FAQ.pdf).

[32/] See Oversight of Non-U.S. Firms, at 5.

[33/] Because of the different context to which Rule 2105 applies, no comparable rule provision is necessary to preserve the Board's authority there. Rule 2105 accommodates non-U.S. firms by providing, essentially, that the Board will act on an incomplete application. But that accommodation provides no guarantee about how the Board will Act. The Board retains the authority to impose the relevant sanction in that context; i.e., to disapprove the application if questions concerning the withheld information prevent the Board from finding that approval would satisfy the Rule 2106(a) standard. Once a firm is registered, though, the situation is different. The Board can sanction a registered firm only if the firm violates some provision of certain laws, rules, or standards. Proposed Rule 2207(e) preserves the Board's authority to obtain information by preserving the possibility that, in an appropriate case involving sufficiently important

To date, the Board's accommodations and cooperative framework have worked well. The Board is optimistic that this approach will continue to work well and that reservations of authority such as that in proposed Rule 2207(e) will serve a purpose that is principally theoretical, and will rarely need to be invoked as practical tools.

V. Follow-Up Pursuant to the Board's Inspection Authority

As information comes to the Board's attention through the reporting process, it may be appropriate for the Board to follow up with focused inquiries concerning a matter, without in the first instance launching a full inspection or investigation, in order to determine whether any more formal action or inquiry is immediately warranted. Accordingly, the Board is proposing an amendment to its inspection rules that would make clear that the Board may require a firm to provide additional information.

Specifically, the Board proposes to amend Rule 4000, which provides that registered firms shall be subject to such regular and special inspections as the Board chooses to conduct. The proposed amendment would add a paragraph providing that the Board, in the exercise of its inspection authority, may at any time request that a registered firm provide additional information or documents relating to information provided on Form 2 or Form 3, or relating to information that has otherwise come to the Board's attention. The proposed amendment provides that the request and response would be considered to be in connection with the firm's next regular or special inspection. Accordingly, the cooperation requirements of Rule 4006 would apply, and the request and response would be subject to the confidentiality restrictions of Section 105(b)(5) of the Act.

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information that is not otherwise forthcoming (e.g., through the cooperative framework), the Board can ultimately put the firm to the choice of providing the information or being subject to a sanction for violating the Board's rules.

VI. Annual Fee

Section 102(f) of the Act provides that the Board shall assess and collect a registration fee and an annual fee from registered firms in amounts sufficient to cover the costs of processing and reviewing applications and annual reports. Proposed Rule 2202 would require each registered firm to pay an annual fee by July 31 of any year in which the firm is required to file an annual report.[34/]

Proposed Rule 2202 provides that the Board will, from time to time, announce the current annual fee. In accordance with the fee schedule, the Board's Web-based system will present an invoice to the firm at the time the firm submits its annual report. The firm would be required to pay the fee by July 31. Failure to pay the fee would violate the rule, which could result in disciplinary sanctions up to and including suspension or revocation of registration.

VII. Effective Date of Rules and Timing of First Reports

The proposed rules, amendments, and Forms 2 and 3, if adopted, would take effect on the date that is 21 days after Commission approval. The reason for that delay is to build in sufficient lead time for firms to become aware of Commission approval of the rules[35/] and to begin finalizing any reports that will be due shortly after the rules take effect, as described below.

The Board intends that the first reporting period for which an annual report on Form 2 will be required is the period from April 1, 2006 to March 31, 2007. Under proposed Rule 2201, the annual report for that period would be required to be filed by June 30, 2007.

[34/] As described in Section II.A.2 above (and in proposed Rule 2201), a firm that becomes registered after March 31 in a particular year would not be required to file an annual report that year. Accordingly, under proposed Rule 2202, that firm would not be required to pay an annual fee that year.

[35/] For example, if the proposed rules took effect on the date of Commission approval, and a firm experienced a Form 3 reportable event that day, the 14-day period for reporting the event would begin to run immediately, even though the firm may not immediately be aware that the Commission has approved the rule and that the time is running. To help avoid that type of situation, the proposal builds in a 21-day lag, before the rules take effect.

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The timing of any catch-up special report that a firm must file on Form 3 is linked to the effective date of proposed Rule 2203. Under that proposed rule, any Form 3 reportable event that occurred between a firm's Form 1 information cut-off date and the effective date of Rule 2203 must be reported on Form 3 within 14 days of the rule taking effect. Adding in the 21-day lag time between Commission approval and the effective date, this gives a firm five weeks between Commission approval and the deadline for any necessary Form 3 catch-up report.

VIII. Opportunity for Public Comment

Interested persons are encouraged to submit their views to the Board. Written comments should be sent to the Office of the Secretary, PCAOB, 1666 K Street, N.W., Washington, D.C. 20006-2803. Comments may also be submitted by e-mail to comments@pcaobus.org or through the Board's Web site at www.pcaobus.org. All comments should refer to PCAOB Rulemaking Docket Matter No. 019 in the subject or reference line and should be received by the Board no later than 5:00 p.m. (EDT) on July 24, 2006.

* * *

On the 23rd day of May, in the year 2006, the foregoing was, in accordance with the bylaws of the Public Company Accounting Oversight Board,

ADOPTED BY THE BOARD.

J. Gordon Seymour
Secretary
May 23, 2006

APPENDICES –

Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

Proposed Amendments to PCAOB Rules 2107, 2300, 4000, and 4003

Proposed Form 2 Instructions and Proposed Form 3 Instructions

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Appendix – Draft Rules and Forms Related to Reporting

SECTION 2. REGISTRATION AND REPORTING
Part 2 – Reporting

2200. Annual Report

Each registered public accounting firm must file with the Board an annual report on Form 2 by following the instructions to that form. Unless directed otherwise by the Board, the registered public accounting firm must file such annual report and exhibits thereto electronically with the Board through the Board's Web-based system.

2201. Time for Filing of Annual Report

Each registered public accounting firm must file the annual report on Form 2 no later than June 30 of each year, provided, however, that a registered public accounting firm that has its application for registration approved by the Board in the period between and including April 1 and June 30 of any year shall not be required to file an annual report in that year.

Note: Pursuant to Rule 1002, in any year in which the filing deadline falls on a Saturday, Sunday, or federal legal holiday, the deadline for filing the annual report shall be the next day that is not a Saturday, Sunday, or federal legal holiday.

2202. Annual Fee

Each registered public accounting firm must pay an annual fee to the Board on or before July 31 of any year in which the firm is required to file an annual report on Form 2. The Board will, from time to time, announce the current annual fee. No portion of the annual fee is refundable.

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2203. Special Reports

(a) A registered public accounting firm must file a special report on Form 3 to report information to the Board as follows –

(1) Upon the occurrence, on or after **[insert effective date of this rule]**, of any event specified in Form 3, a registered public accounting firm must report the event in a special report filed no later than the fourteenth day after the occurrence of the event;

(2) No later than the fourteenth day after receiving notice of Board approval of its application for registration, a registered public accounting firm that becomes registered after **[insert effective date of this rule]** must file a special report to report any event specified on Form 3 that occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before the date that the Board approved the firm's registration; and

(3) No later than **[insert date 14 days after the effective date of this rule]**, a registered public accounting firm that is registered as of **[insert effective date of this rule]** must file a special report to report any event specified on Form 3 that occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before **[insert effective date of this rule]**.

(b) A registered public accounting firm required to file a special report shall do so by filing with the Board a special report on Form 3 in accordance with the instructions to that form. Unless directed otherwise by the Board, a registered public accounting firm must file such special report and exhibits thereto electronically with the Board through the Board's Web-based system.

2204. Signatures

Each signatory to a report on Form 2 or Form 3 shall manually sign a signature page or other document authenticating, acknowledging or otherwise adopting his or her signature that appears in typed form within the electronic submission. Such document shall be executed before or at the time the electronic submission is made and shall be retained by the filer for a period of seven years. Upon request, an electronic filer shall furnish to the Board or its staff a copy of all documents retained pursuant to this Rule.

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2205. Amendments

A registered public accounting firm that has filed a report on Form 2 or Form 3 and becomes aware that it reported information that was incorrect at the time of such filing, or that it omitted any information or affirmation that it was, at the time of such filing, required to include in such report, shall, no later than the fourteenth day after becoming aware of the error or omission, file an amended report on Form 2 or Form 3 by following the instructions to those forms concerning amendments unless the error or omission is clearly inconsequential.

2206. Date of Filing

(a) An annual report shall be deemed to be filed on the date on which the registered public accounting firm submits a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

(b) A special report on Form 3 shall be deemed to be filed on the date that the registered public accounting firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part IX of Form 3.

2207. Assertions of Conflicts with Non-U.S. Laws

If, in a report on Form 2 or Form 3, a foreign registered public accounting firm omits any information or affirmation required by the instructions to the relevant form on the ground that providing such information or affirmation on the form filed with the Board would constitute a violation of non-U.S. law by the foreign registered public accounting firm, the foreign registered public accounting firm shall –

(a) In accordance with the instructions to the form –

(1) Indicate that it has omitted required information or affirmations on the ground that providing such information or affirmations on the form filed with the Board would constitute a violation of non-U.S. law by the foreign registered public accounting firm;

(2) Identify all Items on the form with respect to which it has withheld any required information or affirmation on that ground; and

(3) Represent that, with respect to all such omitted information or affirmations, the foreign registered public accounting firm has satisfied the requirements of paragraph (b) of this Rule and has in its possession the materials required by paragraph (c) of this Rule;

(b) Before filing the form with the Board, make reasonable, good faith efforts, where not prohibited by law, to seek any consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board without violating non-U.S. law;

(c) Have in its possession, before the date on which the foreign registered public accounting firm files the form with the Board and for a period of seven years thereafter –

(1) An electronic version of the form that includes all information required by the instructions to the form (including certification and signature) and a manually signed signature page or other document that would satisfy the requirement of Rule 2204 if that version of the form were filed with the Board;

(2) A copy of the provisions of non-U.S. law that the foreign registered public accounting firm asserts that it would violate by providing the required information or affirmations on the form filed with the Board, and an English translation of any such provisions that are not in English;

(3) A legal opinion, in English, addressed to the foreign registered public accounting firm and that the foreign registered public accounting firm has reason to believe is current with respect to the relevant point of law, that providing the omitted information or affirmation on the form filed with the Board would constitute a violation of non-U.S. law by the foreign registered public accounting firm;

(4) A written description, in English, of its efforts to seek consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board, dated or updated not more than 30 days before the submission of the form to the Board, manually signed by the

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same person whose signature appears in the certification portion of the form, and indicating that the signer has reviewed the description and that the description is, based on the signer's knowledge, accurate and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made not misleading;

(d) Not later than the fourteenth day after any request by the Board or by the Director of the Division of Registration and Inspections for any of the documents described in subparagraphs (2) – (4) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including, as an exhibit to the amended report, the requested documents; and

(e) Not later than the fourteenth day after any request by the Board for any of the information included in the document described in subparagraph (1) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including the requested information.

Note: Rule 2207(c)(1) does not require that the version of the form maintained by the firm include any affirmation required by Part IX of Form 2. If the firm withholds any such affirmation, however, the asserted legal conflict must be addressed in accordance with subparagraphs (2) – (4) of Rule 2207(c).

Note: Rule 2207(c)(1) does not require a firm to include on the form maintained by the firm any information (1) that the firm does not possess, and (2) as to which the firm asserts that the firm would violate non-U.S. law by requiring another person to provide the information to the firm. The asserted legal conflict that prevents the firm from requiring another person to provide the information to the firm, however, must be addressed, in accordance with subparagraphs (2) - (4) of Rule 2207(c).

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DRAFT AMENDMENTS TO EXISTING RULES 2107, 2300, AND 4000

Rule 2107. Withdrawal from Registration *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) and **(b)** unchanged

(c) Effect of Filing

~~(1)~~ Beginning on the date of Board receipt of a completed Form 1-WD, ~~the firm that filed the Form 1-WD shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period, unless it first withdraws its Form 1-WD.~~

~~(2) Beginning on the fifth day following the Board's receipt of a completed Form 1-WD,~~ and continuing for as long as the Form 1-WD is pending –

~~(i) the firm may satisfy the annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending;~~

(1) the firm shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period;

(2~~i~~) the firm's obligation to file annual reports on Form 2, and special reports on Form 3 shall be suspended;

~~(ii) any annual fee assessed shall be zero;~~

(3~~iii~~) the Board shall have the discretion to forego any regular inspection that would otherwise commence pursuant to Rule 4003(a) or Rule 4003(b); and

(4~~iv~~) the firm's registration status shall be designated as "registered – withdrawal request pending," and the firm shall not publicly represent its registration status without specifying it as "registered – withdrawal request pending."

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(d) and **(e)** unchanged.

(f) Withdrawal of Form 1-WD

A registered public accounting firm that has submitted a Form 1-WD may withdraw the form at any time by filing with the Board a written notice of intent to withdraw the Form 1-WD along with any annual fee ~~and~~, annual report, and special report that the firm would have been required to submit during the period that the Form 1-WD was pending if not for the provisions of paragraph (c)(2).

(g) unchanged

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Rule 2300. Public Availability of Information Submitted to the Board; Confidential Treatment Requests. *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) Except as provided in paragraph (b) below –

(1) an application for registration will be publicly available as soon as practicable after the Board approves or disapproves such application; and

(2) all other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board, and any amendments thereto, will be publicly available as soon as practicable after filing, except to the extent otherwise specified in the Board's rules or the instructions to the form.

(b) Confidential Treatment Requests.

(1) A public accounting firm may request confidential treatment of any information submitted to the Board in connection with its application for registration on Form 1, and may request confidential treatment of information on other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board to the extent specified in the instructions to the form, provided that the information as to which confidential treatment is requested –

(~~1~~i) has not otherwise been publicly disclosed, and

(~~2~~ii) either (A~~i~~) contains information reasonably identified by the public accounting firm as proprietary information, or (B~~ii~~) is protected from public disclosure by applicable laws related to the confidentiality of proprietary, personal, or other information.

(2) Failure to provide an exhibit that complies with the requirements of paragraph (c)(2) of this Rule constitutes sufficient grounds for denial of any request for confidential treatment.

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(c) Application Procedures.

To request confidential treatment of information for which such requests are permitted by paragraph (b)(1) of this Rule~~submitted to the Board in connection with an application for registration~~, the requestor must –

(1) identify, in accordance with the instructions ~~on Form 1~~ to the form, the information that it desires to keep confidential; and

(2) include as an exhibit to ~~Form 1 a detailed explanation as to why, based on the facts and circumstances of the particular case, the information meets the requirements of paragraph (b) of this Rule.~~the form a representation that, to the requestor's knowledge, the information for which confidential treatment is requested has not otherwise been publicly disclosed and –

(i) a detailed explanation of the grounds on which the information is considered proprietary; or

(ii) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the requestor claims protects the information from public disclosure.

(d) and **(e)** Unchanged

(f) Unless the ~~applicant~~ requestor requests otherwise, the exhibit containing an explanation supporting a confidential treatment request will be afforded confidential treatment without the need for a request for confidential treatment.

(g) Information as to which the Board grants confidential treatment under this ~~r~~Rule will not be made available to the public by the Board. The granting of confidential treatment will not, however, limit the ability of the Board (1) to provide the information as to which confidential treatment was granted to the Commission, or (2) to comply with any subpoena validly issued by a court or other body of competent jurisdiction. In the event the Board receives such a subpoena, the Board will notify the applicant or the registered public accounting firm of such subpoena, to the extent permitted by law, to allow the applicant or registered public accounting firm the opportunity to object to such subpoena.

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(h) Unchanged

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SECTION 4. INSPECTIONS

Rule 4000. General *[Amended Rule – additions to existing rule indicated by underlining]*

(a) Every registered public accounting firm shall be subject to all such regular and special inspections as the Board may from time to time conduct in order to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the Board's rules, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers.

(b) In furtherance of the Board's inspection process, the Board may at any time request that a registered public accounting firm provide to the Board additional information or documents relating to information provided by the firm in any report filed pursuant to Section 2 of these Rules, or relating to information that has otherwise come to the Board's attention. Any request for information or documents made pursuant to this Rule, and any information or documents provided in response to such a request, shall be considered to be in connection with the next regular or special inspection of the registered public accounting firm.

(c) Inspection steps and procedures shall be performed by the staff of the Division of Registration and Inspections, and by such other persons as the Board may authorize to participate in particular inspections or categories of inspections.

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Rule 4003. Frequency of Inspections *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) and (b) unchanged.

(c) With respect to a registered public accounting firm that has filed a completed Form 1-WD under Rule 2107, the Board shall have the discretion to forego any regular inspection that would otherwise commence during the period beginning on the ~~fifth day following the filing of the~~ date of Board receipt of a completed Form 1-WD and continuing until the firm's registration is deemed withdrawn or the firm withdraws the Form 1-WD.

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FORM 2 – ANNUAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. A *registered public accounting firm* must use this Form to file with the *Board* the annual report required by Section 102(d) of the *Act* and Rule 2200 and to file any amendments to an annual report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When Report is Considered Filed. Annual reports on this Form are required to be filed each year on or before June 30, subject to the qualification in Rule 2201 concerning any firm that has its application for registration approved by the Board in the period between and including April 1 and June 30. An annual report is considered filed when the Firm has submitted to the *Board* a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

4. Period Covered by this Report. Annual reports on this Form shall cover a 12-month period from April 1 to March 31, subject to the qualifications in Parts VII and VIII of these instructions relating to the first annual report filed by the Firm. In the instructions to this Form, this is the period referred to as the "reporting period."

5. Amendments to this Report. Amendments to an annual report must be filed no later than the fourteenth day after the Firm's discovery that it provided incorrect information in its annual report or that it failed to include in its annual report information that it was, at the time it filed its annual report, required to include in its annual report, unless the error or omission is clearly inconsequential. When filing a Form 2 to amend an earlier filed Form 2, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 2 all information, affirmations, and certifications that were required to be included in the original Form 2.

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Note: The *Board* will designate an amendment to an annual report as a report on "Form 2/A."

6. Rules Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

7. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Part VI, Part VII, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. If the Firm requests confidential treatment, it must identify the information in Part VI, Part VII, or Exhibit 99.3 that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

8. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information and affirmations required by this Form if providing the information or affirmations would constitute a violation of non-U.S. law by the Firm and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information and affirmations on that basis from any Part of the Form other than Parts I, II, and X and Items 3.1.a, 3.1.b, 3.1.d, and 4.1. If the firm withholds responsive information, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information or a required affirmation. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information or a required affirmation.

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9. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

PCAOB
Public Company Accounting Oversight Board

RELEASE

PART I – IDENTITY OF THE FIRM AND CONTACT PERSONS

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

Item 1.1 Name of the Firm

a. State the legal name of the Firm.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*, or issued any *audit report* during the reporting period.

c. If the Firm's legal name at the beginning of the reporting period was different than the name provided under Item 1.1.a, state that legal name and any other legal name the Firm had during the reporting period. Include the legal name of any *registered public accounting firm* that merged into, or was acquired by, the Firm during the reporting period.

Item 1.2 Contact Information of the Firm

a. State the physical address (and, if different, mailing address) of the Firm's headquarters office.

b. State the telephone number and facsimile number of the Firm's headquarters office. If available, state the Website address of the Firm.

Item 1.3 Primary Contact with the *Board*

State the name, business title, physical business address (and, if different, business mailing address), business telephone number, business facsimile number, and business e-mail address of a partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board,* including for purposes of the annual report filed on this Form and any special reports filed on Form 3.

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PART II – GENERAL INFORMATION CONCERNING THIS REPORT

Item 2.1 Reporting Period

State the reporting period covered by this report.

> Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, that in the first annual report that the Firm files after having an application for registration approved, Parts VII and VIII of this Form require the Firm to provide any responsive information from a period that begins with the date used by the Firm for purposes of General Instruction 9 of Form 1, regardless of whether that date was before or after the beginning of the reporting period.

Item 2.2 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period.

PART III – GENERAL INFORMATION CONCERNING THE FIRM

Item 3.1 The Firm's Practice Related to the Registration Requirement

a. Indicate whether the Firm issued any *audit report* with respect to an *issuer* during the reporting period.

b. In the event of an affirmative response to Item 3.1.a, indicate whether the *issuers* with respect to which the Firm issued *audit reports* during the reporting period were limited to employee benefit plans that file reports with the *Commission* on Form 11-K.

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c. In the event of a negative response to Item 3.1.a, indicate whether the Firm *played a substantial role in the preparation or furnishing of an audit report* with respect to an *issuer* during the reporting period.

d. In the event of a negative response to both Items 3.1.a and 3.1.c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a non-*issuer* broker-dealer in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed.

Item 3.2 The Firm's Revenues

Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (rounded to the nearest whole number) attributable to fees billed to *issuer audit* clients for–

a. *Audit services*;

b. *Other accounting services;*

c. *Tax services;* and

d. *Non-audit services*.

Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in *Board Rules* 1001(i)(iii) (*issuer*), 1001(a)(v) (*audit*), 1001(a)(vii) (*audit services*), 1001(o)(i) (*other accounting services*), 1001(t)(i) (*tax services*), and 1001(n)(ii) (*non-audit services*).

PART IV – *AUDIT* CLIENTS AND *AUDIT REPORTS*

Item 4.1 *Audit Reports* Issued by the Firm

a. Provide the following information concerning each *issuer* for which the Firm issued any *audit report*(s) during the reporting period –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any; and

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3. The date(s) of the *audit report*(s).

b. If the Firm identified any issuers in response to Item 4.1.a., provide the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period.

Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001(a)(vi) of the *Board's Rules*, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(iii).

Note: In responding to Item 4.1, do not list any *issuer* more than once. In the entry for each *issuer* provide the dates of all *audit reports* for that *issuer*, including the dates of separate *audit reports* and each date of any dual-dated *audit report*.

Item 4.2 *Audit Reports With Respect to* Which the Firm *Played a Substantial Role* during the Reporting Period

a. If no issuers are identified in response to Item 4.1.a, but the Firm *played a substantial role in the preparation or furnishing of an audit report* that was issued during the reporting period, provide the following information concerning each *issuer* with respect to which the Firm did so –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any;

3. The name of the *registered public accounting firm* that issued the *audit report*(s);

4. The date(s) of the *audit report*(s); and

5. A description of the substantial role played by the Firm with respect to the *audit report*(s).

Note: If the Firm identifies any *issuer* in response to Item 4.1, the Firm need not respond to Item 4.2.

Note: In responding to Item 4.2, do not list any *issuer* more than once. In the entry for each *issuer* provide the dates of all *audit reports* for that *issuer*,

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including the dates of separate *audit reports* and each date of any dual-dated *audit report* with respect to which the Firm *played a substantial role in the preparation or furnishing of the audit report*.

PART V – OFFICES AND AFFILIATIONS

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

Item 5.1 Firm's Offices

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Item 5.2 *Audit*-related Memberships, Affiliations, or Similar Arrangements

a. State whether the Firm has any:

1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes *audit* procedures or manuals or related materials, or the use of a name in connection with the provision of *audit services* or accounting services;

2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells *audit services* or through which joint *audits* are conducted; or

3. Affiliation, whether by contract or otherwise, with another entity through or from which the Firm commonly employs or leases personnel to perform *audit services*, or with which the Firm otherwise engages in an alternative practice structure.

b. If the Firm provides an affirmative response to Item 5.2.a, identify, by name and address, the entity with which the Firm has each such relationship, and provide a brief description of each such relationship.

Note: Item 5.2.b does not require information concerning every other entity that is part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.

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PART VI – PERSONNEL

In Part VI, the Firm should provide information that is current as of the last day of the reporting period.

Item 6.1 Number of Firm Personnel

Provide the following numerical totals –

a. Total number of the Firm's *accountants*;

b. Total number of the Firm's certified public accountants (include in this number all *accountants* employed by the Firm with comparable licenses from non-U.S. jurisdictions);

c. Total number of the Firm's personnel; and

d. Total numbers of the Firm's personnel who, during the reporting period, provided *audit services*, segregated by functional level.

Note: Item 6.1.d encompasses only persons who provided *audit services* during the reporting period and were with the Firm at the end of the reporting period. The total number of such persons should be reported separately for different levels of responsibility. For example, functional levels may be broken down according to the following tiers: partner, senior manager, manager and *audit* staff.

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PART VII – CERTAIN RELATIONSHIPS

In Part VII, the Firm should provide information on relationships that commenced during the reporting period, except that in the first annual report that the Firm files after having an application for registration approved, the Firm should provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.

Item 7.1 Certain Sanctioned Individuals

a. Other than a relationship required to be reported in Item 6.1 of Form 3, state whether the Firm took on as an employee, partner, shareholder, principal, or member, or otherwise became owned or partly owned by, an individual who, within the last five years, was the subject of a *Board* disciplinary sanction or a *Commission* sanction under Rule 102(e) of the *Commission's* Rules of Practice without that sanction having been vacated on review or appeal.

b. If the Firm provides an affirmative response to Item 7.1.a, provide –

1. The name of each such individual;

2. A description of the nature of the relationship; and

3. The date that the Firm entered into the relationship.

Item 7.2 Individuals Connected With Certain Sanctioned Firms

a. State whether the Firm took on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, an individual who, at the time of the conduct giving rise to the sanctions listed below, was a partner, shareholder, principal, member, or proprietor of *a public accounting firm* that, within the last five years, was the subject of (a) a *Board* disciplinary sanction, which has not been vacated on review or appeal, suspending or revoking that firm's registration or disapproving that firm's application for registration, or (b) a *Commission* sanction under Rule 102(e) of the *Commission*'s Rules of Practice, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the *Commission*.

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b. If the Firm provides an affirmative response to Item 7.2.a, provide –

1. The name of each such individual;

2. A description of the nature of the relationship; and

3. The date that the Firm entered into the relationship.

Item 7.3 Certain Sanctioned Entities

a. Other than a relationship required to be reported in Item 6.2 of Form 3, state whether the Firm became owned or partly owned by an entity that, within the last five years, was the subject of (a) a *Board* disciplinary sanction, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* sanction under Rule 102(e) of the *Commission*'s Rules of Practice, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the *Commission*.

b. If the Firm provides an affirmative response to Item 7.3.a, provide –

1. The name of each such entity;

2. A description of the nature of the relationship; and

3. The date that the Firm entered into the relationship.

Item 7.4 Certain Arrangements to Receive Consulting or Other Professional Services

a. Other than a relationship required to be reported in Item 6.3 of Form 3, state whether the Firm entered into a contractual or other arrangement to receive consulting or other professional services from any individual or entity meeting the criteria described in Items 7.1.a., 7.2.a, or 7.3.a.

b. If the Firm provides an affirmative response to Item 7.4.a, provide –

1. The name of each such individual or entity;

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2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. A description of the services to be provided to the Firm by the individual or entity.

PART VIII – ACQUISITION OF ANOTHER ACCOUNTING FIRM OR SUBSTANTIAL PORTIONS OF ANOTHER ACCOUNTING FIRM'S PERSONNEL

In Part VIII, the Firm should provide information on acquisitions that occurred during the reporting period, except that in the first annual report that the Firm files after having an application for registration approved, the Firm should provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.

Item 8.1 Acquisition of Another Accounting Firm or Substantial Portions of Another Accounting Firm's Personnel

a. State whether the Firm acquired another accounting firm.

b. If the Firm provides an affirmative response to Item 8.1.a, provide the name(s) of the accounting firm(s) that the Firm acquired.

c. State whether the Firm, without acquiring another accounting firm, took on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who were the partners, shareholders, principals, members, or owners of another accounting firm.

d. If the Firm provides an affirmative response to Item 8.1.c, provide the name of the other accounting firm and the number of the other accounting firm's former partners, shareholders, principals, members, owners, and *accountant*s that joined the Firm.

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PART IX – AFFIRMATION OF CONSENT

Item 9.1 Affirmation of Understanding of, and Compliance with, Consent Requirements

Whether or not the Firm, in applying for registration with the *Board*, furnished the signed statement required by Item 8.1 of Form 1, affirm that –

a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002;

b. The Firm has secured from each of its *associated persons*, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the *associated person* consents to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the *associated person* understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm; and

c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1.a, and the securing and enforcing of consents from its *associated persons* as described in Item 9.1.b, is a condition to the continuing effectiveness of the registration of the Firm with the *Board*.

> Note 1: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *registered public accounting firm.*
>
> Note 2: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *foreign public accounting firm* in circumstances where that *associated person* asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the *associated person's* assertion about non-U.S. law that would be sufficient to satisfy the requirements of subparagraphs (2) through (4) of Rule 2207(c) if that *associated person* were a *registered public accounting firm* filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1.b does not relieve the Firm of its obligation to enforce cooperation and compliance with *Board* demands by any such *associated person* as a condition of continued association with the Firm.

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Note 3: If the Firm is a *foreign registered public accounting firm*, the affirmations in Item 9.1 that relate to *associated persons* shall be understood to encompass every *accountant* who is a proprietor, partner, principal, shareholder, officer, or manager of the Firm and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

PART X – CERTIFICATION OF THE FIRM

Item 10.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm;

b. the signer has reviewed this Form;

c. based on the signer's knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred before the end of the reporting period and for which a special report on Form 3 is required under the *Board*'s *rules*;

d. based on the signer's knowledge, the Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

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e. either –

1. based on the signer's knowledge, the Firm has not failed to include in the Form any information or affirmation that is required by the instructions to the Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm and* has not failed to include in the Form any information or affirmation that is required by the instructions to the Form except for information or affirmations that the Firm asserts it is prohibited by non-U.S. law from providing to the *Board* on this Form 2;

(B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information or affirmation.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

PART XI – EXHIBITS

To the extent applicable under the foregoing instructions or the *Board's rules*, each annual report must be accompanied by the following exhibits:

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)–(4) – *Submit Only as an Exhibit to an Amended Form 2 in Response to a Request Made Pursuant to Rule 2207(d)*

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FORM 3 – SPECIAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. Effective **[insert effective date of Rule 2203],** a *registered public accounting firm* must use this Form to file special reports with the *Board* pursuant to Section 102(d) of the *Act* and Rule 2203 and to file any amendments to a special report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When this Report is Required and When It is Considered Filed. Upon the occurrence of any event specified in Part II of this form, the Firm must report the event on this Form, by following the instructions to this Form. With respect to events that occur on or after **[insert effective date of Rule 2203]** and while the Firm is registered, the Firm must file the Form no later than the fourteenth day after the occurrence of the event reported. Different timing requirements apply with respect to the reporting of events that occurred before **[insert effective date of Rule 2203]**, or in a certain specified period before a firm's application for registration was approved. See Rule 2203(a). A special report shall be deemed to be filed on the date that the Firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part IX of Form 3.

4. Completing the Form. A firm filing this Form must always complete Parts I, II, and IX of this Form. Parts III through VIII should be completed to the extent applicable, as described more fully in the instructions to Part II of the Form.

5. Amendments to this Report. The Firm must file an amendment to a special report no later than the fourteenth day after becoming aware that it provided incorrect information in a special report or that it failed to include in a special report information that it was, at the time it filed the special report, required to include in the special report, unless the error or omission is clearly inconsequential. When filing a Form 3 to amend an

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earlier filed Form 3, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 3 all information, affirmations, and certifications that were required to be included in the original Form 3.

Note: The *Board* will designate an amendment to a special report as a report on "Form 3/A."

6. Rules Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

7. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Item 3.1.c, 4.1.c, Part V, Part VI, Item 7.1.d, Item 8.1.d, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. If the Firm requests confidential treatment, it must identify the information in Item 3.1.c, 4.1.c, Part V, Part VI, Item 7.1.d, Item 8.1.d, or Exhibit 99.3 that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

8. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information required by this Form if providing the information would constitute a violation of non-U.S. law by the Firm and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information on that basis from any Part of the Form other than Parts I, II, and IX, and Items 8.1.a, 8.1.b, 8.1.c, and 8.2. If the firm withholds responsive information, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information. The Firm may not use the Form to make any general assertion that a particular

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requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information.

9. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

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PART I – IDENTITY OF THE FIRM

Item 1.1 Name of Firm

a. State the legal name of the Firm.

Note: If the Firm is filing this Form 3 to report that the Firm's legal name has changed, the name entered in Item 1.1.a should be the Firm's legal name before the name change that is being reported. The Firm's new name should be included in the response to Item 1.1.c.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*.

c. If the Firm is filing this Form 3 to report that the Firm's legal name has changed, state the new legal name of the Firm.

PART II – REASON FOR FILING THIS REPORT

Indicate, by checking the relevant box(es) from among Items 2.1 through 2.17 below, the event(s) being reported on this Form. More than one event may be reported in the same Form 3 filing. For each event indicated below, proceed to the Parts and Items of this Form indicated parenthetically for the specific event being reported and provide the information therein described. Provide responses only to those Parts and Items of the Form specifically indicated for the event or events that the Firm identifies in this Part II as an event being reported on this Form. (For example, if the Form is being filed solely to report that the Firm has withdrawn a previously issued *audit report*, check the box for Item 2.1 in this Part of the Form, and complete only Item 3.1 and Part IX of the Form.) If the Firm is filing this Form to amend a previous filing, the Firm also should complete Item 2.18.

Audit Reports

Item 2.1 The Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement

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to make a timely report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K. (Complete Item 3.1 and Part IX.)

Item 2.2 The Firm has issued *audit reports* with respect to more than 100 *issuers* in a calendar year immediately following a calendar year in which the Firm did not issue *audit reports* with respect to more than 100 *issuers*. (Complete Part IX.)

Item 2.3 The Firm has issued *audit reports* with respect to 100 or fewer *issuers* in a completed calendar year immediately following a calendar year in which the Firm issued *audit reports* with respect to more than 100 *issuers*. (Complete Part IX.)

Item 2.4 The Firm has become aware that an *issuer*, in a report, document, or written communication containing the *issuer*'s financial statements, has made use of the Firm's name without the consent of the Firm, in circumstances where such consent is required or the *issuer* indicates that such consent was provided. (Complete Item 4.1 and Part IX.)

Certain Legal Proceedings

Item 2.5 The Firm has become aware that the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 5.1 and Part IX.)

Item 2.6 The Firm has become aware that a partner, shareholder, principal, owner, member, or manager of the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority and is charged with fraud, embezzlement, forgery, extortion, bribery, obstruction of justice, perjury, or false statements; or charged with any crime arising out of alleged conduct relating to accounting, auditing, securities, banking, commodities, taxation, consumer protection, insurance, or dishonesty; or charged with any crime arising out of alleged conduct that, if proven, would bear materially on the individual's fitness to provide *audit services* to *issuers*. (Complete Item 5.1 and Part IX.)

Item 2.7 The Firm has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental

entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 5.1 and Part IX.)

Item 2.8 The Firm has become aware that, in a matter arising out of the person's conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or manager of the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 5.1 and Part IX.)

Item 2.9 The Firm has become aware that a proceeding meeting the criteria described in Items 2.5, 2.6, 2.7, or 2.8 above has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise). (Complete Item 5.2 and Part IX.)

Item 2.10 The Firm has become aware that the Firm, or the parent or a subsidiary of the Firm, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary. (Complete Item 5.3 and Part IX.)

Certain Relationships

Item 2.11 The Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* sanction under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission.* (Complete Item 6.1 and Part IX.)

Item 2.12 The Firm has become owned or partly owned by, an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending

or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* sanction under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*. (Complete Item 6.2 and Part IX.)

Item 2.13 The Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria describe in Items 2.11 or 2.12 above. (Complete Item 6.3 and Part IX.)

Licenses and Certifications

Item 2.14 The Firm has become aware that a license or certification issued to the Firm authorizing it to engage in the business of auditing or accounting has been terminated, revoked, suspended, surrendered, made subject to conditions or contingencies, or has expired without renewal. (Complete Item 7.1 and Part IX.)

Item 2.15 The Firm has obtained a license or certification not identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in a license or certification number identified on a Form 1 or Form 3 previously filed by the Firm. (Complete Item 7.2 and Part IX.)

Changes in the Firm or the Firm's *Board* Contact Person

Item 2.16 The Firm has changed its legal name while otherwise remaining the same legal entity that it was before the name change. (Complete Item 8.1 and Part IX.)

Item 2.17 There has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or the Firm is designating a new person to serve as the primary contact. (Complete Item 8.2 and Part IX.)

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Amendment

Item 2.18 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.18) as to which the Firm's response has changed from that provided in the most recent Form 3 or amended Form 3 filed by the Firm with respect to the events reported on this Form.

PART III – WITHDRAWN *AUDIT REPORTS*

Item 3.1 Withdrawn *audit reports* and consents

If the Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a timely report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K, provide –

a. The *issuer*'s name and CIK number, if any;

b. The date(s) of the *audit report*(s) that the Firm has withdrawn, or to which the Firm's withdrawal of consent relates; and

c. A description of the reason(s) the Firm has withdrawn the *audit report*(s) or the consent.

> Note: The Firm's obligation to report a withdrawn *audit report* on Form 3 is triggered only by the *issuer*'s failure to make a timely report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K. Accordingly, the 14-day period in which the Firm must report the event does not begin to run unless and until the *issuer* fails to report on Form 8-K within the time required by the *Commission*'s rules. The Firm must then report the event on Form 3 within 14 days of the expiration of the required Form 8-K filing deadline, unless, within that 14-day period, the *issuer* reports on a late-filed Form 8-K.

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PART IV – UNAUTHORIZED USE OF FIRM NAME

Item 4.1 Unauthorized Use of Firm Name

If the Firm has become aware that an *issuer*, in a report, document, or written communication containing the *issuer*'s financial statements, has made use of the Firm's name without the consent of the Firm, in circumstances where such consent is required or the *issuer* indicates that such consent was provided, provide –

a. The *issuer*'s name and CIK number, if any;

b. The date that the Firm became aware of the unauthorized use of the Firm's name; and

c. A description of the circumstances and the steps the Firm has taken to address the unauthorized use.

PART V – CERTAIN PROCEEDINGS

Item 5.1 Criminal, Governmental, Administrative, or Disciplinary Proceedings

If the Firm has become a defendant or respondent in any proceeding meeting the criteria described in Items 2.5 or 2.7, or any partner, shareholder, principal, owner, member, or manager of the Firm has become a defendant or a respondent in any proceeding meeting the criteria described in Items 2.6 or 2.8, provide the following information with respect to each such proceeding –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding.

b. The name of the court, tribunal, or body in or before which the proceeding was filed.

c. An indication whether the Firm itself is a defendant or respondent in the proceeding and, if so, the statutes, rules, or legal duties that the firm is alleged to have violated, and a brief description of the firm's alleged conduct in violation of those statutes, rules, or legal duties.

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d. The names of every defendant or respondent who is a partner, shareholder, principal, owner, member, or manager of the Firm, or who was such either at the time the Firm received notice of the proceeding or at the time of the alleged conduct on which any claim or charge is based and, as to each, the statutes, rules, or legal duties that he or she is alleged to have violated, and a brief description of his or her alleged conduct in violation of those statutes, rules, or legal duties.

e. The name of any client that was the recipient of the professional services to which any claim or charge in the proceeding relates.

Note: For the purpose of this Part, administrative or disciplinary proceedings include those of the *Commission*; any other federal, *state*, or non-U.S. agency, board, or administrative or licensing authority; and any professional association or body. Investigations that have not resulted in the commencement of a proceeding need not be included.

Item 5.2 Concluded Criminal, Governmental, Administrative, or Disciplinary Proceedings

If any proceeding meeting the criteria described in Items 2.5, 2.6, 2.7, or 2.8, including any proceeding reported in Item 5.1, has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise), provide –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding;

b. The name of the court, tribunal, or body in or before which the proceeding was filed; and

c. A brief description of the terms of the conclusion of the proceeding as to the Firm or partner, shareholder, principal, owner, member, or manager.

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Item 5.3 Bankruptcy or Receivership

If the Firm, or the parent or a subsidiary thereof, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary, provide –

a. the name of the proceeding;

b. the name of the court or governmental body;

c. the date of the filing or of the assumption of jurisdiction; and

d. the identity of the receiver, fiscal agent or similar officer, if applicable, and the date of his or her appointment.

PART VI – CERTAIN RELATIONSHIPS

Item 6.1 New Relationship with Person Subject to Bar or Suspension

If the Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* sanction under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission,* provide –

a. the name of the person;

b. the nature of the person's relationship with the Firm; and

c. the date on which the person's relationship with the Firm began.

Item 6.2 New Ownership Interest by Sanctioned Firm

If the Firm has become owned or partly owned by, an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a

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Commission sanction under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*, provide –

a. the name of the entity that has obtained an ownership interest in the Firm;
b. the nature and extent of the ownership interest; and

c. the date on which the ownership interest was obtained.

Item 6.3 Certain Arrangements to Receive Consulting or Other Professional Services

If the Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 6.1 or 6.2 above, provide –

a. the name of the person or entity;

b. the date that the Firm entered into the contract or other arrangement; and

c. a description of the services to be provided to the Firm by the person or entity.

PART VII – LICENSES AND CERTIFICATIONS

Item 7.1 License or Certification No Longer in Effect

If any license or certification issued to the Firm authorizing it to engage in the business of auditing or accounting was terminated, revoked, suspended, surrendered, made subject to any conditions or contingencies, or has expired without renewal, provide –

a. the name of the issuing *state*, agency, board or other authority;

b. the number of the license or certification;

c. the date of the termination, revocation, suspension, surrender, expiration, or imposition of conditions or contingencies, and

d. a brief description of the reason(s) for such action.

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Item 7.2 New License or Certification

If the Firm has obtained any license or certification not identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in any license or certification number identified on a Form 1 or Form 3 previously filed by the Firm, provide –

a. the name of the issuing *state*, agency, board or other authority;

b. the number of the license or certification;

c. the date the license or certification took effect; and

d. if the license or certification replaces another license or certification issued by the same authority, the number of the replaced license or certification.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report any related license change on Form 4 and not on Form 3.

PART VIII – CHANGES IN THE FIRM OR THE FIRM'S *BOARD* CONTACT PERSON

Item 8.1 Change in Name of Firm

If the Firm is reporting a change in its legal name –

a. State the new legal name of the Firm;

b. State the legal name of the Firm immediately preceding the new legal name;

c. State the effective date of the name change;

d. Provide a brief description of the reason(s) for the change; and

e. Affirm, by checking the box corresponding to this Item, that, other than the name change, the Firm is the same legal entity that it was before the name change.

Note: If, other than the name change, the Firm is not the same legal entity that it was before the name change, whether because of a change in the

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Firm's legal form of organization or because of other transactions, the registration status of the predecessor firm does not automatically attach to the Firm, and the Firm cannot report the event as a name change. If the Firm cannot make the affirmation required by Item 8.1.e, the Firm cannot execute the certification in Part IX as to Item 8.1, and this Form cannot be deemed filed under Rule 2206.

In that event, the Firm should consider whether, pursuant to the provisions of Rule 2108, the Firm can make the representations required in a Form 4 filing to enable the predecessor firm's registration to attach to the Firm. If the Firm cannot or does not file with the Board a Form 4 making all necessary representations, the predecessor firm's registration does not attach to the Firm. In those circumstances, the Firm may not lawfully prepare or issue an *audit report* without first filing an application for registration on Form 1 and having that application approved by the *Board*.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report any related name change on Form 4 and not on Form 3.

Item 8.2 Change in Contact Information

If there has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail address of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or if the Firm is designating a new person to serve as the primary contact, provide the name and current business mailing address, business telephone number, business facsimile number, and business e-mail of the partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board*.

PART IX – CERTIFICATION OF THE FIRM

Item 9.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

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a. the signer is authorized to sign this Form on behalf of the Firm;

b. the signer has reviewed this Form;

c. based on the signer's knowledge, the Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

d. either –

1. based on the signer's knowledge, the Firm has not failed to include in the Form any information or affirmation that is required by the instructions to the Form, with respect to the event or events being reported on the Form, or

2. based on the signer's knowledge –

   (A) the Firm is a *foreign registered public accounting firm* and has not failed to include in the Form any information or affirmation that is required by the instructions to the Form, with respect to the event or events being reported on the Form, except for information or affirmations that the Firm asserts it is prohibited by non-U.S. law from providing to the *Board* on this Form 3;

   (B) with respect to any such withheld information or affirmation, the Firm has made the efforts required by PCAOB Rule 2207(b) and has in its files the materials required by PCAOB Rule 2207(c); and

   (C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

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PART X – EXHIBITS

To the extent applicable under the foregoing instructions, each special report must be accompanied by the following exhibits:

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)-(4) – *Submit Only as an Exhibit to an Amended Form 3 in Response to a Request Made Pursuant to Rule 2207(d)*

PCAOB
Public Company Accounting Oversight Board

Exhibit 2(a)(B)

Alphabetical List of Comments

American Institute of Certified Public Accountants
BDO International
Deloitte & Touche LLP
Ernst & Young LLP
Grant Thornton LLP
INSTITUT DER WIRTSCHAFTSPRUTER
KPMG LLP
McGladrey & Pullen, LLP
New York State Society of Certified Public Accountants
Norman D. Marks
PricewaterhouseCoopers LLP
Swiss Institute of Certified Accountants and Tax Consultants

July 24, 2006

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

Re: PCAOB Rulemaking Docket Matter No. 019: Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

Members and Staff of the Public Company Accounting Oversight Board:

The American Institute of Certified Public Accountants (AICPA) respectfully submits the following written comments on the Public Company Accounting Oversight Board's (the PCAOB or the Board) Proposed Rules on Periodic Reporting by Registered Public Accounting Firms (the Proposed Rules).

The AICPA is the largest professional association of certified public accountants in the United States, with more than 340,000 members in business, industry, public practice, government and education. The comments in this letter represent the views of those members who audit public companies.

The AICPA recognizes the extensive efforts made by the PCAOB's members and staff to implement the provisions of the Sarbanes-Oxley Act of 2002. As part of that effort, the Board has proposed rules to establish periodic and special reporting requirements for registered public accounting firms (RPAFs). The AICPA is committed to working with the PCAOB to develop fair and effective reporting requirements that satisfy the Board's need for current and relevant information about RPAFs and their public company audit practices. To that end, we appreciate the opportunity to comment on the Proposed Rules.

* * * * *

General Comments

Overall, we support the Proposed Rules and recognize the Board's interest in obtaining from RPAFs, on an annual basis, basic information that updates information in a firm's Form 1 registration statement and assists the Board in planning for firm inspections. We also support the Board's proposal to adopt special reporting requirements that would require RPAFs promptly to bring significant, non-routine events to the Board's attention. However, we have identified a

number of issues with the Board's proposed Form 2 annual report and Form 3 special reports that we believe warrant further consideration and clarification by the Board.

As a preliminary matter, our overarching comment is that, as currently drafted, several of the Proposed Rules are considerably broader in scope than the comparable provisions included in the Form 1 registration requirements and would impose a greater compliance burden on RPAFs than the Board may have intended. Specifically, in the release that accompanied the Proposed Rules, the PCAOB emphasized that the Proposed Rules were not intended to impose unnecessary burdens on RPAFs and suggested that compliance with the proposed requirements would not entail significant effort or cost.[1] It is our understanding, however, that many RPAFs do not have available certain of the required information in the specific format contemplated by the Proposed Rules and that the costs involved in generating that information would be significant.

Accordingly, we respectfully request that the Board allow more flexibility with respect to the manner in which RPAFs report on certain categories of information, as described in more detail below with respect to specific items of proposed Form 2 and Form 3. In making the following comments, we have attempted to strike an appropriate balance between the Board's need, as it seeks to carry out its mandate, for current and timely information regarding RPAFs, and the potentially significant additional compliance costs that certain of the Board's proposals, as currently constructed, may impose on RPAFs.

Comments on Proposed Form 2 Annual Reports

Proposed Item 2.1 of Form 2 — Reporting Period

Proposed Item 2.1 would require each RPAF to file an annual report on Form 2 covering a 12-month period beginning April 1 and ending on March 31 of the following year. In addition, Proposed Rule 2201 would set June 30 as the deadline for RPAFs to prepare and file an annual report on Form 2. For the following reasons, we recommend that the Board amend proposed Item 2.1 to permit an RPAF to set its own 12-month reporting period — or at least allow a firm the option of using its own fiscal year as an alternative to the 12-month period ending March 31.

The Proposing Release acknowledges that an April 1 to March 31 reporting period would require many RPAFs to prepare information for a period other than their current fiscal year. Indeed, our understanding is that less than two percent of firms that audit public companies and whose views are represented in this letter currently operate on fiscal years ending March 31. However, the Board suggests in the Proposing Release that this requirement would not be unreasonable because "none of the information required by proposed Form 2 involves any complexity or burden * * *."[2] This simply is not the case. Several of the Proposed Rules would impose new reporting obligations on RPAFs, however, and the burdens of complying with those requirements

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[1] *See "*Proposed Rules on Periodic Reporting by Registered Public Accounting Firms," PCAOB Release No. 2006-004 (May 23, 2006) (the "Proposing Release") at 2 and 8.

[2] Proposing Release at 8.

would be significant for some firms. For example, although practices may vary depending on the size of an accounting firm and the nature of its audit practice, we understand that while many RPAFs can extract this information at any one point in time, the cost and complexity of doing so in the specific format requested and at a period other than the firm's fiscal year end (which may not be March 31) or some other 12-month period of the RPAF's choosing significantly increases the cost without a corresponding increase to the benefits derived from gathering this specific information. Many RPAFs do not specifically track, and could not readily generate for a 12-month period ending March 31, the specific information required under several proposed Form 2 items, including:

- Item 3.2 (requiring RPAFs to provide certain fee-related data on a percentage basis);
- Item 4.1.b (requiring RPAFs to identify the total number of personnel who exercised authority to sign audit reports during the reporting period); and
- Item 6.1 (requiring RPAFs to report, among other things, the total number of a firm's personnel who provided audit services to issuers during the reporting period, segregated by functional level).

As we discuss in our specific comments, we believe that firms should be allowed to report information on certain of these items using ranges or estimates. Moreover, in many cases, we believe that it would be less burdensome for an RPAF to retrieve and process the information required by proposed Form 2 based on the firm's existing internal information tracking systems, which may be tied to the firm's fiscal year. In our view, this more flexible approach would enhance, rather than detract from, the quality and accuracy of the information reported to the Board. Moreover, this recommendation is consistent with the SEC's approach to regulating public companies, which are permitted to select their own fiscal years for periodic reporting purposes.

Proposed Item 3.2 of Form 2 — Firm Revenues

Proposed Item 3.2 would require an RPAF to state, for the period April 1 to March 31, the percentage of total fees billed by the RPAF to all clients for services rendered that were attributable to fees billed to issuer audit clients for "audit services," "other accounting services," "tax services," and "non-audit services." We have two comments on this proposal. First, we suggest that the Board clarify that the designated fee categories are identical to similar terms used in the SEC's proxy disclosure rules. Second, we recommend that the Board adopt a more flexible approach regarding the manner in which RPAFs calculate and report the required fee information.

With respect to the fee categories in proposed Item 3.2, we understand that they are intended to correspond to the four categories identified in the SEC's proxy disclosure rules, which require

issuers to report the amounts paid to the issuer's principal accountants. However, the terms "audit services," "other accounting services," "tax services," and "non-audit services" differ from the terms used by the SEC's proxy disclosure rules, which refer to "audit fees," "audit-related fees," "tax fees," and "all other fees." To avoid any potential confusion caused by the different wording and the slight variation in the corresponding definitions, we suggest that the Board either amend its defined terms to match the terms used in the SEC's proxy disclosure rules or expressly state in a note accompanying Item 3.2 that the PCAOB intends the terms to be identical to the terms used in Item 9(e) of the SEC's Schedule 14A.

In addition, we understand that RPAFs generally do not collect fees or aggregate fee information in a manner that would allow them readily to respond to proposed Item 3.2. Specifically, to the extent such information is collected, RPAFs do not maintain and calculate this information for all of their issuer clients over the proposed reporting period (*i.e.*, April 1 to March 31). Rather, RPAFs currently provide their issuer clients with the aggregate fees billed for professional services during the *issuer's* fiscal year. In addition, the fee information provided to the issuer includes services rendered by all of the RPAF's departments, divisions, parents, subsidiaries, and associated entities that provide professional services to the issuer, including those located outside of the United States (consistent with the definition of "principal accountant," as that term is used in the SEC's proxy disclosure rules).

Accordingly, to provide the percentages required by proposed Item 3.2, an RPAF would be required (1) to calculate fees over a period that is normally inconsistent with both the issuer's fiscal year and the RPAF's fiscal year, and (2) to perform additional calculations to make sure that fees attributable to the associated entities and foreign affiliates of the RPAF were not included — which would essentially reconcile the difference between an "RPAF" and a "principal accountant." Depending on the specific facts and circumstances of a particular RPAF, such calculations could be a significant, time-consuming and costly undertaking.

We recognize the Board's interest in obtaining "a picture of how the firm's services for issuer audit clients compare generally with the firm's services for other clients," as well as "a picture of the allocation of services the firm provided to issuer audit clients."[3] We also believe that this interest must be balanced against the burdens involved in calculating the precise fee information as contemplated by proposed Item 3.2. In balancing these interests, we believe that the Board can obtain the information it is looking for under a more flexible approach. To that end, we offer the following two suggestions:

First, we believe that the Board should allow an RPAF to develop its own methodology for calculating the percentage of estimated total billings that are attributable to each of the four fee categories. Under this proposed approach, an RPAF would be required to submit to the Board the methodology used to calculate the percentages. As long as the stated methodology is reasonable, the RPAFs would not be limited to any specified 12-month reporting period.

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[3] Proposing Release at 4.

Moreover, since the Board presumably is interested in fee information of a directional nature, rather than precise data, the burdens of performing a precise calculation could be alleviated by allowing RPAFs to report the percentages of fees for issuer clients attributable to the four fee categories through the use of ranges (*e.g.,* 0% - 10%, 11% - 20%, etc.).

In the alternative, we propose that the Board adopt an approach whereby RPAFs are expressly permitted to calculate the relevant percentages by relying on information that is already available. Specifically, RPAFs could use the most recent proxy data published by each of its issuer clients and aggregate the fee information in those filings for each of the four categories. In using this data, an RPAF would need to exclude fees for services rendered by certain of the firm's associated entities that were not part of the RPAF, but nevertheless fell within the SEC's definition of a "principal accountant." While this method will result in a calculation that is based on information from different time periods, the fee information reported would still be relevant and instructive for the Board's purposes, as it would reflect work the RPAF performed for its issuer clients during the issuers' most recent fiscal years. In addition, as with the first proposal, the burdens of performing a precise calculation could be alleviated by requiring RPAFs to report the fee information through the use of ranges (*e.g.,* 0% - 10%, 11% - 20%, etc.).

Accordingly, we recommend that the Board amend proposed Item 3.2 to allow for more flexibility and offer the two proposals outlined above for the Board's consideration. While the proposed alternatives would not yield precise results, they would provide the Board with reasonable estimates that we believe should satisfy the Board's informational goals.

Proposed Item 4.1 of Form 2 — Audit Reports Issued by the Firm

Under proposed Item 4.1.a.3, if an RPAF issued an audit report for an issuer during the period April 1 to March 31, the RPAF would be required to identify the dates of each audit report issued for that issuer during the 12-month reporting period. It is our understanding that many RPAFs do not currently track this information in a manner that would allow them readily to respond to this item. While we recognize the Board's desire for information regarding an RPAF's issuance of audit reports for issuers, we believe that proposed Items 4.1.a.1 and 4.1.a.2 should satisfy the Board's needs. These items would require an RPAF to provide the names and CIK numbers of every issuer for which the RPAF issued an audit report during the reporting period.

In comparison, it is not clear why the Board would routinely need the dates of every audit report issued by an RPAF for every issuer, including separate audit reports and dual-dated audit reports. Given the costs of establishing a tracking system to collect this information, we suggest that the Board eliminate proposed Item 4.1.a.3. As stated above, however, if the Board determines to adopt this requirement, we recommend that the Board permit an RPAF to report the requested information based on its own fiscal year, or some other annual period of the RPAF's choosing.

In addition, under proposed Item 4.1.b, if an RPAF issued an audit report for any issuer during the period April 1 to March 31, the RPAF would be required to provide the total number of its

personnel who exercised the authority to sign the RPAF's name to an audit report during the reporting period. We believe the Board's need for general information related to the number of personnel within a firm who possessed or exercised the authority to sign audit reports can be satisfied without requiring such precise data. Accordingly, we recommend that the Board allow RPAF's to report the total number of personnel who exercised the authority to sign the RPAF's name to an audit report through the use of ranges (*e.g.,* 1-10; 11-50; 51-100, etc.). In addition, we believe that firms would find such a reporting requirement less burdensome if the Board allowed them to track and report the data based on their own fiscal years, or some other 12-month period of their choosing.

Proposed Item 5.2 of Form 2 — Audit-Related Members, Affiliations, or Similar Arrangements

Proposed Item 5.2.a.3 of Form 2 would require an RPAF to report any "affiliation" with another entity through which the firm "commonly employs or leases personnel to perform audit services . . . ." There are a number of circumstances where an RPAF, particularly a small firm, might contract with a third-party entity to provide a variety of audit services, including valuation or actuarial services in support of an audit engagement or serving as a concurring review partner. However, the mere fact that an RPAF frequently contracted with a third party to provide services or additional personnel to assist with audit engagements would not mean that the RPAF and the third party were "affiliates," as that term is commonly understood. Accordingly, we submit that this requirement is unclear and that the Board should more specifically define what the term "affiliation" is intended to mean in this context. In addition, we submit that the phrase "commonly employs or leases" is unclear, and likely would be interpreted differently by different firms, and that the Board should clarify its intended meaning.

Proposed Item 6.1 of Form 2 – Number of Firm Personnel

Proposed Item 6.1.d would require an RPAF to identify the total number of the firm's personnel who were employed by the firm at the end of the reporting period and, during the period April 1 to March 31, had provided audit services to issuers, "segregated by functional level." A note accompanying proposed Item 6.1 states that the total number of personnel who provided audit services should be reported separately for different levels of responsibility, such as partners, senior managers, managers, and audit staff. It is our understanding that many RPAFs do not track personnel and their audit-related responsibilities for issuers in a manner that would allow them to respond to this item without incurring a substantial burden.

Accordingly, we recommend that the Board adopt a more flexible approach in requiring the reporting of this type of information. Specifically, we believe that the Board should permit firms to report these figures using ranges of personnel for various "functional levels" (*e.g.,* 1-10; 11-50; 51-100, etc.). In addition, we believe that firms would find such a reporting requirement less burdensome if the Board allowed them to track and report the data based on their own fiscal years, or some other 12-month period of their choosing.

Proposed Item 7.1 of Form 2 – Certain Sanctioned Individuals

Proposed Item 7.1 would require an RPAF to disclose whether, during the relevant reporting period, it had taken on as an employee, partner, shareholder, principal, or member, or otherwise become owned or partly owned by, an individual who, within the last five years, was the subject of either a PCAOB disciplinary sanction or a sanction under Rule 102(e) of the SEC's Rules of Practice. We recommend that the Board harmonize proposed Item 7.1 of Form 2 with Item 5.1 of Form 1, the analogous provision in the Board's registration application, by limiting the contemplated disclosure requirement to situations in which the previous PCAOB or SEC disciplinary proceeding arose out of the individual's conduct in connection with an audit report or comparable report prepared for a non-issuer client. We also believe that the Board should consider limiting the scope of Item 7.1 to individuals who would be assuming senior management positions within an RPAF or were being hired to perform audit services. Finally, we submit that the Board should eliminate, or significantly limit, the proposed requirement that RPAFs report such information on a "catch-up" basis in their first Form 2.

With respect to our first suggestion, Item 5.1 of Form 1 contains an analogous requirement that a firm disclose certain pending or resolved administrative or disciplinary proceedings against the firm or its associated persons. The analogous provision under Item 5.1, however, is limited to proceedings that arose out of the firm's or the associated person's "conduct in connection with an audit report or comparable report prepared for a non-issuer client." In comparison, proposed Item 7.1 would require an RPAF to disclose employment relationships that were not required to be disclosed under Form 1, and to report certain disciplinary sanctions that may be completely unrelated to the preparation of an audit report, whether for an issuer or a non-issuer. We believe that the resources dedicated to monitoring and reporting certain sanctions to the PCAOB should be directed to issues that relate more directly to an RPAF's audit practice. Accordingly, we recommend that the Board amend the scope of proposed Item 7.1 to conform to Item 5.1 of Form 1.

In addition, we believe that, particularly given its broad scope, proposed Item 7.1 would have collateral consequences that the Board may not have anticipated with respect to the employment prospects of individuals whose sanctions were required to be disclosed. Many RPAFs may be reluctant to hire an individual, regardless of the nature of the position sought by the individual, if the employment relationship had to be disclosed separately on Form 2. In many cases, the mere requirement to make such a disclosure might weigh heavily against hiring the individual, notwithstanding the relative merits of the applicant. We believe that such potential consequences are too severe in the context of individuals who are not applying for senior management positions and/or who are not being hired to work on audits. Moreover, even if the individual was hired by the RPAF, the disclosure obligation would, in essence, constitute a "re-publication" of the prior sanction, which we believe would be unfair. The broad application of proposed Item 7.1 also might dissuade individuals who become involved in PCAOB or SEC investigations or proceedings from settling with regulators in light of the potential collateral consequences. Thus,

we recommend that proposed Item 7.1 be limited to individuals who are hired in senior management positions within the RPAF and/or hired to perform audit services.

Moreover, with respect to the first annual report that an RPAF would file, the Board would require an RPAF to provide information under Item 7.1 for the period running from the date used by the RPAF for registration purposes (*i.e.*, no earlier than 90 days prior to the submission of the application for registration) through March 31 of the year in which the first annual report is filed. As such, this "catch-up" reporting would create a potentially onerous obligation to track down and report on any individual who had been employed by the RPAF during the "catch-up" period and had been the subject of a PCAOB or SEC disciplinary proceeding, without regard to the nexus, if any, to the RPAF's preparation of audit reports for issuers or whether the individual is still employed by the RPAF. We believe that the Board should eliminate the "catch-up" reporting requirement or significantly limit its scope to apply to a narrower set of individuals than would be subject to the general proposed Item 7.1 reporting requirement. Specifically, if the Board determines to adopt a "catch-up" provision, we believe that it should apply only to persons (1) who were hired in senior positions to perform audit services and (2) who were still employed by the RPAF at the relevant "cut-off date" for the Form 2 filing. Similar burdens associated with the proposed "catch-up" reporting requirement also are noted below in connection with several other comments.

Proposed Item 7.2 of Form 2 — Individuals Connected with Certain Sanctioned Firms

Proposed Item 7.2 would require an RPAF to disclose whether, during the relevant reporting period, it had hired or become owned or partly owned by an individual who had been a partner, shareholder, principal, member, or proprietor of a public accounting firm that had been subject to certain sanctions imposed by the PCAOB or SEC within the last five years (a "Sanctioned Firm"). This disclosure requirement would be triggered if the newly hired individual served as a partner, shareholder, principal, member, or proprietor at a Sanctioned Firm "at a time of the conduct" giving rise to the PCAOB or SEC sanction.

For the reasons discussed above in connection with proposed Item 7.1, we believe that a reporting requirement of this nature would have collateral consequences in connection with the subsequent hiring of individuals previously associated with a Sanctioned Firm. Indeed, proposed Item 7.2 would require public disclosures by an RPAF, even in situations where the individual played no role in the conduct giving rise to the sanction against his or her prior firm. We do not believe the Board should impose a reporting requirement that might discourage an RPAF from hiring an otherwise qualified individual, even if the individual played no role in the conduct giving rise to the sanction, simply because he or she previously has been associated with a Sanctioned Firm.

In addition, we believe that RPAFs would find it difficult to ensure compliance with proposed Item 7.2, as drafted. The timing of a sanction imposed on an entity is rarely contemporaneous with the underlying conduct. In many cases, months, if not years, might pass before the SEC or

PCAOB imposed a disciplinary sanction on an individual's prior firm. By that time, the individual may have moved on to one or more other firms before the sanction was publicly announced. Under proposed Item 7.2, however, an RPAF would not only have to determine whether an applicant was employed by a Sanctioned Firm at the time of his or her hiring, but also evaluate and monitor the subsequent disciplinary status of his or her prior firms over an extended period.

A requirement that an RPAF disclose this information on a "catch-up" basis in its first Form 2 report would substantially increase the reporting burdens for RPAFs, as a firm would have to evaluate the disciplinary history of the former employers of a potentially large pool of individuals hired since the firm filed its Form 1 registration application. Accordingly, as with our prior comment regarding proposed Item 7.1, we recommend that the Board eliminate the "catch-up" reporting requirement or significantly limit its scope to apply only to a narrower set of individuals than would be subject to the general proposed Item 7.2 reporting requirement. Specifically, if the Board determines to adopt a "catch-up" provision, we believe that it should apply only to persons (1) who were hired in senior positions to perform audit services, and (2) who were still employed by the RPAF at the relevant "cut-off date" for the Form 2 filing.

Proposed Item 7.4 of Form 2 — Certain Arrangements to Receive Consulting or Other Professional Services

Proposed Item 7.4 would require an RPAF to disclose whether it had entered into a "contractual or other arrangement to receive consulting or other professional services" from (1) certain sanctioned individuals described in proposed Item 7.1.a, (2) individuals connected with certain sanctioned entities described in proposed Item 7.2.a, or (3) certain sanctioned entities described in proposed Item 7.3.a. We submit that the Board should limit the scope of proposed Item 7.4 to apply only to those individuals and entities that enter into contractual or other arrangements with the RPAF to provide services in connection with the issuance of an audit report for issuer audit clients. In addition, we believe that the Board should eliminate, or significantly limit, the "catch-up" reporting requirements for this information.

This proposed item would appear to require RPAFs to evaluate and monitor the disciplinary histories of individuals and entities that provided a wide range of consulting or other professional services to RPAFs. For example, RPAFs would be required to track the disciplinary histories of information technology consultants and other independent contractors who had previously provided, or were currently rendering, services unrelated to a firm's issuer audit practice, as well as the disciplinary records of their employers and former employers that were public accounting firms. Moreover, Item 7.4 would apply to consultants and independent contractors retained by an RPAF, rather than to a firm's full-time employees. In many instances, firms might conduct only limited due diligence prior to retaining such consultants or contractors, given the limited nature of the relationship and taking into consideration the types of services the consultants or contractors were being hired to provide.

We believe that the Board has a legitimate interest in learning when an RPAF had retained a previously sanctioned individual or entity as an independent contractor or consultant to assist the firm with audits of issuer clients. Accordingly, we believe that the disclosure of such relationships in a Form 2 would be appropriate in these circumstances. However, we do not believe that the PCAOB should require RPAFs to monitor and report on contractors that have been retained to provide services unrelated to the firm's preparation of audit reports for its issuer audit clients.

In addition, for the reasons discussed above with respect to proposed Item 7.2, we believe that the imposition of such a reporting requirement might serve to discourage RPAFs from hiring otherwise qualified outside contractors and consultants. For example, as drafted, Item 7.4 would require an RPAF to make specific disclosures in situations where an independent consultant previously had held certain positions with a Sanctioned Firm, but personally had played no role in the conduct giving rise to the sanction against his or her prior firm.

As with proposed Items 7.1 and 7.2, a requirement that an RPAF disclose such information on a "catch-up" basis in its first Form 2 report would substantially increase the reporting burdens for RPAFs. Specifically, an RPAF would have to evaluate the disciplinary history of a potentially large pool of independent contractors and consultants retained since the firm filed its Form 1 registration application, as well as the disciplinary records of their employers and former employers that fell within the definition of a "public accounting firm." In many instances, RPAFs would not have this information readily available in their records and former consultants or contractors might decline to supply additional information regarding their prior employers to firms. Accordingly, we recommend that the Board eliminate the "catch-up" reporting requirement or significantly limit its scope to apply only to consultants and contractors who (1) were retained to assist with an RPAF's performance of audit services for issuers and (2) were still retained by the RPAF at the relevant "cut-off date" for the Form 2 filing.

Proposed Item 8.1 of Form 2 – Acquisition of Another Accounting Firm or Substantial Portions of Another Accounting Firm's Personnel

Proposed Item 8.1 would require an RPAF to state whether it had acquired another accounting firm or, without acquiring another accounting firm, taken on as employees, partners, shareholders, principals, members or owners 75% or more of the persons who were the partners, shareholders, principals, members or owners of another accounting firm. As proposed, this item would require RPAFs to disclose relatively insignificant acquisitions. For example, an RPAF that employs 1,000 or more accountants would be required to disclose the hiring, perhaps at different times, of three partners from a four-partner accounting firm.

In addition, the "catch-up" reporting requirement would mean that, with respect to the first annual report to be filed, an RPAF would bear the burden of tracking down and reporting whether during the catch-up period any combination of newly hired persons constituted 75% or more of the persons who were partners, shareholders, principals, members, or owners of another

accounting firm. Indeed, this requirement would appear to apply even if some or all of those persons were no longer employed by the RPAF at the time of the cut-off date for the Form 2 report.

We believe that the Board should limit the scope of proposed Item 8.1 to the disclosure of significant acquisitions. At a minimum, the Board should include an exception for *de minimis* acquisitions. In addition, to determine the significance of an acquisition, the Board might employ a framework similar to Rule 3-05 of Regulation S-X, which establishes a standard by which public companies determine whether to file the financial statements of businesses acquired or to be acquired. We also submit that the Board should eliminate the "catch-up" reporting requirements with respect to Item 8.1, particularly if the Board does not limit its scope to significant acquisitions.

Comments on Proposed Form 3 Special Reports

Proposed Rule 2203 – Special Reports

Proposed Rule 2203 would require an RPAF to file a special report on new Form 3 within 14 days of the occurrence of certain specified events. We recognize that the purpose of Form 3 reporting is to alert the Board to the occurrence of certain non-routine events that may "have somewhat more immediate bearing on how the Board carries out its regulatory responsibilities regarding the firm."[4] Based on input from a number of our member firms, however, we are concerned that the proposed 14-day deadline would not, in many cases, provide sufficient time for RPAFs to gather information regarding potentially reportable events, evaluate that information, and report those events in a meaningful and comprehensive way. Complying with this deadline would be particularly difficult in situations where the disclosure requirement is triggered by the conduct of an individual (or an individual's prior employer), rather than by the RPAF's conduct.

Accordingly, we recommend that the Board amend proposed Rule 2203 to allow RPAFs to file a Form 3 within 45 days of a reportable event. By way of analogy, some state boards of accountancy typically allow firms subject to their jurisdiction 45 days to report significant events.

The "Firm Has Become Aware" Standard

Proposed Items 2.4 through 2.10, 2.14, and 4.1 of Form 3 would require an RPAF to file a special report with the Board if the "[f]irm has become aware" that certain events have occurred. We believe that this standard is vague as to when knowledge by persons employed by an RPAF will be ascribed to the firm for Form 3 reporting purposes. We suggest that the Board amend each of the proposed items noted above to make clear that a reporting obligation is triggered if

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4 *Id.* at 3.

specified senior personnel at the RPAF (*e.g.*, the firm's governing board and/or its senior management) have actual "knowledge" of the event.

Specifically, under the proposed items, an RPAF's reporting obligation arguably might be triggered if *any* partner or employee of the RPAF became aware of a reportable event. Coupled with the fact that RPAFs would have only 14 days to file a Form 3 under proposed Rule 2203, circumstances could be expected to arise in which firms inadvertently failed to make a timely Form 3 filing, due to a lack of knowledge of the reportable event by persons at the firm charged with responsibility for preparing Form 3 filings or a delay in communicating information to such individuals.

To reduce this risk, we believe that more senior personnel of the RPAF should have knowledge of an event before the RPAF is required to report the event on Form 3. By way of analogy, we suggest that the Board consider Item 5.01(a) of the SEC's Form 8-K, which requires registrants to report a change in control of the registrant if, "to the knowledge" of the registrant's board of directors, a committee of the board of directors or authorized officers of the registrant, such an event has occurred. In making this suggestion, we are mindful that, regardless of whether the Board adopts an "awareness" or "knowledge" standard, each RPAF should establish internal processes to encourage the communication of accurate and prompt information regarding potentially reportable events to the proper individuals within the firm, so that the firm is able to confirm and report these events in a timely manner.

The Definition of "Manager"

Items 2.6, 2.8, 2.9, 5.1, and 5.2 of proposed Form 3 refer to the term "manager" in the context of various reporting obligations that would be triggered if an RPAF became aware that a "partner, shareholder, principal, owner, member, or *manager*" of the RPAF was connected to certain pending or concluded legal proceedings. The terms "partner," "shareholder," "principal," "owner" and "member" are generally understood to refer to persons who have an ownership interest in an RPAF. In contrast, while the term "manager" generally does not refer to an individual with an ownership interest in an RPAF, it is not defined in the Board's rules and may refer to employees at varying levels of seniority, depending on a particular firm's structure and terminology. Accordingly, we request that the Board clarify the intended meaning of the term "manager" in these items.

Proposed Items 2.1 and 3.1 of Form 3 – Withdrawn Audit Reports and Consents

Proposed Item 2.1 would require an RPAF to report to the Board any circumstances in which (1) it had withdrawn an audit report on financial statements, or withdrawn its consent to the use of the RPAF's name in a report, document, or written communication containing the issuer's financial statements, and (2) the issuer had failed to comply with an SEC requirement to make a timely report concerning the matter pursuant to Item 4.02 of Form 8-K.

We understand that the Board's goal in proposing Items 2.1 and 3.1 was to highlight instances where an issuer may have failed to comply with Item 4.02(b) of Form 8-K and create a new vehicle to notify the public of such situations. We strongly support regulatory efforts to ensure that issuers comply with their Form 8-K and other reporting obligations. However, we do not believe that requiring RPAFs to report to the Board, which has no authority over issuers, potential violations of selected Form 8-K requirements by their issuer audit clients is an appropriate means to accomplish that objective. Establishing issuer reporting requirements and enforcing compliance with those requirements is the province of the SEC. We respectfully submit that the Board should leave this issue to the discretion of the SEC and remove proposed Items 2.1 and 3.1 from proposed Form 3.

Proposed Items 2.4 and 4.1 of Form 3 – Unauthorized Use of Firm Name

Proposed Items 2.4 and 4.1 would require an RPAF to indicate whether it had become aware that an issuer, in a report, document or written communication containing an issuer's financial statements had used the RPAF's name without the RPAF's consent in circumstances where such consent was required or the issuer had indicated that such consent was provided.

We agree with the Board that an issuer's unauthorized use of an RPAF's name may be cause for concern for the RPAF and the investing public. However, similar to our comments in connection with proposed Items 2.1 and 3.1, proposed Items 2.4 and 4.1 involve issuer misconduct, which we believe should be addressed by the SEC.

If, however, the PCAOB decides to impose a reporting obligation on RPAFs in such circumstances, we suggest that the Board limit the disclosure obligation to apply only to the unauthorized use of a firm's name in an audit report. As currently drafted, Items 2.4 and 4.1 would apply broadly to any unauthorized use of an RPAF's name in "a report, document, or written communication containing the issuer's financial statements" and, therefore, could be triggered by an unauthorized reference to a firm in a document prepared or distributed by an issuer that is not an audit client. For example, the reporting obligation under these proposed items would be triggered if an issuer that was not an RPAF's audit client hired the firm to provide M&A-related services and subsequently referenced the firm's work, without the firm's consent and contrary to the terms of the firm's engagement letter, in a document that also contained the issuer's financial statements.

Therefore, if the Board decides to adopt Items 2.4 and 4.1, we believe that it should limit those requirements to the unauthorized use, by an issuer, of an RPAF's name in an audit report. By doing so, the Board would address situations that directly relate to the RPAF's audit services and the integrity of the issuer's financial statements without imposing an unnecessary burden on the RPAF or requiring the disclosure of information that is less likely to be of interest to investors or relevant to the Board's supervisory functions.

Proposed Item 2.6 of Form 3 – Criminal Proceedings Involving Individuals

Proposed Item 2.6 would require an RPAF to disclose if it had become aware that a partner, shareholder, principal, owner, member, or manager of the RPAF had become a defendant in a criminal proceeding and was charged with a wide range of enumerated crimes, including any crime arising out of alleged conduct relating to, among other things, "dishonesty," or with any crime arising out of alleged conduct that, if proven, would "bear materially on the individual's fitness to provide audit services to issuers."

We respectfully request that the Board eliminate the use of the term "dishonesty" in this proposed item. We believe that most business crimes, whether they are felonies or misdemeanors, involve at least some level of dishonesty, and Item 2.6 separately would require RPAFs to disclose criminal proceedings involving certain firm personnel that involved allegations of "fraud, embezzlement, forgery, extortion, bribery, obstruction of justice, perjury, or false statements," or which arose out of alleged conduct relating to "accounting, auditing, securities, banking, commodities, taxation, consumer protection [or] insurance." As a result, it is unclear exactly what the Board was attempting to capture with the inclusion of the additional term "dishonesty."

In addition, we request that the Board provide guidance with respect to what conduct would "bear materially on [an] individual's fitness to provide audit services to issuers." As noted, proposed Item 2.6 separately would require disclosure of a broad range of enumerated proceedings against certain firm personnel, including proceedings in which the alleged crime arose out of conduct related to accounting, auditing, or securities. Given the broad scope of this language, it is not clear what types of proceedings not already covered by other provisions of proposed Item 2.6 would "bear materially on [an] individual's fitness to provide audit services to issuers."

Proposed Item 2.7 of Form 3 – Civil or ADR Proceedings Involving the Firm

Proposed Item 2.7 would require an RPAF to file a special report if it had become aware that, in a matter arising out of the firm's conduct in the course of providing professional services for a client, the RPAF had become a defendant or respondent in a civil or ADR proceeding initiated by the government or in an administrative or disciplinary proceeding (other than a Board disciplinary proceeding).

Item 5.1.a of Form 1, an analogous provision in the Board's registration application, requires applicants to disclose pending civil or ADR proceedings initiated by the government arising out of the RPAF's "conduct in connection with an audit report, or a comparable report prepared for a client that is not an issuer." In comparison, proposed Item 2.7 of Form 3 is much broader in that it implicates matters arising out of a firm's provision of "professional services" to its clients. As a result, proposed Item 2.7 could require the special reporting of proceedings relating to consulting or other non-attest services that did not involve an RPAF's audit practice or the

integrity of any issuer's financial statements. Accordingly, in keeping with the standards set forth in the Board's registration requirements, we respectfully suggest that the Board limit the scope of proposed Item 2.7 to matters arising out of an RPAF's "conduct in connection with an audit report or a comparable report prepared for a non-issuer client."

Proposed Item 2.8 of Form 3 – Civil or ADR Proceedings Involving an Individual

Proposed Item 2.8 would require an RPAF to report if it had become aware that, in a matter arising out of the firm's conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or manager of the RPAF became a defendant or respondent in a civil or ADR proceeding initiated by the government or in an administrative or disciplinary proceeding (other than a Board disciplinary proceeding).

Again, Item 5.1.a of Form 1 requires applicants to disclose pending civil or ADR proceedings initiated by the government arising out of conduct by associated persons of a firm "in connection with an audit report, or a comparable report prepared for a client that is not an issuer." In comparison, proposed Item 2.8 of Form 3 is much broader in that it implicates matters arising out of the provision by firm personnel of "professional services" to a firm's clients. As a result, proposed Item 2.8 could require the special reporting of proceedings relating to consulting or other non-attest services that did not involve an RPAF's audit practice or the integrity of any issuer's financial statements. Accordingly, in keeping with the standards set forth in the Board's registration requirements, we respectfully suggest that the Board limit the scope of proposed Item 2.8 to matters arising out of the conduct of associated persons of an RPAF "in connection with an audit report or a comparable report prepared for a non-issuer client."

Proposed Item 5.1 of Form 3 – Criminal, Governmental, Administrative, or Disciplinary Proceedings

In situations where an RPAF must file a special report on Form 3 pursuant to proposed Items 2.5 through 2.8, proposed Item 5.1 of Form 3 would require the RPAF to provide, among other things, a brief description of the RPAF's alleged violation of the statutes, rules, or legal duties at issue. In addition, an RPAF would be required to provide the name of every defendant or respondent who is a partner, shareholder, principal, owner, member, or manager of the RPAF and a brief description of each individual's alleged conduct in violation of the applicable statutes, rules, or legal duties.

In contrast, Item 5.1.b of Form 1, which contains an analogous requirement to disclose certain information regarding pending or concluded legal proceedings, requires a description of the statutes, rules, or other requirements the applicant or an associated person was alleged to have violated and, if applicable, the outcome of the proceeding. The disclosure requirements of Item 5.1.b of Form 1 provide the Board with the key information necessary to assess the legal or regulatory issues at issue in a pending or concluded proceeding, without burdening firms with an obligation to provide narrative descriptions of the alleged — and likely disputed — violations by

potentially numerous defendants or respondents in a single proceeding. We believe that the Board should follow an approach similar to that employed in Item 5.1.b of Form 1 in Item 5.1 of Form 3.

Proposed Item 2.13 of Form 3 – Certain Arrangements to Receive Consulting or Other Professional Services

Proposed Item 2.13 would require an RPAF to file a report on Form 3 if it entered into a "contractual or other arrangement to receive consulting or other professional services" from certain individuals who were currently the subject of either a Board disciplinary sanction suspending or barring the person from being an associated person of an RPAF, or a sanction under Rule 102(e) of the SEC's Rules of Practice suspending or denying the individual the privilege of appearing or practicing before the SEC. This proposed item also would require an RPAF to report if it had entered into a "contractual or other arrangement to receive consulting or other professional services" from entities subject to similar sanctions.

This proposed item would require RPAFs to collect information on and evaluate the current disciplinary status of all individuals and entities being considered to provide a wide range of consulting or other professional services to RPAFs. For example, RPAFs would be required to determine the disciplinary status of marketing consultants and other contractors who provide services far removed from a firm's audit-related functions. We submit that the Board should limit the scope of proposed Item 2.13 to apply only to those individuals and entities that enter into contractual or other arrangements with an RPAF to provide services in connection with the firm's audit reports for issuer audit clients. Given the limited nature and relevance of the relationship at issue, we believe that disclosure of disciplinary sanctions would be appropriate only if the consultant or contractor were engaged to provide services of this nature.

Proposed Item 2.15 of Form 3 – New License or Certification

Proposed Item 2.15 would require an RPAF to file a report on Form 3 if it had obtained a license or certification not identified on any Form 1 or Form 3 previously filed by the RPAF or if there had been a change in a license or certification number identified on a Form 1 or Form 3. We suggest that an RPAF should be allowed to report such information in an annual report on Form 2, rather than in a special report on Form 3. Specifically, it is not clear that such events would be of "some immediate concern" to the Board or have an immediate effect on the manner in which the Board carried out its regulatory responsibilities regarding the RPAF.[5] If there were a specific reason why the Board needed to know on an interim basis whether an RPAF had obtained any new licenses or certifications since the filing of its last Form 2, the Board could always request that information directly from the firm.

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[5] Proposing Release at 10.

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We appreciate the opportunity to comment on the Board's Proposed Rules. We are firmly committed to working with the PCAOB and would welcome the opportunity to meet with you to clarify any of our recommendations.

Sincerely,

Susan S. Coffey, CPA
Senior Vice President – Member Quality and State Regulation
AICPA

cc: Mr. Mark W. Olson, Chairman, PCAOB
Ms. Kayla J. Gillan, Member, PCAOB
Mr. Daniel L. Goelzer, Member, PCAOB
Mr. Willis D. Gradison, Member, PCAOB
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MEMORANDUM

To

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N. W.
Washington, D.C. *2006-2803*
United States

Date

24 July, 2006

From

Frans Samyn

By email - Comments@pcaobus.org

Dear Mr. Secretary,

PCAOB Release No. 2006-004

BDO International is a global network of independent professional accounting firms in over 100 countries worldwide. This letter is the response of BDO Global Coordination B.V., on behalf of the BDO International network to your request for comments on the Public Company Accounting Oversight Board's proposed rules, *Proposed Rules on Periodic Reporting by Registered Public Accounting Firms.* We thank you for the opportunity to comment. We are committed to working with the Board and other regulators to help ensure a strong global regulatory environment.

We recognise the importance of restoring and maintaining public confidence in financial reporting and in capital markets, particularly in the U.S. given the size of its capital markets. We commend you for the steps already taken to reach these goals. Since the formation of the Board, many non-US countries have instituted or strengthened their own regulatory bodies, while other countries are currently in the process of creating such bodies. To avoid overlap and duplication of effort wherever possible, we encourage you to continue work in a cooperative fashion with these national regulators that are striving towards the same goals and to provide accommodations for non-US registered firms whenever reasonable.

We acknowledge that the PCAOB proposal seeks to accomplish its reporting goals without imposing unnecessary burdens on registered firms and that it has eliminated some of the burdensome aspects of Form 1. Our major concern, however, is that the proposal does not sufficiently recognise certain legal impediments imposed by foreign jurisdictions. In addition, the requirement for all registered accounting firms to report information as of a particular date (which date and content may be different from the informational reporting date of non-US regulators) seems overly burdensome. Since the goal is principally to provide a profile of a firm at a point in time, we believe that the Board should allow firms flexibility in the selection of their reporting periods. Last, we believe that certain reporting requirements are unnecessary because the information is publicly available and provides no additional benefit to investors or the Board.

Our specific comments are provided below.

Legal Impediments

As discussed above, we continue to have concerns regarding legal impediments faced by our non-U.S. Member Firms in meeting the Board's proposed reporting requirements. For example, in some countries it would be illegal for our Member Firms to provide certain information, to give consent to the Board to access documents, or to provide testimony. This obstacle often cannot be overcome by gaining prior client or individual consent.

BDO

Requirement to Provide Withheld Information – We appreciate the Board's accommodation under Rule 2207, eliminating the need to file legal support for information that is withheld by a firm from Forms 2 and 3. However, we are concerned that Rule 2207(e) may ultimately require a firm to file an amended Form 2 or Form 3 to provide the withheld information. Our Member Firms will not be able to remit information that they are legally restricted from providing. We recommend that the rule include the language such as "to the extent permitted by national law."

Consent to Cooperate – Under proposed Form 2, Item 9.1(a), a registered firm may be required to affirm that it consents to cooperate in and comply with **any** request for testimony or the production of documents made by the Board. As noted above, in some countries it would be illegal for our Member Firms to consent to give access to certain documents. We recommend that the item include the language such as "to the extent permitted by national law."

Public Availability of Information Submitted to the Board – Under proposed Rule 2300(c) (2) (ii), a firm would be able to request confidential treatment of information. To support this request, the rule would require a firm to provide:

"a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the request claims protects the information from public disclosure."

We recommend that the Board remove the term "detailed", as the requirement to provide a detailed explanation is unduly burdensome. Implicit in the requirement of an explanation is the notion of adequacy, and we believe that the benchmark for this requirement should be "adequate" rather than "detailed." Also, we recommend that the item include language such as "to the extent permitted by national law." Although information may be available, in certain jurisdictions, the local law would prohibit its release.

Single Reporting Date

Annual Reporting - The proposed rules would require each registered public accounting firm to file an annual report by June 30 covering the period from April 1 to March 31. We understand that the reason for a single reporting date is to assist the Board in organising its annual inspection program. We suggest that the Board allow flexible reporting from April to December, that is, outside the busy season months.

Many large firms have years that end between April and December and foreign regulator reporting requirements that occur within that period. Requiring firms to submit their annual reports, covering any 12-month period, in the April to December period would allow these firms to limit the number of times they have to gather financial data, furthering the Board's goal of not imposing any unnecessary burdens. This flexible reporting requirement also would allow the Board to coordinate its work with non-U.S. regulators and generate inspection efficiencies. For example, we understand that the Canadian Public Accounting Board performs its annual inspections of some firms in the period from April to August and other firms in the period from September to December. The annual reporting requirement for information to the Canadian Public Accountability Board has a November 30th deadline.

The submission of annual reports over a period of time should more closely match the Board's use of the reports since the inspections are also staggered. This reporting model is based on the SEC's registrant reporting model in which issuers are allowed to report based on their actual year-ends. Investors have not found that varying report dates are an impediment to registrant analysis.

BDO

Fee Analysis - Proposed Form 2, Item 3.2 would require firms to report fees based on the same 12-month reporting period ending March 31, reported in percentages not dollars. In the proposing release, the Board observes that the purpose of the fee information is to "provide a picture of how the firm's services for issuer audit clients compared generally with the firm's services for other clients, and will also provide a picture of the allocation of services the firm provided to issuer audit clients." As we discussed above, we recommend that reporting, including the reporting of fees, be based on the firm's selected 12-month reporting period. The purpose of this requirement is to present a profile of a firm rather than provide specific fee information. Consequently, the use of any 12-month reporting period selected by a firm would lighten the firm's reporting burden while meeting the Board's reporting objective.

Number of Issuers – We recommend that proposed Form 2 include an item requiring firms to report the number of issuers for which the firm issued audit reports during the prior calendar year. Alternatively, the Form 2 report cover could include the following checkboxes, with the requirement that the firm check the appropriate box:

- The firm has issued audit reports for over 100 issuers.
- The firm has issued audit reports with respect to 100 or fewer issuers.

Under Rule 4003, firms that issued audit reports with respect to more than 100 issuers during the prior calendar year are subject to regular inspections. The Board could consider, as we suggested above, requiring information on the number of issuers for which the firm issued audit reports on a calendar year basis. Alternatively, the Board could consider conforming Rule 4003 to the Form 2 reporting period.

Current Reporting

Redundant Requirements – We observe that the reportable events of proposed Form 3, Items 2.1 and 2.4 are already required to be reported under SEC rules, Item 4.02 of Form 8-K and Rule 10A, respectively. In keeping with the Board's goal of limiting the burden of its rules, we recommend that these rules be eliminated as they are redundant. We do not believe that reporting these items to the Board, in addition to the SEC, will provide additional investor protection. We believe the role of the Board is firm oversight, and that the role of investor protection and issuer oversight properly belongs to the SEC.

Number of Clients – Under proposed Items 2.2 and 2.3, a registered firm would be required to report a change in its status from or to a firm with 100 or fewer issuer clients within 14 days after the calendar year in which the change occurs. We believe that this change in status provides important information about the profile of a firm and acknowledge that it is important for the Board's inspection planning purposes. However, since the Item 2.2 and 2.3 reporting requirements are defined in terms of "a calendar year," we believe that it is sufficient for firms to simply report the number of audit reports issued in the preceding calendar year on Form 2. If the Board disagrees, we urge the Board to extend the reporting deadline to 45 days after the calendar year end.

Criminal Proceedings – Under proposed Form 3, Item 2.5 – 2.9 and 5.1, a firm would provide information relating to certain criminal, governmental, administrative and disciplinary proceedings involving it and its personnel. As discussed above, in some countries it would be illegal for our Member Firm to provide certain information. This obstacle often cannot be overcome by gaining prior individual consent. Further, home country privacy laws may prevent disclosure even with consent. We recommend that the reporting requirements include the qualification "to the extent permitted by national law."

When the firm is legally able to provide information on criminal, governmental, administrative and disciplinary proceedings, we recommend a ninety rather than a fourteen day reporting deadline. In these circumstances, the firm would need to assess the situation, determine whether it should or could be reported, and obtain a legal opinion. We believe the need for the firms to report such information quickly should be balanced with their need to report these situations properly and in accordance with home country law.

Individual's Fitness – Under proposed Form 3, Item 2.6, a firm would provide information on a defined individual that is charged with a crime that "if proven, would bear materially on the individual's fitness to provide *audit services* to *issuers*". The notion of "bear materially on the individual's fitness" is a very judgmental reporting standard. We recommend that the Board's define this reporting standard with a brighter line.

Catch-Up Reporting – Proposed Rule 2203 would require registered firms to provide a catch-up special report for any Form 3 reportable events that occurred between a firm's Form 1 information cut-off date and the effective date of Rule 2203. We recommend that the Rule 2203 reporting events that are similar to Form 3, Items 2.5 – 2.9 include only convictions, settlements against, and outstanding situations at the effective date of Form 3. That is, we believe that the situations that have been positively resolved are not relevant for purposes of the catch-up reporting.

General

Firm's Offices – Proposed Form 2, Item 5.1 would require firms to list the address of each of the firm's offices. We recommend that for non-U.S. firms, the listing requirement be limited to the offices authorised to issue reports. For example, BDO Dunwoody LLP has 95 offices in Canada. However, only 3 of these offices issue audit reports on issuers. We believe that it is the information on these reporting offices that is relevant and that should be reported.

Amended Form 2 or 3 – Proposed Rule 2205 would require a firm that becomes aware that it has filed an incorrect Form 2 or 3, to file an amended, complete report. We recommend that the Board adopt an amendment process similar to the SEC process. That is, the Board should require only the affected items to be re-filed on the amended report.

Conclusion

There are compelling reasons for the Board to implement an annual and current reporting process for registered public accounting firms, and we support the Board in this effort. We recommend that the Board provide flexibility in reporting periods and recognise certain non-U.S. legal reporting impediments prior to adoption of the reporting rules. In an accounting world in which accounting professionals and market regulators are working toward harmonisation and convergence of financial reporting standards, the Board's recognition of the non-U.S. legal reporting impediments is particularly important.

Please feel free to contact us should you have any queries about us, our international network of firms, or our comments.

Yours faithfully,
BDO Global Coordination B.V.

Frans Samyn
Chief Executive Officer

COMMENT LETTER ON BEHALF OF
DELOITTE & TOUCHE LLP,
THE NON-U.S. MEMBER FIRMS OF DELOITTE TOUCHE TOHMATSU
AND DELOITTE TOUCHE TOHMATSU
ON THE PCAOB'S PROPOSED PERIODIC REPORTING RULES
AND PROPOSED SUCCESSOR REGISTRATION RULES
FOR PUBLIC ACCOUNTING FIRMS

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July 24, 2006

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006

Re: PCAOB Rulemaking Docket Matter No. 019 and PCAOB Rulemaking Docket Matter No. 020

This letter is submitted on behalf of Deloitte & Touche LLP ("D&T"), the non-U.S. member firms of Deloitte Touche Tohmatsu, and Deloitte Touche Tohmatsu. We are pleased to respond to the request for comments from the Public Company Accounting Oversight Board (the "PCAOB" or the "Board") on both its *Proposed Rules on Periodic Reporting by Registered Public Accounting Firms*, PCAOB Rulemaking Docket Matter No. 019 (May 23, 2006), and its *Proposed Rules on Succeeding to the Registration Status of a Predecessor Firm*, PCAOB Rulemaking Docket Matter No. 020 (May 23, 2006).

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INTRODUCTION

We support the goals of the Sarbanes-Oxley Act of 2002 (the "Act") in restoring investor confidence, as well as the Board's efforts to faithfully implement the Act. Section 102(d) of the Act requires that "each registered public accounting firm shall submit an annual report to the Board, and may be required to report more frequently" to provide to the Board information specified by the Board or the Securities and Exchange Commission (the "Commission"). The act of periodic reporting by registered public accounting firms is important to the public markets, the accounting profession, and the Board, and we support the Board's effort to create a rational, efficient, and effective periodic reporting system.

We similarly support the Board's efforts to establish rules that allow a firm's registration status to continue after a change in the registered firm's legal form. Because Section 102(a) of the Act requires that all public accounting firms that will prepare or issue an audit report for an issuer be registered with the Board, we appreciate the Board's efforts to streamline the registration process for successor entities.

In this comment letter, we have identified those aspects of the Board's proposals that should be clarified or modified to enable the Board to carry out its duties and responsibilities. Such clarifications and modifications will also ensure that registered firms better understand and are better able to comply both with their periodic reporting responsibilities and with any registration responsibilities for successor entities. The recommendations proposed in this letter are intended so that the Board and public markets have access to relevant information, while simultaneously minimizing outdated and duplicative information that may be required to be produced under the rules as proposed. For ease of reference, we have included a summary of our

recommendations at Appendix A. If the Board would find it useful, we would welcome the opportunity to meet with the Board to provide further explanation of the recommendations we offer in this letter.

We first set forth general comments addressing significant issues that relate to several aspects of the Board's periodic reporting proposal. We then provide comments on the specific proposed rules and amendments to existing rules. Finally, we offer our comments with respect to proposed Form 2 and Form 3. Our comments generally follow the order in which the Board's May 23, 2006 Release No. 2006-004 presents the proposed rules.

In addition, this comment letter provides suggestions and clarifications to the Board's May 23, 2006 Release No. 2006-005 regarding proposed rules on succeeding to the registration status of a predecessor firm.

COMMENTS ON PROPOSED PERIODIC REPORTING RULES

We appreciate the Board's stated intent to accomplish its periodic reporting requirement objectives—to keep records current, to facilitate analysis and planning related to the Board's inspection responsibilities, and to track circumstances that may warrant inspection, investigation, or public attention—"without imposing any unnecessary burdens."[1] The proposed rules, however, do not achieve this important balance in certain respects and will lead to reporting certain information to the Board that is of little or no value while imposing excessively burdensome and, in some cases, potentially unworkable reporting requirements. In this comment letter, we suggest means by which these proposed rules may be revised, while still maintaining

[1] *See* PCAOB Release No. 2006-004, at 2.

the underlying purposes of the rules. We have also identified requirements in the proposed rules that would benefit from further clarification by the Board. Such revisions and clarification would increase the efficiency and effectiveness of the Board's own collection and analysis of relevant information, as well as decrease the burdens and costs of compliance on registered public accounting firms.

We hope our recommendations and identification of issues for clarification will facilitate the Board's implementation of the provisions of Section 102(d) of the Act in the most effective manner possible without imposing unnecessary burdens.

I. GENERAL COMMENTS

Although many issues identified in our comments relate to specific provisions of the proposed rules and forms, two aspects of the proposed periodic reporting requirements require special attention. First, the requirement that Form 3 reports be filed within fourteen days of any event triggering the obligation to report is unreasonable and, in some cases, may be impracticable in application. Second, the substantial "catch-up" reporting proposed in connection with initial Form 2 and Form 3 reports will impose a significant burden on registered firms without any corresponding benefit to the Board or the public.

A. REGISTERED FIRMS SHOULD BE GIVEN MORE THAN FOURTEEN DAYS TO REPORT SPECIFIED EVENTS.

The Board has explained that "the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, would

be served by the contemporaneous reporting" of the occurrence of certain events.[2] We acknowledge the interests of the public and the Board, but the Board's proposed requirement that a special report—Form 3—be filed within *fourteen* days after the occurrence of the event imposes an unreasonable reporting obligation on registered firms.[3] The Board should revise this proposal to require that Form 3 be filed within forty-five days from the event triggering the reporting obligation (and, in the case of non-U.S. firms, within ninety days from the event triggering the reporting obligation).

Significantly, in its proposed rules on succeeding to the registration status of a predecessor firm, the Board itself has recognized that a fourteen day time period after the occurrence of an event triggering the obligation to file is short.[4] In the context of Form 4 reporting, the Board justifies such a short time period because the "transforming events to which Form 4 applies are events for which firms plan."[5] In contrast, the proposed events that trigger Form 3 reporting—for example, the initiation of legal proceedings against the firm or the modification or revocation of the registered firm's licensing status—are not the type of events for which firms plan. Thus, applying the Board's own reasoning to explain a short filing period for Form 4 compels extending the window for the Form 3 reporting requirements.

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[2] PCAOB Release No. 2006-004, at 8.

[3] *See* Proposed Rule 2203, PCAOB Release No. 2006-004, at A-2; Proposed General Instruction 3, PCAOB Release No. 2006-004, at A-28.

[4] PCAOB Release No. 2006-005, at 8 (describing the fourteen days allowed to file Form 4 as "relatively short"). As discussed in more detail below with regard to the proposed successor registration rules, the fourteen day reporting window for Form 4 events may prove impracticable for some non-U.S. firms.

[5] *Id.*

Requiring reporting of an event within fourteen days after its occurrence likely will not provide, in many instances, a registered firm with sufficient time (i) to recognize the occurrence of the event, (ii) to assess the reportability of the event, including the collection of salient facts relevant to the reporting analysis, (iii) to obtain legal advice regarding the report, as necessary, or (iv) to complete Form 3. For example, the Board proposes that a Form 3 report must be filed when a firm enters into an arrangement to receive consulting or other professional services from an individual or entity subject to certain disciplinary actions.[6] It is conceivable that persons within a registered firm responsible for the Form 3 reporting function may not be able to determine within the fourteen day time period whether the Form 3 reporting requirement has been triggered because of the time and effort necessary to identify whether such individual or entity has been sanctioned. These difficulties are only magnified when the reporting obligation is triggered by the registered firm's "awareness" of certain events, a state of knowledge left undefined by the proposed rules. As discussed more fully below in Section IV(B), the vagueness of this term may lead to unintentional noncompliance with the Form 3 reporting requirements.

This problem is even more acute for non-U.S. firms, which in addition to the foregoing problems, must determine whether the filing of Form 3 for a particular event conflicts with privacy or other obligations under non-U.S. law. To do so, non-U.S. firms will need to consult legal counsel in many instances. And, given the complexity of non-U.S. law that can be implicated in these matters and the nuanced legal judgments that may need to be made, fourteen days is too short of a time period to accommodate this important process. Moreover, documents

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[6] Proposed Item 2.13 on Form 3, PCAOB Release No. 2006-004, at A-34.

relevant to the Form 3 reportable event may need to be translated, exacerbating the difficulties for non-U.S. firms.[7]

Accordingly, we strongly urge the Board to adopt a more practicable timeframe within which firms are required to file Form 3 reports. Under the current proposal, which lacks a safe harbor for a firm's unintentional noncompliance with the reporting deadline, notwithstanding good faith efforts to comply, a registered firm may be subject to criticism, or even discipline, under the Board's proposed rules if it cannot file a Form 3 within fourteen days of the triggering event. The extension of the time period for filing Form 3, for example, to forty-five days after the occurrence of the triggering event (or ninety days for non-U.S. firms) would still serve the public interest by bringing the event to light soon after its occurrence and would still provide the Board with the ability to consider whether action is required by the Board's inspection or enforcement staff. At the same time, this more rational framework would allow registered firms the time necessary to analyze the facts and prepare to file Form 3.

B. THE "CATCH-UP" REPORTING PROVISIONS ARE NOT TAILORED TO PROVIDE RELEVANT INFORMATION AND ARE UNDULY BURDENSOME.

The proposed periodic reporting rules require that the first time a registered firm is required to file Form 2 and Form 3 after the effective date of the rules, the firm must engage in wholesale "catch-up" reporting, providing certain categories of information from the cut-off date that the firm used for purposes of its Form 1 registration application. In some cases, this

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[7] For non-U.S. firms, the Board should also consider allowing such firms to report items consistent with the timeframes established for periodic and special reporting under their home country's regulatory oversight framework for public accountants, to the extent that such periodic and special reporting rules have been adopted.

proposal will require registered firms retroactively to compile and analyze nearly *four* years worth of data to fulfill this aspect of the proposed reporting requirement.[8] Such catch-up reporting is difficult, time-consuming, and costly. To provide the catch-up information contemplated by the proposed rules, for example, a registered firm might be perceived as having to survey personnel who have left the firm and professional service providers with which the firm no longer has a relationship. Moreover, because the catch-up reporting provisions are not tailored to provide relevant information to the Board, the burden on registered firms of providing such information is not commensurate with any benefit that the Board may receive from the information provided. To the extent that the Board finds certain historical information meaningful for the purposes of fulfilling its obligations, some of this information already was accessible to the Board through the inspection process without the need for burdensome catch-up reporting.

As described below, because of the seemingly limited value of this historical information and the burdens associated with catch-up reporting, the Board should omit the catch-up reporting provisions in their entirety from its final reporting rules. Should the Board choose to retain catch-up reporting, in addition to any recommendations noted below, catch-up reporting should be limited to providing relevant information (*e.g.*, information relating to ongoing relationships with the firm or current legal proceedings) for the period following the registered firm's most recent Board inspection.

The Board should exempt non-U.S. firms that have not yet been inspected from any catch-up reporting requirements. If the Board retains catch-up reporting, the Board should limit

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[8] *See* Proposed Parts VII & VIII of Form 2, PCAOB Release No. 2006-004, at A-22-24; Proposed Rule 2203, PCAOB Release No. 2006-004, at A-2.

catch-up reporting for such firms to the six months preceding the effective date of the rule—this information likely would be the most valuable to the Board, as it would include information relating to ongoing relationships of the firm and current legal proceedings against such firms.

These recommendations stem from several concerns, discussed in more detail below, that the catch-up reporting requirements provide information of little value to the Board while imposing substantial burdens on registered firms. First, the Board should remove the catch-up reporting provisions in their entirety because the proposed catch-up reporting for both Forms 2 and 3 will result in the provision of information with little relevance to the Board's mission or the public in general. For example, the proposed catch-up reporting provisions require a registered firm to provide information regarding certain relationships between the firm and sanctioned individuals/entities, without limitation to relationships that are ongoing. Not only will it be difficult for firms to provide information about terminated relationships, but there is no value to the Board in receiving information where the registered firm no longer has a relationship with the sanctioned individual/entity. Similarly, the proposed Form 3 catch-up provisions are not limited to information about ongoing legal proceedings against the firm, its partners, shareholders, principals, owners, members, or managers, and would require submission of settled, dismissed, withdrawn, and otherwise resolved legal proceedings. The catch-up reporting requirements might also be perceived as requiring that the registered firm report actions that resulted in a finding in favor of the firm, its partners, shareholders, principals, owners, members, or managers. Because of the limited value of this information, and the availability of this information to the Board during the inspection process, the Board should eliminate the catch-up reporting requirement.

Second, the burden of these catch-up reporting provisions far exceeds the commensurate value to the Board of the information requested. The catch-up reporting provisions impose a substantial burden on the registered firm to collect information—for example, D&T, which has been registered since 2003, would be required to go back nearly *four* years to collect information. Requiring D&T, or any other registered firm, to provide information regarding certain relationships with sanctioned individuals/entities[9] and information regarding the many other possible Form 3 reportable events[10] presents a great challenge to collect information that may not have been recorded in a manner conducive for later retrieval or may not have been maintained at all by the registered firm. While Section 102(d) of the Act provides for periodic reporting, the statute does not suggest that catch-up reporting will be required. Nor has the Board previously alerted registered firms of this possible reporting procedure.

Third, although the Board "anticipates that most firms would have few or no Form 3 events to report for the catch-up period,"[11] registered firms nonetheless may have to expend considerable effort and resources to determine whether any reportable events occurred during the catch-up period. Thus, on account of the burdens and challenges of providing the proposed requested historical information, the Board should not require any catch-up reporting on Forms 2 or 3.

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[9] *See* PCAOB Release No. 2006-004, at 6; Proposed Part VII of Form 2, PCAOB Release No. 2006-004, at A-22.

[10] Proposed Rule 2203, PCAOB Release No. 2006-004, at A-2 (requiring a registered firm to file a Form 3 catch-up report, including information on withdrawn audit reports, certain legal proceedings, certain relationships with sanctioned individuals/entities, and changes to licenses and certifications, among other things).

[11] PCAOB Release No. 2006-004, at 13.

If, despite these reasonable and significant concerns, the Board does not eliminate the catch-up reporting requirement, the Board should limit any catch-up reporting required of registered firms to information regarding ongoing relationships with individuals and entities and pending legal proceedings—that is, information that reflects an individual's or entity's current relationship with the firm and information regarding pending legal proceedings. Additionally, the Board should create an appropriately tailored transition period that would allow the initial Form 2 and Form 3 catch-up reports to be supplemented for a reasonable period of time.

Finally, the proposed requirement that a firm must file a catch-up Form 3 within fourteen days of the effective date of the rule to report any event that occurred after the firm's registration[12] is even more unreasonable and unworkable than the standard fourteen day time period for reporting a Form 3 triggering event. Due to uncertainty over the precise information that may be required by the Board's final rules, it will be difficult for registered firms to begin this time-consuming and costly process prior to the publication of the Board's final rules. And, in any event, the collection and analysis of information from a period of nearly four years requires substantially more time than provided in the Board's proposal. Non-U.S. firms face the additional difficulty of seeking legal opinions regarding the provision of information under these catch-up reporting requirements, and the Board should recognize the additional time that obtaining such legal advice may take given the complexity of non-U.S. law. Thus, if the Board does not eliminate the catch-up reporting requirement, to accommodate the extensive efforts

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[12] Proposed Rule 2203(a)(3), PCAOB Release No. 2006-004, at A-2.

required by any catch-up reporting requirements, the Board should revise the deadline for filing a catch-up Form 3 report to, at a minimum, 120 days after the effective date of the rules.[13]

II. SPECIFIC COMMENTS ON PROPOSED RULES

A. RULE 2202—THE BOARD SHOULD PROVIDE CLARIFICATION REGARDING THE AMOUNT OF THE ANNUAL FEE TO BE PAID BY REGISTERED FIRMS.

Proposed Rule 2202 states that "[e]ach registered public accounting firm must pay an annual fee to the Board."[14] The Board's proposal, however, does not provide any mechanism for establishing the fee to be charged. Parameters should be set to ensure that the Board exercises its authority within boundaries that have been addressed by the regulated community through the comment process and considered by the Commission. Thus, in order to assist firms to appropriately plan for additional operating expenses, as well as to ensure that the Board's proposed annual fee receives due consideration by the Commission, the Board should further clarify the basis for the amount to be charged, either by establishing a range for the fee or by describing the method by which the Board will calculate the fee.

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[13] For Form 2 catch-up reporting, which under the Board's proposal is required to be filed with the first annual Form 2 report due after the effective date of the rules, *see* proposed Parts VII & VIII, Form 2, PCAOB Release No. 2006-004, at A-22, A-24, the Board should allow a registered firm the greater of (a) 120 days after the effective date of the rules or (b) the number of days between the effective date and the date the first Form 2 is due, to submit the catch-up reporting.

[14] PCAOB Release No. 2006-004, at A-1.

B. RULE 2205—THE BOARD SHOULD FURTHER DEFINE THOSE CIRCUMSTANCES THAT REQUIRE A FIRM TO FILE AN AMENDMENT TO FORM 2 OR FORM 3.

Proposed Rule 2205 requires that a registered firm file an amendment to Form 2 or Form 3 whenever the firm "becomes aware that it reported information that was incorrect at the time of such filing, or that it omitted any information or affirmation that it was, at the time of such filing, required to include in such report."[15] This provision specifies that the firm need not submit an amendment for errors or omissions that are "clearly inconsequential," which the Board defines in its introductory comments as "[i]nsigificant discrepancies in quantitative information, or misspellings and typographical errors that do not affect the meaning of the information or the identifiability of a person or entity."[16]

Requiring amendment of all information that is not "clearly inconsequential" sets the threshold too low, as a registered firm would be forced to amend errors and omissions that arguably could meet the Board's implicit standard for "consequential" but nevertheless be *immaterial*. Such a requirement unnecessarily burdens both registered firms and the Board with consideration of amendments that ultimately are of limited, or no, value. To reduce the burden of amendment on registered firms, and to ensure that the Board receives only meaningful amended forms, the Board should qualify the amendment provision to require that a firm submit an amendment when the incorrectly reported or omitted information is *qualitatively or quantitatively material* to the form.

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[15] *Id*. at A-3.

[16] *Id*. at 14.

In addition, proposed Rule 2205 requires that a registered firm file an amendment "no later than the fourteenth day after becoming aware of the error or omission."[17] Again, a fourteen day time period is unreasonable, particularly because it may be difficult for a firm to assess within a fourteen day period whether an error or omission is "clearly inconsequential." In addition, because the term "aware" is unclear, as discussed more fully in Section IV(B), a registered firm may have difficulty determining when it has become "aware" of the error or omission within the fourteen day time period. This proposed provision consequently may subject a registered firm to criticism or discipline under the Board's rules even when it has made good faith attempts to meet its amendment obligation. The Board should revise the amendment provision to allow a longer time period, for example forty-five days, and should clarify when a firm would be deemed to become "aware" of an error or omission.

C. RULES 2207 AND 2300—THE PROPOSED AMENDMENTS TO THE CONFIDENTIAL TREATMENT REQUESTS RULE RAISE SIGNIFICANT ISSUES.

We support the Board's continued acceptance that certain information should be accorded confidential treatment. The availability of such treatment is essential to the periodic reporting process. We nevertheless have several concerns regarding the Board's proposed amendments to the confidential treatment provision.

First, the proposed amendment to Rule 2300(b) provides that the "failure to provide an exhibit that complies with the requirements of paragraph (c)(2) of this Rule constitutes sufficient

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[17] *Id*. at A-3.

grounds for denial of any request for confidential treatment."[18] As it stands, decisions denying confidential treatment requests are appealable to the Board under Rule 5468, if the decision denying confidential treatment is made by the Board's delegate.[19] The Board should clarify that the proposed Rule 2300(b) is not intended to provide further substantive grounds for denying a confidential treatment request. This clarification is important to ensure that the registered firm's rights to appeal denials of confidential treatment requests are not unintentionally constricted by the operation of proposed Rule 2300(b).

Second, the proposed amendment to Rule 2300 provides that a registered firm must submit a copy of "the specific provision of law that the requestor claims protects the information from public disclosure."[20] Privileges and protections might arise from sources other than a particular provision of law (*e.g.*, a statute or regulation), including common law, judicial or arbitration orders, and contractual terms. The Board should revise this proposed amendment to more broadly define the scope of documentation that may be presented in support of a confidential treatment request and to acknowledge that confidential materials may support such a request.

Third, the Board's proposed amendment and related discussion provides an insufficient basis to assess the reliability of the systems the Board plans to use to redact confidential

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[18] *Id*. at A-8; *see also* Proposed General Instruction 7 for Form 2, PCAOB Release No. 2006-004, at A-13 (describing the portions of Form 2 for which a confidential treatment request may be made and stating that a confidential treatment request may be denied for failure to comply with proposed Rule 2300(c)(2)).

[19] PCAOB Rule 5468; PCAOB Rule 2300(h).

[20] Proposed amendment to Rule 2300(c), PCAOB Release No. 2006-004, at A-9.

information from a registered firm's filed Form 2 or Form 3. While we support the Board's commitment to release all forms to the public "as soon as practicable after filing,"[21] the Board's intention to use a Web-based reporting system to automatically publish a Form 2 or Form 3 to the Board's Web site is a source of potential concern.[22] In particular, the system's capabilities to automatically "redact from the published version any information for which the firm [has] requested confidential treatment"[23] may not function without error. Given the sensitivity of confidential information at issue, and the inability to reestablish confidentiality once information has become public, additional information is needed about the functionality of the system the Board proposes to use in this regard. Although automation undoubtedly decreases the burden on the Board of publishing this information, such automation may not be appropriate for handling a firm's confidential treatment requests.[24]

In addition, non-U.S. firms may be severely disadvantaged by proposed Rule 2207(e) which would require a firm to provide information withheld in accordance with non-U.S. law (*e.g.*, privacy and confidentiality laws) to the Board upon the Board's request.[25] This provision could put a non-U.S. firm in the untenable position of having to choose between either breaching

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[21] Proposed amendment to Rule 2300(c), PCAOB Release No. 2006-004, at A-8.

[22] *See id*. at 15.

[23] *Id*. at 15-16.

[24] Concerns about Web-based confidentiality sources have only increased in the wake of recent breaches of confidentiality—for example, the recent posting on a civilian Web site of personal data for 28,000 soldiers for which the source of the error allowing publication has not yet been determined. *See, e.g.*, Sailors' data posted on Web, CNN, June 23, 2006, http://www.cnn.com/2006/US/06/23/navy.data.ap/index.html.

[25] Proposed Rule 2207(e), PCAOB Release No. 2006-004, at A-4.

the Board's rules or breaching the relevant non-U.S. law. Although the Board appears to suggest that it will apply the proposed Rule only as a last resort,[26] the end result is unfair with respect to non-U.S. firms and their obligations under non-U.S. law. The Board should revise this proposal to include appropriate safeguards for non-U.S. firms to allow such firms to comply to the fullest extent permitted by their home country laws and regulations.

D. RULE 4000—THE BOARD SHOULD CLARIFY THE PURPOSE OF DEFINING INSPECTION AUTHORITY WITH REFERENCE TO FORM 2 AND FORM 3.

The Board has proposed amending Rule 4000 governing "Inspections" to provide that "the Board may at any time request that a registered public accounting firm provide to the Board additional information or documents relating to information provided by the firm in any report filed pursuant to Section 2 of these Rules, or relating to information that has otherwise come to the Board's attention."[27] The existing language of Rule 4000 provides that "[e]very registered public accounting firm shall be subject to all such regular and special inspections as the Board may from time to time conduct in order to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the Board's rules, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers."[28] To avoid unnecessary confusion and any potential inconsistencies, the Board should revise its proposed amendment to

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[26] PCAOB Release No. 2006-004, at 23 n.33 (stating that the Board can "ultimately put the firm to the choice of providing the information or being subject to a sanction for violating the Board's rules").

[27] PCAOB Release No. 2006-004, at A-11; *see also* PCAOB Release No. 2006-004, at 23.

[28] PCAOB Rule 4000(a).

ensure that the inspection authority described in the amendment, to the extent that it is not duplicative of existing authority, is to be exercised by the Board for the purpose of assessing compliance with "the Act, the Board's rules, the rules of the Commission, and professional standards."

III. PROPOSED FORM 2

A. ITEM 3.2—THE FEE CATEGORIES REQUESTED BY THE BOARD SHOULD BE REVISED TO TRACK THE COMMISSION'S PROXY DISCLOSURE RULES.

Proposed Item 3.2 requires that a registered firm state the percentage of fees attributable to fees billed to issuer audit clients for audit services, other accounting services, tax services, and non-audit services.[29] This Item as proposed is potentially unworkable and imprudent in many respects, including that the proposed Item requests information not currently tracked by firms or issuers. The Board should revise this proposed Item to require that the registered firm provide fee percentage information derived from the firm's issuer clients' most recent proxy statements (or in the case of non-U.S. issuers, from such issuer's most recently filed periodic report containing the fee disclosure information), and the firm's most recently completed fiscal year prior to the March 31 cut-off. Additionally, the Board should clarify that the reported data may reflect a good faith estimate on the part of the registered firm.

The current proposal will impose substantial burdens on registered firms with correspondingly little benefit to the Board or the public. The proposed fee categories are inconsistent with the information currently required by the Commission's proxy disclosure rules.

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[29] PCAOB Release No. 2006-004, at A-18.

In addition, the time period over which the information is requested (April 1 to March 31) is inconsistent with the cut-off for data accumulation of the majority of firms. These inconsistencies may result in extensive and unnecessary effort within firms to coordinate with engagement teams to collect and analyze data. The collection and analysis of data is likely to be imprecise in certain respects, and the requested information may not even accurately reflect the structure of a registered firm's business (for example, if the firm is organized along functional lines).

As an initial matter, the Board should revise the fee percentage categories to track the information required by the Commission's 2003 proxy disclosure rules.[30] The Board suggests that the proposed categories generally correspond with the "categories with respect to which the Commission's rules require issuers to report the amounts paid the issuer's auditor."[31] However, the terms and definitions as used in Form 1 and proposed Form 2 are not fully consistent with the terms and definitions in Schedule 14A of the Commission's proxy rules: The Commission refers to "audit fees," "audit-related fees," "tax fees," and "all other fees," whereas the Board's proposal requires information for "audit services," "other accounting services," "tax services," and "non-audit services."

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[30] Strengthening the Commission's Requirements Regarding Auditor Independence, 68 Fed. Reg. 6006 (February 5, 2003).

[31] PCAOB Release No. 2006-004, at 4 n.3.

Although the Board has stated that its intent was to conform the definitions of the terms in proposed Item 3.2 to the Commission's definitions,[32] the existing differences between the two sets of definitions will cause confusion and impose an unnecessary compliance burden. Revising the Board's proposal to track the proxy disclosure rules and the guidance related thereto will allow registered firms to use the same mechanism for annual reporting under Form 2 that issuers use to track data. Such revision will reduce the effort required by registered firms to track the requested information, without reducing the value to the Board of the information requested.

Beyond these definitional concerns, however, the Board's fee reporting proposal, where both client and firm data is reported as of the March 31 cut-off date, would create substantial burdens for registered firms. An efficient solution to this problem would be to revise the proposal to require that a registered firm report—as the numerator in the fee percentage calculations—the fee information for each category from the issuers' most recently filed proxy statements prior to submission of a registered firm's Form 2 report. And, the registered firm's revenue data for its most recent fiscal year ending prior to the March 31 cut-off should be used as the denominator for purposes of calculating the fee percentages. Because the proposed reporting period for Form 2 runs from April 1 through March 31[33] and the fiscal years of issuer clients vary, firms are unlikely to have ready access to the information requested by proposed Item 3.2.

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[32] PCAOB Release No. 2003-007, at A-3-vii (noting that in response to comments, the Board's final Rule 1001(a)(vii)(1), the definition of "audit services," "is intended to conform to the category of fees disclosed as 'audit fees' under the SEC's recently revised auditor independence rules").

[33] Proposed General Instruction 4 to Form 2, PCAOB Release No. 2006-004, at A-13.

This suggested revision is a sensible solution to the numerous burdens that the current proposal would cause. Even this proposed alternative formulation will prove burdensome for firms.[34]

In the alternative, the Board should revise the proposal to require a registered firm to provide the fee percentages requested over the firm's most recent fiscal year prior to the March 31 cut-off date, rather than the April 1 to March 31 time period.[35] For example, a registered firm with a fiscal year ending on December 31 should be allowed to provide fee percentage data from the time period January 1 to December 31. While this alternative likely would still impose a significant burden on registered firms to collect from engagement teams the fee data for issuer clients that corresponds to the firm's fiscal year end (as opposed to the clients' fiscal year ends), a registered firm would at least be allowed to use one data point that should be readily available—the firm's own revenue as of the fiscal year end prior to the March 31 cut-off date. Allowing such reporting simultaneously may increase the accuracy of the data reported and reduce the burdens associated with collecting data over a cycle that does not correspond to a fiscal year.

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[34] For instance, information for fees of non-U.S. firms will need to be culled from the reported fee information because the Commission's regulations request data on fees billed to the client, which potentially includes other network firms that may have provided services, not just the registered firm's data.

[35] In addition, for non-U.S. firms, the fee percentage data may be proprietary in nature or confidential under applicable non-U.S. laws and, as such, the Board should consider whether non-U.S. firms should be allowed to submit a confidential treatment request for Item 3.2.

B. ITEM 4.1—THE BOARD SHOULD IDENTIFY THE PERSONNEL WHO "EXERCISED AUTHORITY" TO SIGN AN AUDIT REPORT.

Proposed Item 4.1(b) requires that the registered firm provide "the total number of firm personnel who exercised authority to sign the firm's name to an *audit report* during the reporting period."[36] The meaning of "exercised authority" in this proposed Item is unclear. The Board should clarify that proposed Item 4.1(b) requires that the registered firm identify the total number of individuals who were authorized to sign an audit report rather than the number of individuals who actually exercised such authority by signing a report.

C. ITEM 5.2—THE BOARD SHOULD CLARIFY THE MEANING OF PARTICULAR TERMS RELATING TO AUDIT-RELATED MEMBERSHIPS, AFFILIATIONS, OR SIMILAR ARRANGEMENTS.

Proposed Item 5.2 requires a registered firm to report on an annual basis whether it has any "[a]ffiliation, whether by contract or otherwise, with another entity through or from which the Firm commonly employs or leases personnel to perform *audit services*, or with which the Firm otherwise engages in an alternative practice structure."[37] This provision contains undefined terms that will be a source of confusion to registered firms attempting to fulfill their reporting obligations. For example, we assume that in using the phrase "commonly" employed or leased personnel, the Board intends to capture relationships that are ongoing, frequent, and established, but the Board should confirm that this understanding is correct. In addition, the Board should clarify what is meant by the term "alternative practice structure." Providing

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[36] Proposed Item 4.1 to Form 2, PCAOB Release No. 2006-004, at A-19.

[37] PCAOB Release No. 2006-004, at A-20.

further clarification, including definitions where necessary, will allow registered firms to avoid confusion and to provide the information the Board wants under proposed Item 5.2.

D. ITEM 6.1—THE BOARD SHOULD ALLOW FIRMS TO PROVIDE A RANGE OF THE NUMBER OF PERSONNEL PROVIDING AUDIT SERVICES, RATHER THAN AN EXACT NUMBER.

The precise information requested by the Board in proposed Item 6.1—specific numerical totals of the firm's accountants, certified public accountants, personnel, and personnel who provided audit services during the reporting period—provides the Board with no more significant understanding of the firm's composition than would an estimate or range.[38] Although the Board requests that the numerical totals be current as of the last day of the reporting period, determining the total number of individuals engaged in any of these categories of service, particularly personnel providing audit services, is inherently susceptible to some degree of imprecision. In any registered firm, but especially in large registered firms, individual personnel move between positions and functions. Thus, determining an exact numerical total on any given day is difficult, if not impossible.

These concerns are especially true with respect to Item 6.1(d), which requires the registered firm to provide the precise number of firm personnel who performed audit services during the reporting period, segregated by functional level (for example, partner, senior manager, manager, and staff). The information provided under this proposed Item may be inexact and present an unbalanced view of the firm's composition because individuals who spend only a fraction of their time on "audit services" would be reflected in the numerical total. Accordingly,

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[38] PCAOB Release No. 2006-004, at A-21.

the Board should modify this proposal to provide that non-audit specialists who participate in the performance of audits, such as actuarial, valuation, and tax specialists, are not to be included in the reported data.

If the Board is seeking information regarding the registered firm's leverage in connection with the performance of audit services for issuers, the Board should consider allowing a firm to provide those leverage statistics reflecting the ratio of audit staff and managers to partners, rather than providing the aggregate numbers of personnel by category. Here, too, if this approach is adopted, the Board should clarify that non-audit specialists who participate in the audit need not be included in the reported data.

Given these factors, the Board should revise its proposal to accept an estimate or a range, particularly for Item 6.1(d), which would provide the information the Board needs without imposing unnecessary burdens.

E. PART VII—THE REPORTING REQUIREMENTS FOR CERTAIN RELATIONSHIPS REQUIRE CLARIFICATION.

Proposed Part VII of Form 2, covering annual reporting of "Certain Relationships," is the source of several concerns. Part VII requires that a registered firm provide information about relationships between the firm and certain sanctioned individuals, individuals connected with certain sanctioned firms, and certain sanctioned entities. Proposed Item 7.1 requires that a registered firm state whether it has taken on as an employee, partner, shareholder, principal, or member any individual subject to certain disciplinary proceedings.[39] Proposed Item 7.2 requires

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[39] PCAOB Release No. 2006-004, at A-22.

that a registered firm state whether it has taken on as an employee, partner, shareholder, principal, or member any individual who was a partner, shareholder, principal, member, or proprietor of a public accounting firm that had been subject to certain disciplinary sanctions.[40] Proposed Item 7.3 requires that a registered firm state whether it has become owned or partly owned by an entity subject to certain disciplinary sanction.[41] And, proposed Item 7.4 requires that a registered firm state whether it has entered into an arrangement to receive consulting or other professional services from a sanctioned individual or entity.[42] These proposed requirements are problematic in several respects.

First, proposed Items 7.1, 7.2, 7.3, and 7.4 require a registered firm to state whether it has entered into the above-described relationships.[43] Because a firm's response under these proposed Items will often depend on the fullness of the information provided by an individual or entity, the proposed Items could cause registered firms to be disciplined under the Board's rules in circumstances where the ability to report accurately is beyond their control. The Board should consider revising these Items to require the registered firm to make good faith efforts to ascertain the disciplinary status of an individual or entity at the time the relationship commences. To provide better context to the meaning of "good faith," the Board may also consider providing guidance as to the means a registered firm should use to assess the disciplinary status of an individual or entity.

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[40] *Id.*

[41] *Id.* at A-23.

[42] *Id.*

[43] *Id.* at A-22-23.

Second, proposed Item 7.1 requires reporting where a firm has taken on as an "employee, partner, shareholder, principal, or member" an individual who, within the last five years was the subject of certain sanctions, including under Rule 102(e) of the Commission's Rules of Practice.[44] We acknowledge the importance of this reporting obligation, but encourage the Board to clarify that the requirement applies only to accountants with whom the firm has entered into a relationship. Section 102(e) theoretically applies to a range of professionals beyond accountants who may be or may have been employed by the firm—for example, lawyers, engineers, and brokers—and there is no apparent rationale for requiring a registered firm to report such a relationship with professionals other than accountants to the Board. The Board should also consider modifying proposed Item 7.1 so that the reporting obligation extends to "associated persons" whom the firm has taken on, rather than all employees.

Third, proposed Item 7.2 requires that the firm state whether it has "taken on as an employee, partner, shareholder, principal, or member" any individual who was a "partner, shareholder, principal, member, or proprietor" of a public accounting firm that has been subject to disciplinary sanction.[45] If the individual himself has not been sanctioned, it is unclear how this information is relevant. The proposed rule also could be read to require that the registered firm file a Form 3 report when the firm takes on an individual who was previously associated with a public accounting firm that was subject to disciplinary sanction only after the individual had left the later-sanctioned firm. As the relevance to the Board of this information is attenuated,

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[44] *Id*. at A-22.

[45] *Id*.

the Board should revise its proposal to avoid these types of unintended consequences. In light of these concerns, the Board should delete this requirement from its final Form 2 requirements.[46]

Fourth, proposed Item 7.4 requires that the firm report whether it has "entered into a contractual or other arrangement to receive consulting or other professional services from any individual or entity" subject to disciplinary sanction.[47] This proposed Item suffers from two related flaws—uncertainty over the scope of "consulting or professional services" and questions of relevancy for the reporting of non-audit related professional services. The terms "consulting or professional services" are overbroad—the common understanding of both of these terms can include, for example, human resources consultants or legal counsel engaged to advise the firm on its own affairs. The Board should clarify what services it intends to be covered by "professional services." Moreover, to the extent that the understanding of "consulting" or "professional services" extends beyond the provision of audit-related services, the information requested lacks relevance. The Board should limit this Item to arrangements to provide professional services supporting the direct performance of audits of issuers by the registered firm.

Finally, further clarification from the Board is necessary as to the circumstances under which it is appropriate to report on Form 2 (proposed Items 7.1, 7.2, and 7.4), or file a Form 3

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[46] In the event the Board retains Item 7.2 as proposed, for the reasons noted above, we urge the Board to tailor the reporting obligation for that item to "associated persons" the firm has taken on where such individual came from a public accounting firm that had been subject to certain disciplinary sanctions.

[47] *Id*. at A-23.

(proposed Items 6.1, 6.2, and 7.3), for these events.[48] To the extent that these obligations are duplicative, we urge the Board to delete the triggering obligations from proposed Form 3, as annual reporting of this information on Form 2 is more appropriate.

IV. PROPOSED FORM 3

A. ITEMS 2.1, 3.1, AND 4.1—THE BOARD SHOULD DELETE THE OBLIGATION TO FILE FORM 3 FOR WITHDRAWN AUDIT REPORTS, WITHDRAWN CONSENTS, AND THE UNAUTHORIZED USE OF A FIRM'S REPORT OR NAME.

Proposed Items 2.1 and 3.1 require a registered firm to file a Form 3 report when "[t]he Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer's* financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a timely report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K."[49] Proposed Item 4.1 requires the registered firm to report when the firm "becomes aware" that an issuer "has made use of the Firm's name without the consent of the Firm."[50] In light of the process outlined by Section 10A(b) of the Securities Exchange Act of 1934, proposed Items 2.1, 3.1, and 4.1 should be deleted as creating duplicative, and possibly conflicting, regulatory schemes.

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[48] *See* PCAOB Release No. 2006-004, at A-22-24. It is not clear why the Board has chosen to require reporting of relationships with individuals connected with certain sanctioned firms only in Form 2. *Id.* The recommendations made here with regard to the certain relationships reporting required by Form 2 are also applicable to the proposed items on Form 3 relating to the same. *See* Proposed Items 2.11-13, 6.1-6.3, PCAOB Release No. 2006-004, at A-33-34, A-38-39.

[49] PCAOB Release No. 2006-004, at A-31-32.

[50] *Id*. at A-36.

The matters covered by proposed Items 2.1, 3.1, and 4.1 are, and should remain, public reporting considerations for issuers, not registered firms. Moreover, there are appropriate processes established for these matters, and the Commission has the authority to oversee these processes. For example, Section 10A(b) requires specific procedures to be followed to identify issues regarding a current audit client, and under certain circumstances, requires reporting the audit client's failure to properly communicate those issues to the Commission.[51] Failure to properly follow the Section 10A(b) process may result in disciplinary action by the Commission. There is no reason to add another layer of regulation for failure to abide by the Section 10A(b) process. In addition to being duplicative in several respects to the Section 10A(b) process, the proposed Items may subvert the process outlined by Section 10A(b) because a firm could feel compelled to report under the Board's requirements even though an issue had not properly worked its way through the Section 10A(b) reporting framework. Importantly, these proposed reporting requirements, by putting the onus on the registered firm to report, could be interpreted by some as implying that the registered firm has done something to require reporting. Yet, at their core, proposed Items 2.1, 3.1, and 4.1 relate to instances where the issuer, not the firm, potentially has acted improperly. Section 10A(b) already covers this type of issuer action, and in this regard, the topics sought to be covered under proposed Items 2.1, 3.1, and 4.1 appear more within the purview of the Commission than the Board.

Similarly, if the issuer is not a current client, a registered firm is not in a position to monitor that former client to determine whether the issuer failed to make a timely 8-K report, whether the issuer has improperly filed an audit report for which the registered firm has

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[51] Securities Exchange Act of 1934, § 10A

withdrawn consent, or whether the issuer has made unauthorized use of the firm's name. Thus, the Board should not propose to subject a registered firm to discipline or criticism under the Board's rules under Items 2.1, 3.1, and 4.1 for the actions of former clients.

The Board should delete these requirements in their entirety, as Section 10A(b) already provides an adequate process for the failure to report unlawful acts of issuers.

B. ITEMS 2.5 THROUGH 2.10 AND ITEM 5.1—THE LEGAL PROCEEDINGS REPORTING REQUIREMENT RAISES SIGNIFICANT ISSUES.

A registered firm's obligation to file a Form 3 special report is triggered under the Board's proposed Form when the firm becomes "aware" that it or certain categories of individuals associated with the firm are involved in certain legal proceedings.[52] Several aspects of this Form 3 proposal raise concerns.

First, the proposal fails to define, and provides no guidance about, when a registered firm is deemed to become "aware" of the existence of certain legal proceedings.[53] Without guidance, a firm will not be able to determine when it will have been deemed by the Board to have been "aware" of the proceedings, and thus, the vagueness of this term could lead to unintentional non-compliance by registered firms of the Form 3 reporting requirements.

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[52] *Id*. at A-32-33, A-36-38.

[53] Similarly, other proposed Items that reference a firm's becoming "aware" of an event do not provide any guidance as to the understanding of the term awareness. *See, e.g.*, Proposed Item 2.4, PCAOB Release No. 2006-004, at A-32.

For example, when a firm becomes involved in a legal proceeding, the firm often will not receive service or other formal notice of the legal proceeding within the fourteen day time period. It is unclear from the proposed Items, however, if a firm will be deemed to be "aware" of a legal proceeding based on a single telephone call from a government investigator, a story on the evening news watched by employees of the firm, or by notification of the legal proceeding to any firm department. When the legal proceeding involves an individual, and not the firm as a whole, the circumstances under which a firm becomes "aware" of the existence of the proceeding will be even more uncertain because no expectation exists that the firm will receive notification of a legal proceeding against an individual. The Board should clarify the circumstances under which a firm's obligation to report the existence of certain legal proceedings is triggered. For example, reporting might be appropriate when senior management of the national office responsible for policy and decision-making of a registered firm is notified that service of process of the legal proceeding has been received.[54]

Second, unlike the comparable provisions in Form 1, the proposal in Items 2.7 and 2.8, requiring the reporting of certain proceedings, is not limited to those proceedings that involve conduct in connection with an "audit report, or comparable report prepared for a client that is not an issuer,"[55] and rather extends to proceedings involving conduct associated with any "professional services." These proposed Items are accordingly overbroad and require the

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[54] *See, e.g.*, 17 C.F.R. § 275.206(4)-4 (defining, in the context of the regulatory framework over investment advisers, "management person" as "a person with power to exercise, directly or indirectly, a controlling influence over the management or policies of an adviser which is a company or to determine the general investment advice given to clients.")

[55] *See, e.g.*, Form 1, Items 5.1(a)(2) & (3).

reporting of information to the Board that is unrelated to the Board's duties. The Board should revise this proposal to require that registered firms report the commencement of the legal proceedings identified in these Items only if such proceedings involve conduct in connection with an "audit report or comparable report prepared for a client that is not an issuer."

Third, proposed Items 2.6, 2.8 and 2.9 require that the registered firm file a Form 3 if it becomes aware that "a partner, shareholder, principal, owner, member, or manager of the Firm" becomes involved in certain legal proceedings. These proposed items are overbroad as they request information regarding the involvement of many individuals, including individuals without an ownership stake in the firm, in legal proceedings. The Board should consider narrowing the categories of individuals for which this reporting is required. In the alternative, the reporting of the involvement of the individuals noted in the proposal in certain legal proceedings should be an annual reporting requirement on Form 2, rather than a Form 3 requirement.

Fourth, proposed Item 2.6 requires the firm to report if it becomes aware that a partner, shareholder, principal, owner, member, or manager has been charged with any crime arising out of alleged conduct relating to, among other things, "dishonesty" or has been "charged with any crime arising out of alleged conduct that, if proven, would bear materially on the individual's fitness to provide *audit services* to *issuers*."[56] These clauses are overbroad. The term "dishonesty" lacks context and definition, particularly because dishonesty can be considered an element of many crimes, including petty offenses, such as shoplifting. Additionally, whether

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[56] Proposed Item 2.6, PCAOB Release No. 2006-004, at A-32.

particular conduct would "bear materially on the individual's fitness to provide *audit services*" is vague. The Board should delete "dishonesty" and the "other crimes" clause from the list of criminal conduct that independently trigger a Form 3 reporting requirement. If the Board chooses to retain the term "dishonesty," the Board should consider revising the proposed Item to require reporting of conduct that relates to "dishonesty" only in connection with the provision of audit services.

Fifth, proposed Item 5.1(d) requires that the firm provide a brief description of the alleged conduct giving rise to a violation of a statute, rule or legal duty for which a legal proceeding has been initiated.[57] Form 1 requires that an applicant for registration only supply basic information about the proceeding, including only the statutes, rules or other requirements that an individual is charged with having violated.[58] The Board should consider revising this proposed Item to require the same information required to be filed on Form 1 by an applicant for registration, removing the requirement that the registered firm describe the alleged conduct. In the alternative, the Board should allow the registered firm to provide a brief description of the conduct alleged in the complaint. In many cases it will be impossible for the registered firm to describe the conduct alleged beyond what is in the complaint. Moreover, any such description may also unfairly and unnecessarily compromise the firm's or the individual's defense of the legal proceeding.

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[57] *Id*. at A-37.

[58] Form 1, Item 5.1(b).

Finally, proposed Item 5.1(e)'s requirement that, in reporting on certain legal proceedings, the firm report the name of any client that was the recipient of professional services to which any claim or charge relates[59] is burdensome because it is difficult, and at times impossible, to identify, based on the filing of a complaint, the clients who may have received such services. Such disclosure may also violate client confidentiality, particularly as it relates to non-U.S. laws. Form 1 does not require any identification of such clients,[60] and the Board should consider revising the proposed Item on Form 2 to remove this requirement, or at a minimum, confine it to these clients identified in a complaint.

C. ITEMS 2.11 THROUGH 2.13 AND ITEMS 6.1 THROUGH 6.3— THE REPORTING REQUIREMENTS FOR CERTAIN RELATIONSHIPS REQUIRE CLARIFICATION.

As discussed above at Section III(E) with respect to Form 2, the provisions requiring the reporting of certain relationships raise several issues, including the possibility that a registered firm may be held liable under the proposal despite good faith efforts to ascertain the disciplinary status of an individual or entity, and the burdens imposed without any corresponding benefit to the Board or the public by the proposed reporting requirements as they relate to the reporting of certain relationships with individuals and arrangements to receive consulting and other professional services. While we need not repeat our concerns, which apply also to proposed Items 2.11, 2.12, 2.13 and proposed Items 6.1, 6.2, and 6.3 of Form 3, the issues raised above are exacerbated by the fourteen day reporting period required by the Form 3 proposal. A firm may

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59 PCAOB Release No. 2006-004, at A-37.

60 Form 1, Item 5.1(b)(4) (requiring that the registered firm identify the name of the issuer that was the subject of the audit report to which a particular legal proceeding relates).

not have sufficient time within the prescribed period to accurately ascertain the disciplinary status of an individual or entity, or sufficient time to determine that such a relationship exists between the registered firm and the individual or entity.

D. ITEMS 2.14, 2.15, 7.1 AND 7.2—THE BOARD SHOULD LIMIT THE REPORTING OF LICENSING STATUS CHANGES TO REDUCE THE BURDEN ON REGISTERED FIRMS.

Proposed Items 2.14-2.15 and 7.1-7.2 require that the firm file a report when it becomes aware that a license or certification issued to it, among other things, has been terminated or been made subject to conditions or contingencies; when it has obtained a new license; or when there has been a change in a license number.[61] Without clarification, this request likely will prove burdensome, as most major firms simultaneously are licensed in multiple states with licensing requirements that often change in scope and nature. The Board should clarify that events that are broadly applicable to all licensed firms are not considered "conditions" or "contingencies" that trigger a reporting obligation. In this regard, the Board should require reporting only when the registered firm has obtained, terminated or surrendered a license.

This reporting requirement is also made more difficult by the vagueness and uncertainty over when a firm becomes "aware" of such a change in license status. The Board should consider requiring the reporting of licensing status changes only on the annual Form 2 report to reduce the possibility of inadvertent failures to report because the firm was unable to ascertain its own awareness of the change of licensing status within the specific period.

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[61] PCAOB Release No. 2006-004, at A-34, A39-40.

COMMENTS ON PROPOSED SUCCESSOR REGISTRATION RULES

We support the Board's proposal to allow a firm to succeed to a predecessor's registration in certain circumstances without any disruption in registration status, and to allow temporary succession under other circumstances. We have identified two issues—the shortness of the time period for filing and the inability to submit a confidentiality request—with regard to these proposed rules that we believe warrant additional attention by the Board.

I. THE FOURTEEN DAY TIME PERIOD FOR FILING FORM 4 IS UNREASONABLY SHORT AND PRACTICALLY UNWORKABLE.

The Board's proposed rules require that a registered firm file Form 4 within fourteen days after the change of legal form takes effect.[62] Although the Board explains that "the events to which the proposed rules would apply are events for which a firm plans, not unanticipated events to which a firm reacts,"[63] requiring that Form 4 be filed within *fourteen* days after the occurrence of the event does not provide a registered firm sufficient time after the event to properly assess its reporting obligations and complete the form.

Non-U.S. firms are faced with the additional obstacle of determining whether the filing of Form 4 conflicts with obligations under non-U.S. law. The fourteen day reporting requirement is insufficient to allow non-U.S. firms to consult legal counsel to determine the impact of non-U.S. law on the firm's Form 4 requirements.

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[62] Proposed Rule 2109, PCAOB Release No. 2006-005, at A-2.

[63] PCAOB Release No. 2006-005, at 2.

Although the proposed rules do allow the Board to grant leave to file the form out of time,[64] extending the Board's prescribed time period will alleviate the need for firms to seek Board permission to file out of time. Accordingly, the Board should revise its proposal to allow a more reasonable timeframe, for example forty-five days, after the firm's change in legal status to file Form 4.

II. THE BOARD SHOULD ALLOW REGISTERED FIRMS TO SUBMIT CONFIDENTIAL TREATMENT REQUESTS FOR INFORMATION ON FORM 4.

Proposed Form 4 allows confidential treatment requests to be submitted only for information submitted in certain exhibits to the proposed Form.[65] Proposed Form 4 requests the provision of certain information (for example, information regarding the acquisition) that may need to be kept confidential under non-U.S. law or by the terms of the agreement between predecessor and successor entities. Because certain Form 4 information may require confidential treatment, the Board should revise the proposed Form to allow for the submission of confidential treatment requests related to Form 4 responses, not just exhibits to Form 4.

CONCLUSION

This comment letter identifies those aspects of the Board's proposals that should be clarified or modified to enable the Board to carry out its duties and responsibilities and to ensure that registered firms better understand and are able to comply both with their periodic reporting responsibilities and with registration responsibilities for successor entities. We support the

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64 Proposed Rule 2108(d), PCAOB Release No. 2006-005, at A-2.

65 Proposed General Instruction 9 for Form 4, PCAOB Release No. 2006-005, at A-6.

Board's efforts to create a rational, efficient, and effective periodic reporting system, as well as a mechanism for transferring registration status to successor entities. The changes recommended above will allow the public markets to access appropriate information to achieve the goals of the Act.

We appreciate the opportunity to comment on these proposed rules. The issues presented here are very complex and may warrant further discussion. We would welcome the opportunity to further discuss these issues with the Board. If you have any questions or would like to discuss these issues further, please contact Robert Kueppers at (212) 492-4241, Harold Tinkler at (203) 761-3545, or Guy Moore at (203) 761-3226.

Very truly yours,

/s/ Deloitte & Touche LLP

cc: Mark W. Olson, Chairman of the PCAOB
Kayla J. Gillan, Member
Daniel L. Goelzer, Member
Bill Gradison, Member
Charles D. Neimeier, Member

APPENDIX A

Summary of Recommendations

Proposed Provision	Recommendation	Cross-Reference
Proposed Rules		
Proposed Rule 2109 (requiring Form 4 to be filed 14 days after change in legal form)	Revise to extend time period to forty-five days after a firm's change in legal status.	Successor Reg. Rules, Sec. I
Proposed Rule 2202 (annual fee)	Clarify the parameters for the fee calculation and the basis for amount to be charged.	Periodic Rep. Rules, Sec. II(A)
Proposed Rule 2203 (requiring Form 3 to be filed 14 days after triggering event)	Revise to allow 45 days for filing Form 3 reports for U.S. firms and 90 days for filing Form 3 reports for non-U.S. firms.	Periodic Rep. Rules, Sec. I(A)
Proposed Rule 2203 (requiring Form 3 "catch-up" reporting)	Remove; If not removed, limit to information on ongoing relationships and legal proceedings from period of most recent inspection (or previous 6 months for non-U.S. firms), provide period for supplementing the Form 3 catch-up report, and extend deadline to 120 days after effective date of rule.	Periodic Rep. Rules, Sec. I(B)
Proposed Rule 2205 (amendments)	Revise to require amendment when the incorrectly reported or omitted information is qualitatively or quantitatively material to the form; revise to require amendment within 45 days; and clarify what constitutes "awareness" of an error or omission.	Periodic Rep. Rules, Sec. II(B)
Proposed Rule 2207 (document demand by Board)	Revise to provide appropriate safeguards for non-U.S. firms.	Periodic Rep. Rules, Sec. II(C)

Proposed Rule 2300 (confidential treatment requests)	Clarify effect of 2300(b) is not intended to provide further substantive grounds for denying confidential treatment requests; remove requirement that provision of law supporting confidentiality be submitted (or more broadly define the scope of documentation allowed); and further elaborate on functionality of Web-based redaction system.	Periodic Rep. Rules, Sec. II(C)
Proposed Rule 4000 (inspections)	Revise to clarify scope of inspection authority in amendment.	Periodic Rep. Rules, Sec. II(D)
Proposed Form 2		
Proposed Item 3.2 (fee percentages)	Revise to track information required by proxy disclosure rules; allow percentages calculated based on (a) issuers' most recent proxy statements divided by (b) the firm's revenue data for the fiscal year ending prior to the March 31 cut-off date; alternative allow percentages based on (a) the issuer's fee data as of the firm's most recent fiscal year ending prior to the March 31 cut-off date divided by (b) the firm's revenue data for the fiscal year ending prior to the March 31 cut-off date; and clarify that a good faith estimate is acceptable.	Periodic Rep. Rules, Sec. III(A)
Proposed Item 4.1 (audit reports)	Clarify that (b) requires the firm to identify the total number of individuals authorized to sign an audit report.	Periodic Rep. Rules, Sec. III(B)
Proposed Item 5.2 (audit-related memberships, affiliations, and similar arrangements)	Clarify "commonly" employed and "alternative practice structure."	Periodic Rep. Rules, Sec. III(C)
Proposed Item 6.1 (number of firm personnel)	Revise to accept an estimate or a range of personnel; and clarify that personnel performing audit services does not include non-audit specialists. Alternatively, if data regarding leverage is the information desired, revise to allow the firm to report leverage statistics for its audit practice, excluding non-audit specialists.	Periodic Rep. Rules, Sec. III(D)

Proposed Parts VII & VIII (requiring "catch-up" reporting)	Remove; If not removed, limit to information on ongoing relationships and legal proceedings from period of last inspection (or previous 6 months for non-U.S. firms) and provide period for supplementing the Form 3 catch-up report.	Periodic Rep. Rules, Sec. I(B)
Proposed Part VII (certain relationships)	Revise to require a good faith effort to ascertain the disciplinary status of an individual or entity; clarify that 7.1 applies only to accountants (if retained, limit to "associated persons"); remove 7.2 (if retained, limit to "associated persons"); limit 7.4 to audit-related professional services; and clarify the relationship between Form 2 and Form 3 reporting requirements for certain relationships.	Periodic Rep. Rules, Sec. III(E)
Proposed Form 3		
Proposed General Instruction 3 (requiring Form 3 to be filed 14 days after triggering event)	Revise to allow 45 days for filing for U.S. firms and 90 days for filing for non-U.S. firms.	Periodic Rep. Rules, Sec. I(A)
Proposed Item 2.1 (withdrawn audit reports, withdrawn consent)	Remove. Public reporting is, and should remain, a consideration of issuers.	Periodic Rep. Rules, Sec. IV(A)
Proposed Item 3.1 (withdrawn audit reports, withdrawn consent)	Remove. Public reporting is, and should remain, a consideration of issuers.	Periodic Rep. Rules, Sec. IV(A)
Proposed Item 4.1 (unauthorized use of firm name)	Remove. Public reporting is, and should remain, a consideration of issuers.	Periodic Rep. Rules, Sec. IV(A)

Proposed Items 2.5—2.10 (certain legal proceedings)	Clarify when a firm becomes "aware" of a legal proceeding (*e.g.* when senior management is notified of service of process); limit to proceedings arising from or relating to conduct in connection with the provision of audit or comparable reports for non-issuers; remove "dishonesty" and other crimes bearing materially on fitness; and narrow categories of individuals for which reporting is required (or, in the alternative, revise to make annual report on Form 2 rather than a Form 3 requirement).	Periodic Rep. Rules, Sec. IV(B)
Proposed Items 2.11—2.13 (certain relationships)	Remove; If not removed, revise to require a good faith effort to ascertain the disciplinary status of an individual or entity; clarify that 2.11 applies only to accountants; limit 2.13 to audit-related professional services; and clarify the relationship between Form 2 and Form 3 reporting requirements for certain relationships.	Periodic Rep. Rules, Sec. IV(C)
Proposed Items 2.14 & 2.15 (licensing)	Revise to make Form 2 annual reporting requirement and clarify "conditions" and "contingencies."	Periodic Rep. Rules, Sec. IV(D)
Proposed Item 5.1 (certain legal proceedings)	Limit description of conduct to Form 1 description (or, alternatively, to conduct alleged in complaint) and remove identification of clients requirement.	Periodic Rep. Rules, Sec. IV(B)
Proposed Items 6.1—6.3 (certain relationships)	Remove; If not removed, revise to require a good faith effort to ascertain the disciplinary status of an individual or entity, clarify that 2.11 applies only to accountants, limit 2.13 to audit-related professional services, and clarify the relationship between Form 2 and Form 3 reporting requirements for certain relationships.	Periodic Rep. Rules, Sec. IV(C)
Proposed Items 7.1 & 7.2 (licensing)	Revise to make annual reporting and clarify "conditions" and "contingencies."	Periodic Rep. Rules, Sec. IV(D)

Proposed Form 4		
Proposed General Instruction 9	Revise to allow confidential treatment requests for information provided in Form 4.	Successor Reg. Rules, Sec. II

Ernst & Young

5 Times Square
New York, New York 10036

Phone: 212 773-3000

VIA ELECTRONIC SUBMISSION

July 24, 2006

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

Re: PCAOB Rulemaking Docket Matter 19

Dear Sir/Madam:

Ernst & Young LLP ("EY") is submitting this letter to provide its comments on the Proposed Rules on Periodic Reporting by Registered Public Accounting Firms (PCAOB Rulemaking Docket Matter No. 019), PCAOB Release No. 2006-004 (May 23, 2006) ("Release").

EY is the U.S. member firm of Ernst & Young Global Limited, which has member firms throughout the world, of which 65 have registered with the PCAOB. The comments below reflect the views both of EY and our global organization.

I. Comments on Proposed Form 2:

As a general matter, we appreciate the Board's efforts to limit the reporting requirements to "meaningful" information (Release at 2), that is, information that might be useful to the Board in its conduct of its statutory obligations, such as its inspections of the firms, as well as to the investing public and others who need access to important information about registered firms. However, we believe that there are a number of areas where the Board might make the requirements more practical, while at the same time serving the objectives stated by the Board. These are as follows:

1. **Item 3.2 – The Firm's Revenues.** The proposal would require that the firm provide information on its revenues during the annual reporting period, which under the rule would be April 1 through March 31. The rule would require that the firm determine its total fees "billed" to clients during the reporting period, and then to disclose what percentage of the total fees were billed to issuer clients for audit services, other accounting services, tax services, and non-audit services.

   We recommend that, to avoid confusion, the disclosure categories conform to the SEC's proxy fee disclosure requirements, which require disclosure of audit fees, audit-related fees, tax fees, and all other fees. Using the proxy fee disclosure information would be consistent with the approach taken in the firm's registrations. In the Frequently Asked Questions Regarding Registration with the Board, issued November 13, 2003, the Board permitted the firms to use the proxy fee data as "reasonable estimates" of the firm's revenues in these buckets.

   Assuming the disclosure categories were made to conform to the SEC's proxy rule requirements, we would propose making these disclosures based on the proxy information relating to our clients' fiscal year that ended during the most recent April 1 through March 31 reporting period. In other words, we ask that we be permitted to make this disclosure based on information that our clients accumulate for annual proxy fee disclosure purposes, even though the time period covered by these annual disclosures generally will not precisely reflect the fees billed during the April 1-March 31 reporting period. To the extent we do not have available to us complete information as of our June 30 filing date (for example, we likely will not have complete proxy fee information by June 30 for a March 31 calendar year-end company), we would make reasonable estimates.

   Also, compliance with this reporting requirement (as well as others, such as those relating to the number of firm personnel) would be eased considerably, particularly for non-U.S. PCAOB registrants, if the Board were to permit firms to adopt their own reporting period. Many non-U.S. accounting firms registered with the PCAOB are also subject to oversight by a domestic body comparable to the PCAOB which have their own annual reporting requirements. In many cases the PCAOB works with the domestic oversight authorities in the timing and planning of their inspection activities. It would be burdensome for an accounting firm to collect similar types of revenue and personnel information at two different points in a year. Accordingly, we suggest that the Board provide flexibility for all PCAOB registrants in determining the reporting period, or at least provide that where a non-U.S. firm is subject to oversight by a domestic body that coordinates its inspection activities with the PCAOB, the firm can report for the same

period and at the same effective date used to meet the domestic requirements.

In addition, we note that Item 3.2 is captioned "The Firm's Revenues," but the text of the item refers to "total fees billed." These are two different amounts. We believe the item should refer to revenues rather than to billed amounts.

2. **Item 4.1 – Audit Reports Issued by the Firm.** Item 4.1(b) would require that the firm provide "the total number of Firm personnel who exercised the authority to sign the Firm's name to an audit report during the reporting period." We question the relevance or significance of the number of partners who actually sign the firm's name to an audit report. This number would exclude partners who have significant roles on audits but do not serve as the lead engagement partner on an audit of an issuer during the particular reporting period. We suggest that the Board instead require disclosure of the total number of assurance partners in the firm – in other words, partners who are organizationally part of our core assurance practice.

3. **Item 5.2 – Audit Related Memberships, Affiliations, or Similar Arrangements.** Item 5.2.a.2 and 5.2.b would require that the firm provide the name and address, and a description, of any membership or affiliation "in or with any network, arrangement, alliance, partnership or association that markets or sells audit services or through which joint audits are conducted." Item 5.2.a.3 requires similar information for any "affiliation" with another entity, "whether by contract or otherwise," through which the firm "commonly employs or leases personnel to perform audit services, or with which the Firm otherwise engages in an alternative practice structure."

   We think this proposal requires some clarification. In particular, it is unclear what might be meant in this context by the word "commonly" or the phrase "alternative practice structure." We suggest that the Board's adopting release describe what these terms mean.

4. **Item 6.1.d – Number of Firm Personnel.** Item 6.1.d would require disclosure of the number of persons who provided audit services during the reporting period "segregated by functional level." A Note to this Item states that this information must be provided for persons who "were with the Firm at the end of the reporting period," and the Note further states that "functional levels" may consist of "partner, senior manager, manager and audit staff." This proposal would require that we report the number of all persons who did any work whatsoever – even one hour of work – on an audit of an issuer. Thus, it would sweep in many persons who we do not consider to be audit personnel, such as information technology, tax, and valuation personnel, if such persons participated in one or more audits. But,

at the same time, it would not include members of our core assurance practice who did not participate in the audit of at least one issuer during the reporting period. As noted above in connection with Item 4.1, we believe that a more relevant number would be the number of all persons by functional level who are part of our core assurance practice.

5. **Part VII – Certain Relationships.** Part VII includes several disclosure requirements relating to persons who, or entities which, have certain relationships with the registered firm. The instructions to Form 2 state that "in the first annual report that the Firm files after having an application for registration approved, the Firm should provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed." This would mean that EY would be required, in its first annual report filed June 30, 2007, to provide information covering, in addition to the period April 1, 2006 through March 31, 2007, the period covering June 30, 2003 through March 31, 2006. (Non-U.S. members of our global organization registered later than did the U.S. firm, so the catch-up period would be somewhat shortened.)

   This "catch-up" requirement would be difficult to complete accurately. This is because it would require information about *former* partners and employees – that is, persons whose employment (or partnership) at the firm only existed for some period of time between June 30, 2003 and March 31, 2006. Assuredly, we would be able to determine the identity of any such persons who had been sanctioned by the SEC under Rule 102(e) prior to joining our firm (a disclosure required by **Item 7.1**), because such a situation would be very unusual. But **Item 7.2** would require us to disclose information about individuals who joined the firm from another *public accounting firm* that had been, within the prior five years, suspended or denied the right to practice before the Commission. We have not maintained information of this nature, and it would be quite difficult to trace the employment heritage of the many thousands of professionals who we have hired since June 30, 2003. This is particularly the case because the proposal would require us to perform a person-by-person search of the personnel files of *former* colleagues – persons who came and left during the June 30, 2003- March 31, 2006 period. And, making matters more difficult, the proposal as worded would require the reporting of persons who were partners or employees at firms "at the time of the conduct giving rise" to the sanctions. Thus, Audit Staff Person X could have joined EY in 2004 after working at Firm Y from 2000 to 2004. In 2005, Firm Y might be the subject of an SEC Rule 102(e) suspension order relating to conduct by someone at Firm Y (not Audit Staff Person X) in 2001. Under these

circumstances, we would be required to report Audit Staff Person X in Item 7.2. Such information would be difficult to track both retroactively and prospectively, and would not be useful, either to the Board or the investing public.

The "catch-up" would also apply to **Item 7.4,** which would require us to disclose whether we entered into any "contractual or other arrangement to receive consulting or other professional services" from an individual or entity who has been the subject of a Rule 102(e) sanction by the SEC or certain disciplinary sanctions by the PCAOB. It would be difficult to capture the "catch-up" information required under Item 7.4, because we and other EY member firms purchase consulting and other professional services from hundreds of outside vendors.

As to **Item 7.4,** we have concerns other than the "catch-up" requirement. The term "consulting or other professional services" is quite vague. It could be made clearer and narrower by referring to services specifically in support of an audit engagement. Also, we believe that, as proposed, the associated compliance costs will substantially outweigh the benefits, particularly with respect to non-U.S. firms. Firms (both U.S. and non-U.S.) will be required to put in place compliance procedures to identify the situations where a vendor relationship is being contemplated with the provider of professional services (*e.g.*, a law firm or outside lawyer) who has, within the prior five years, been sanctioned in a Rule 102(e) proceeding. Such contemplated relationships are likely to be rare, but we question whether it is worthwhile to require firms, in particular non-U.S. firms, to identify them and, if the relationship is entered into, report them to the Board. Given the many vendor relationships entered by EY member firms both within and outside the U.S., we urge reconsideration of this proposal unless it is narrowed as we have suggested.

6. **Item 8.1 – Acquisition of Another Accounting Firm or Substantial Portions of Another Accounting Firm's Personnel.** Item 8.1.c. would require a registered firm to state whether it "took on" 75% or more of the partners, shareholders, principals, members, or owners of another "accounting firm." We note that there may be instances where a firm meets this 75% requirement, but does so over a multi-year period. It is not clear from the rule whether it is intended to capture such a situation, but, if it does, keeping track of multi-year hiring developments may be difficult.

Also, we note that the term "accounting firm" has not been defined by the PCAOB, but there is a definition in the SEC independence rules. The SEC defines the term as "an organization . . . that is engaged in the practice of public accounting and furnishes reports or other documents filed with the

Commission or otherwise prepared under the securities laws . . ." 17 C.F.R. §210.2-01(f)(2)(2005). We think that definition could be used here.

7. **Item 9.1 – Affirmation of Understanding of, and Compliance with, Consent Requirements.** Items 9.1(b) would require that we affirm that the registered firm has "secured from each of its associated persons, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the associated person consents to cooperate in and comply with any request for testimony or the production of documents made by the Board in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the associated person understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm."

   As to this requirement, Item 9.1(b) includes, at Note 2, a reference to potential foreign legal impediments. The Note reflects the fact that during the registration process many non-U.S. accounting firms submitted legal opinions explaining that impediments exist with respect to the employee cooperation agreements that were required to be obtained by registering non-U.S. firms, and which would also be the subject of the Item 9.1(b) consent. We are raising this issue merely to note for the Board that those legal impediments still exist.

II. Comments on Proposed Form 3:

Form 3 would require the filing of special reports within 14 days of the occurrence of specific events. Release at A-28. We have several comments.

1. **General Comments:** We have four general concerns. *First*, the proposed rule includes a "catch-up" requirement. This would require a registered firm to make retroactive filings with respect to all of the disclosure items in Form 3, even though no firm would have had reason to accumulate this specific information in the past in order to satisfy these disclosure requirements. As discussed above regarding Part VII of Form 2, this will be a burdensome requirement for certain of the disclosure requirements, in particular **Items 2.1, 2.6, and 2.9.** We discuss these and other items in greater detail below.

   Second, a number of Items – **Items 2.4, 2.5, 2.6, 2.7. 2.8, 2.9, 2.10, 2.14, and 4.1** – require the filing of a Form 3 where "the Firm has become aware" of a specific matter or event. The same language is used in Proposed Rule 2205, relating to amendments to Forms 2 or 3 that must be made to fix errors or omissions in these filings.

This phrase raises compliance concerns. EY has more than 30,000 partners and employees in the United States, and several of the other member firms have many thousands of employees. In such large organizations, there almost certainly will be relevant matters that are known to some person or persons that are not known to others. In particular, the firm's management – who understand and have responsibility for the firm's PCAOB reporting obligations – might not always be made aware of relevant information. It is not clear whether the rule would impose a reporting requirement where knowledge of a particular matter resides solely with a staff or staff persons. Even if it is not so broad, it might nonetheless impose a reporting requirement whenever any partner in the firm is "aware" of a particular reportable event. In this regard, we note that under partnership law principles, knowledge of one partner is generally imputed to the partnership as a whole. Moreover, the word "aware" is rather imprecise. It certainly lacks the sort of legal significance and definition that can be attached to the word "knows" or "knowledge."

Accordingly, we suggest that the items containing the phrase, "The Firm has become aware . . . ," be restated. They might instead read, "If, to the knowledge of the firm's management" a particular event has occurred, then the reporting obligation is triggered. We note that a similar formulation appears in analogous SEC regulations. For example, Item 5.01 of Form 8-K, "Changes in Control of Registrant," states, "If, to the knowledge of the registrant's board of or officers, directors, a committee of the board of directors or authorized officer of a registrant, a change in control of the registrant has occurred," then a report must be filed.

It might be suggested that such an alternative approach would encourage some firms to take an ostrich-like approach to important matters so as to avoid filing Form 3s. We think that unlikely to happen, but if it were to occur the Board could appropriately address the matter through the inspection process. Also, our suggested alternative uses the word "management," which admittedly is hard to define in a large firm such as ours. We think this might reasonably be addressed by the Board in its adopting release, where the Board might explain that the word refers generally to senior persons in a firm's national offices. That approach still would be imprecise, but we think it is nonetheless preferable to the more imprecise and impractical "Firm becomes aware" language in the proposal. In this regard, we note the definition of "management person" that is contained in the SEC regulations relating to investment advisers. It states (17 CFR §275.206(4)-4): "Management person means a person with power to exercise, directly or indirectly, a controlling influence over the management or policies of an adviser which is a company or to determine the general investment advice given to clients." The Board might consider

using a similar "controlling influence" standard here with respect to the reporting obligations. Also, if the Board were to take this approach, we think it would be appropriate for the Board to state in its adopting release that it expects firms to put in place some internal reporting systems so that senior persons in the firm are made aware of reportable events.

Third, we are concerned that the 14-day reporting period would, for certain of the reportable events, be too short. In this regard, the disclosures relating to license suspensions or revocations (Items 2.14, 2.15) and to the initiation of certain legal proceedings (Items 2.5-2.10) are similar to what are now required by many state boards of accountancy. However, most state boards have a 30-day reporting window, and some have a 45-day period. Consistent with these approaches, we urge the adoption of a period of time longer than the proposed 14 days, such as 30 or 45 days.

Fourth, Items **2.6, 2.8, 2.9, 5.1,** and **5.2** impose various reporting obligations when "a partner, shareholder, principal, owner, member or manager of the Firm" is connected to certain pending or concluded legal proceedings. As the Board knows, the term "manager" is typically used by accounting firms to refer to staff persons at a particular experience level, that is, persons who are not owners or partners of the firm. We assume that the Board did not intend to apply the disclosure requirement to such staff persons, and instead was intending to refer to persons who have an ownership interest in the firm. We ask that the Board clarify this matter.

2. **Items 2.1 and 3.1, Withdrawn audit reports and consents, and Items 2.4 and 4.1, Unauthorized Use of Firm Name.** Under Items 2.1 and 3.1, a firm would be required to file a Form 3 whenever a firm has withdrawn an audit report, or withdrawn its consent to use its name in a report, document, or written communication containing the issuer's financial statements, and the issuer has failed to comply with the reporting requirements of Item 4.02 of Form 8-K. Items 2.4 and 4.1 would require that the firm file a report when an issuer "in a report, document or written communication containing the issuer's financial statements" has used the firm's name without the firm's consent. As to these particular Items, the Board has stated that it "particularly encourages commenters" to express their views. (Release at 10).

We recommend that the Board not adopt these elements of proposed Form 3. We do, of course, share the Board's desire that investors receive timely information about significant financial reporting issues. But these are matters relating to issuer misconduct, and accordingly they strike us as matters that should be addressed by the SEC rather than the PCAOB. The SEC might properly provide additional guidance in this area, or might issue new rules, or might bring enforcement cases against issuers that have been

violating the existing rules. We would certainly support such efforts by the SEC.

If the Board were to adopt these requirements, we note that the "catch-up" aspect would also cause compliance difficulties, because we have not collected this information. Moreover, it is unclear what purpose the "catch-up" requirement would serve, since it would require the reporting of very old news to investors.

We also want to address one aspect of the Board's discussion of this issue. In the Release (at page 11), the Board stated that this new Form 3 reporting obligation might be "unnecessary" because of the "illegal acts" reporting obligation under Section 10A(b) of the Exchange Act. The Release goes on to state that the Form 3 requirement is necessary because "many registered firms faced with these reportable events may not recognize that the circumstances involve the type of illegal act that triggers the obligations set out in Section 10A(b)." And, the Release states, "even if a firm does address these issues through the Section 10A(b) process, that process would not necessarily ensure that relevant information would become public as quickly as it would pursuant to the proposed Form 3 reporting." We note for the Board that Section 10A reports are non-public, so there is no question that an accounting firm's obligations under Section 10A(b) would not achieve the Board's goal of quicker public disclosures of restatements. In addition, there may be interpretive issues under Section 10A(b) that would make the application of Section 10A less straightforward than the proposing release would suggest.

3. **Item 2.6 – Certain Legal Proceedings**. Item 2.6 would require the filing of a Form 3 report when the firm becomes aware that specified persons within the firm have been charged with certain criminal offenses. We have two comments on this proposal.

First, the list of criminal charges for which reports must be filed includes any crime of "dishonesty." Because criminal misconduct is, by its very nature, "dishonest," it would be difficult to distinguish between criminal allegations involving "dishonesty" and those that do not. We suggest that the word be stricken.

Second, a Form 3 must also be filed where a person has been "charged with any crime arising out alleged conduct that, if proven, would bear materially on the individual's fitness to provide audit services to issuers." We believe this description is too vague. It would likely be particularly difficult for non-U.S. firms to interpret. We do not believe it is necessary; the list of specific crimes listed in the Item, such as fraud, embezzlement, forgery, and so on, seems quite sufficient. If, over the course of time, the Board

concludes that there are certain gaps in this list, the Board could make appropriate additions to the rule.

4. **Items 2.7 and 2.8 – Certain Legal Proceedings.** Item 2.7 would require a Form 3 filing whenever the firm becomes a defendant or respondent in a government proceeding if the matter relates to the provision of "professional services for a client." Item 2.8 applies this same requirement when partners and other specified persons are named in a government proceeding.

   Both Items 2.7 and 2.8 use the term "professional services" rather than audit services, and "client" rather than issuer. This would mean that a government proceeding completely unrelated to the provision of audit services, involving a non-public entity, would be reported on Form 3. This strikes us as too broad. In this regard, the comparable provision in Form 1, Item 5.1, is much narrower – it required disclosure of government proceedings arising out of the registered firm's "conduct in connection with an audit report, or a comparable report prepared for a client that is not an issuer." We urge a similar approach be taken here.

* * *

Please contact us for further information on any of the issues discussed above. In addition, we would like to suggest to the Board that, after final rules are in place, we be given an opportunity to provide the PCAOB's staff with our insights on certain of the technical aspects of data submission, so that the electronic reporting of information might be made as efficient and error-free as possible.

Respectfully submitted,

Ernst & Young LLP

Ernst & Young LLP

July 24, 2006

VIA ELECTRONIC MAIL

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, NW
Washington, D.C. 20006

PCAOB Rulemaking Docket Matter No. 019 (Proposed Rules on Periodic Reporting By Registered Public Accounting Firms)

Dear Sirs:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) proposed rules, *Periodic Reporting by Registered Public Accounting Firms* as presented in PCAOB Release No. 2006-004.

We support the Board's efforts in proposing periodic reporting rules for all registered public accounting firms (RPAFs or firms). We agree that requiring RPAFs to report material, relevant information on a periodic basis will provide valuable information to the PCAOB and to the public. However, we believe that the periodic reporting requirements adopted by the PCAOB should be consistent with Section 102(d) of the Sarbanes-Oxley Act (Act). While the PCAOB is authorized to prescribe annual and special reporting requirements, Section 102(d) of the Act implies that such reporting should be linked to the information required in the initial Form 1 registration. We believe that incorporating certain clarifications and revisions to the proposed rules would allow registered public accounting firms to report material, relevant information and thus meet the fundamental purposes of the reporting framework as proposed in the rules, and as required by the Act, and help ensure consistent reporting among all RPAFs.

We respectfully request the Board to consider the following suggestions before finalizing the periodic reporting rules.

Rule 2200 Annual Report – Form 2

Item 3.2 – The Firm's Revenues:
Since the time of our initial registration with the PCAOB, we have implemented an electronic database system to track fees billed to issuers in the four required categories, based on the issuer's fiscal year for which the audit report was issued. Reporting fees in this manner is consistent with the issuer's proxy disclosure requirements and was the method specified in Item 2 of the initial Form 1 registration statement. Grant Thornton LLP has also provided a listing of issuer clients and audit fees based on the issuer's fiscal year for which the audit report was issued, to the PCAOB as part of our annual inspection process for each of the last three years.

The proposed rules require firms to report the total fees billed to all clients for services rendered in the reporting period (April 1 – March 31). We believe that this timing would cause cutoff issues and incomplete data, as reporting is based on billings rendered in this period, and could include fees for audit services related to more than one fiscal year and may not include all fees related to the audit of the most recent fiscal year end. Fees accumulated based strictly on a twelve month reporting period would not agree to the issuer's required proxy disclosures. Reconciliation of fees billed to the issuer's proxy statement disclosures has been a requested item in our prior PCAOB inspections and we expect that the PCAOB inspection team would continue to want to see these reconciliations. Grant Thornton LLP has spent a significant amount of dollars building this electronic database system designed to report audit fees in the manner prescribed in Form 1 and to respond to the requests of our annual inspections performed to date. If required, we will incur the additional costs to re-design the functionality and reporting capabilities to conform with the final PCAOB reporting rules; however, it seems unnecessary and redundant to require the disclosure of percentages of fees based on a April 1 through March 31 period, when the existing reporting requirements of Form 1 and the fee information requested as part of the inspections conducted to date are consistent with current SEC issuer proxy disclosure requirements.

Further, the terms "audit services," "other accounting services," "tax services" and "non-audit services" are consistent with the terms used on Form 1; however, these terms are inconsistent with the terms used in the Securities and Exchange Commission's (SEC) proxy rules on Schedule 14A. Although the PCAOB has responded in the past that their terms are intended to conform to the category of fees under the SEC's auditor independence rules and proxy disclosure rules, the terms continue to differ and therefore may cause confusion. We recommend that the Board take this opportunity to adopt the current SEC fee categories for simplicity and consistency.

Part VII – Certain Relationships

Item 7.1 and 7.2 – Certain Sanctioned Individuals and Individuals Connected with Certain Sanctioned Firms

The initial registration requirement requested information on certain proceedings in Item 5 of Form 1 for associated persons in connection with their participation in an audit report as defined in Form 1, or a comparable report prepared for a client that is not an issuer. The disclosure requirements under Item 7 appear to be much broader, requiring information regarding any employee, partner or principal, regardless of service line. We would prefer that the disclosure requirements of Items 7.1 and 7.2 relate only to those individuals performing audit services as defined in the PCAOB rules; however, we understand the potential concern by the PCAOB that these individuals may not currently be participating in the audits of issuers, but may participate in such audits in the future. Given this possible change in an individual's status, we suggest that it may be more practical for the disclosure requirements of Items 7.1 and 7.2 to apply to those described individuals participating in audits of issuers or non-issuers.

Item 7.4, Certain Arrangements to Receive Consulting or Other Professional Services
This disclosure item should be limited to those arrangements involving consulting services for issuers. We believe that there is an important distinction between the employee or partner relationship described in Items 7.1 and 7.2, and a consulting arrangement as described in Item 7.4. The employee/partner arrangement is much different for many reasons and as noted above, we agree for practical purposes that the disclosure requirements in Items 7.1 and 7.2 should include only those individuals that participate in the audits of issuers or non-issuers. At the time of our initial registration in 2003, Grant Thornton LLP obtained signed survey questionnaires covering the disclosure requirements of Part V in the Form 1. We also performed due diligence procedures on those representations, which included the performance of background searches on all existing partners as of the cut-off date of the Form 1 information in 2003. We have continued to perform these background searches on newly admitted partners and new managers, as part of our hiring and admission process. We believe that performing background searches is an important risk management procedure; however, it should be noted that there is a substantial cost to these procedures.

If Item 7.4 were to require disclosures about any consulting arrangement meeting the criteria in Items 7.1a, 7.2a, or 7.3a, registered public accounting firms would need to survey all consultants providing services to the firm as to whether the consultant has any type of relationship that would give rise to a disclosure requirement under Item 7.4. Based on the wording of the proposed rules, this survey would be required regardless of the level of materiality of the service or the type of services being rendered. In essence, the PCAOB would be imposing new contracting requirements on all registered public accounting firms. In order to be comfortable accepting the representations made on these surveys, RPAFs would need to perform some level of due diligence procedures, which may include background searches, to ensure that the consultants have properly reported any required disclosure items. These procedures could have a significant impact on all firms in terms of time and cost. Grant Thornton LLP enters into hundreds of consulting arrangement each year, most of which have nothing to do with the performance of any kind of assurance service. We strongly believe that we should not have to incur the additional time and cost to perform these surveys and due diligence procedures when entering into a marketing or human resource consulting arrangement with individuals or entities that have nothing to do with the audit of an issuer. We strongly suggest that Item 7.4 be limited to those arrangements in excess of a reasonable dollar threshold involving consulting services on issuers.

Additionally, requiring a catch-up provision for all of the Item 7 disclosure requirements will be costly and burdensome for all registered public accounting firms, but particularly for the larger firms. Tracking employees, partners and others as described in Items 7.1 and 7.2 may prove to be difficult given the significant time period between 2003 and when these rules are formally adopted. Many employees and partners have left the Firm since 2003 and some may have been hired within this period and are no longer with the Firm. It will be extremely difficult to obtain information from former employees and partners in the format required by Form 2. Firms could perform background searches to verify the Item 7 information, but this may require consents from these former employees and partners, which will also be extremely difficult to obtain.

The catch-up provision with respect to Item 7.4 will be even more difficult to comply with and may in fact, be impossible. Grant Thornton LLP does not have an efficient system to go back three years and identify every consulting arrangement that may have existed for IT services, marketing, etc. We believe that we are not unique in our capabilities to capture this old information. Under the proposed Item 7.4, a RPAF would need to survey every individual consultant or entity engaged since 2003 to determine whether any individual or entity met the disclosure requirements. Identifying the total consultant population will be burdensome and getting these individuals to respond to survey requests will be extremely difficult, if not impossible. Performing background searches on these individuals and entities will be extremely time consuming and costly. Again, we strongly suggest that the catch-up reporting requirements of Item 7 be eliminated.

We believe that additional clarification should be added to show the relationship and differences between Item 7.1 (Certain Sanctioned Individuals), 7.3 (Certain Sanctioned Entities), and 7.4 (Certain Agreements to Receive Consulting or Other Professional Services) versus Form 3 – Item 6.1 (New Relationship with Person Subject to Bar or Suspension), 6.2 (New Ownership Interest by Sanctioned Firm) and 6.3 (Certain Arrangements to Receive Consulting or Other Professional Services). As currently proposed, these terms are similar, but it is not clear if they are intended to be the same. If they are intended to be the same, they appear to be redundant.

Item 8.1 – Acquisition of Another Accounting Firm or Substantial Portion of Another Accounting Firm's Personnel

We suggest that the requirement to report whether the Firm took on 75% or more of the persons who were the partners, shareholders, principals, members, or owners of another accounting firm be revisited to focus on the materiality of the transaction to the RPAF. Basing the reporting requirement on the percent of partners may not provide meaningful information for a firm like Grant Thornton LLP, who has hundreds of partners and thousands of employees. We believe it would provide more meaningful information and would be less burdensome for all firms, if disclosures were limited to those situations in which the partners and employees hired from another firm significantly added to the registered accounting firm's total personnel.

We also suggest that the Item 8 catch-up provision be eliminated. It will be very difficult for many firms to collect this information for the period since 2003, and since the disclosure requirements of Item 7.1 will be provided for all current partners and employees, the PCAOB will possess the critical information for the past five years related to sanctioned individuals, firms and entities.

Item 9.1 – Affirmation of Understanding of, and Compliance with, Consent Requirements

Note 1 to Item 8.1 of Form 1 clearly states that obtaining such consents is a continuing responsibility of a registered public accounting firm. As such, this proposed requirement appears to be unnecessary and redundant. However, if the PCAOB chooses to retain this requirement in the final rules release, clarification should be added in this section to indicate that this requirement is only an update of Form 1 – Part VIII, Consents of Applicant, and therefore is only required for new employees since initial registration, and for continuing employees whose information provided in a prior consent has changed.

Rule 2203 Special Reports – Form 3

Overall timing of filing the form
We believe that the fourteen day reporting period is an unrealistic time period and should be expanded to 30 days to be consistent with many state board self-reporting time frames.

Catch-up provision
Further, paragraph 2203(a)(3) of the proposed rule requires catch-up of reporting of any specified event on Form 3 that occurred after the date of initial filing of Form 1 with the PCAOB. For Grant Thornton LLP and many other RPAFs, this would require accumulation and reporting of events from at least June 2003 forward to the effective date of this rule. We believe it would be a significant undertaking for us and for all firms. Additionally, it is not clear to us as to the purpose of such an exercise and how reporting on past events that may have occurred three years ago, serves the public interest. Many of these events, if they were material to the RPAF or to an issuer, are available to the public through the SEC's website or other public databases.

Requested Clarification
Items 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.14 and 4.1 each contain the language "The Firm has become aware." We believe this wording is unclear and could be misinterpreted to include a situation where a low-level staff becomes aware of something, but simply through inexperience, did not recognize the relevance and communicate that information upward. We suggest that the PCAOB change the wording to "Senior Management of the Firm become aware".

Item 2.1 Withdrawn audit reports
We recognize the importance of issuers making the appropriate Form 8-K disclosures on a timely basis and we always encourage issuers to fully comply with the Form 8-K requirements. However, when an issuer does not fully comply with the requirements, we do not believe that imposing a reporting obligation on the registered public accounting firm is an appropriate response to the situation. We believe that the auditors' reporting obligation with respect to issuers and their compliance with the federal securities laws is already covered by Section 10A and that any additional PCAOB reporting obligations would be redundant and unnecessary. Also, Item 1.1 seems inconsistent with the PCAOB's own words on page 2 of the release which states in part:

"The Board's proposal seeks to accomplish those purposes without imposing any unnecessary burdens. For example, the proposal generally does not require firms to report information that is reasonably available to the Board and to the public in other ways, such as through reports that a firm's audit client is required to make to the Commission."

Item 2.4 – Unauthorized use of Firm's name
As noted under Item 2.1, we believe that this situation would be covered by the auditor's responsibilities under Section 10A and that any PCAOB reporting obligation would be redundant and unnecessary. If the PCAOB decides to go forward with the reporting requirement, we suggest that the disclosure be limited to those unauthorized uses of consents or reports on financial statements without the Firm's consent.

Item 2.6 – Certain Legal Proceedings
The term "manager" should be defined in terms of experience and seniority as it is unclear whether it is meant to refer to an equivalent of a partner or shareholder, or if it is meant to cover lesser experienced individuals such as assurance managers with 5-7 years of experience.

The use of the word "dishonesty" in Item 2.6 to describe alleged conduct should be eliminated as it raises concern regarding the intended and perceived meaning of the word. Further, it would be helpful for the Board to provide further guidance regarding how RPAFs should evaluate whether a crime, if proven, would "bear materially on the individual's fitness to provide audit services to issuers."

Items 2.7 and 2.8 – Certain Legal Proceedings
We believe the reporting requirements of Items 2.7 and 2.8 should be limited to those situations arising in connection with an audit report, or a comparable report prepared for a client that is not an issuer. Disclosure of proceedings unrelated to these services would not seem to be meaningful to the PCAOB's responsibilities with respect to issuers. Further, this limitation would be consistent with the requirements of Item 5 of Form 1.

Items 2.11 and 2.12 – Certain Relationships
Consistent with our comments made under Item 7 of Form 2, we believe that these requirements should be limited to those individuals participating in the audits of issuers and non-issuers.

Item 2.13 – Certain Relationships
Consistent with our comments made under Item 7.4 of Form 2, we believe that these requirements should be limited to those arrangements involving consulting services to issuers.

We thank you for the opportunity to comment on these proposed rules and would be pleased to discuss any of our comments with the Board's staff. Please direct your questions to Karin French, Partner in Charge of SEC and Regulatory Matters, at (703) 847-7533.

Very truly yours,

/s/Grant Thornton LLP

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July 24, 2006

Public Company Accounting Oversight Board
(PCAOB)
Office of the Secretary
1666 K Street, N.W.,
Washington, D.C.
20006-2803

USA

By E-Mail: comments@pcaobus.org

Dear Sir(s):

Re: PCAOB Rulemaking Docket No. 019

IDW Comments on the PCAOB Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

We would like to thank you for the opportunity to comment on the PCAOB Proposed Rules on Periodic Reporting by Registered Public Accounting Firms. The Institut der Wirtschaftsprüfer (IDW) represents the interests of the German Wirtschaftsprüfer (German Public Auditor) profession. The above-mentioned proposed PCAOB Rules will affect not only submissions by firms in the United States, but also German Wirtschaftsprüfer firms registered with the PCAOB.

The proposed PCAOB Rules are required in order to comply with the provisions of Section 102(d) of the Sarbanes-Oxley Act of 2002 (hereinafter referred to as the Act). Accordingly, they are intended to update the information contained in the firm's application for registration and to provide to the Board such additional information as the Board or commission may specify in accordance with Section 102(b)(2) of the Act. These provisions allow the PCAOB a certain degree of flexibility in establishing detailed Rules, but relate primarily to the information set forth in Section 102(b)(2) of the Act, which specifies the content of applications for initial registration of firms with the PCAOB. We are pleased that the PCAOB has taken a number of steps to accommo-

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date the legal impediments German registered public accounting firms are facing. However, we do have significant reservations as to the proposed limitations thereon under Rule 2207 (e). Furthermore, whilst we appreciate that, as stated on page 2 of Release No. 2006-004, the Board's proposal seeks to accomplish specific purposes without imposing any unnecessary burdens, we believe certain aspects of the proposal are overly bureaucratic, and consequentially may be unnecessarily onerous on non-U.S. registered public accounting firms. In fulfilling the intentions of the Sarbanes-Oxley Act it is essential that Rules are designed to have an appropriate sense of proportion and are practical and capable of application by all registrants, thus they need to fully take account of the special circumstances faced by non-U.S. firms. We would like to draw the Board's attention to certain of our members' concerns relating to matters of substance relating to the afore-mentioned issues. The majority of our comments relate to matters primarily affecting non-U.S. registered public accounting firms.

Also, in view of the necessity for public oversight bodies to cooperate with each other on a worldwide basis, we would like to suggest, where such cooperation will be established, it would be more appropriate for the Board to establish a specific rule that would allow the PCAOB to place reliance on information collected and provided by non-US public oversight bodies. This would result in less administrative work for audit firms, a reduction in duplication of information, and may facilitate public oversight bodies' understanding of conflicting legal provisions.

We understand that the PCAOB and the German Auditor Oversight Commission (AOC) are currently discussing the issue of mutual cooperation on the basis of the 8th EU Directive. The revised 8th Company Law Directive [2006/43/EC] was published in the Official Journal of the European Union on 17 May 2006. The provisions of European law, along with a system of regular inspections of audit firms similar to the one already existing in the U.S., are currently being implemented in Germany. These legal amendments can be expected to become effective as of the beginning of 2007. Once implemented, we firmly believe that a sound basis for cooperation between the oversight bodies will exist that will usually make provision of information not permissible under German law by audit firms under proposed Rule 2207 (e) obsolete.

Legal conflicts

We have previously informed the Board of various legal conflicts facing individual German registered public accounting firms reporting to the PCAOB. We would like to refer to our letters dated March 31, 2003, August 18, 2003 and January 26, 2004, which provide an initial discussion of the complex issues involved. To date, there have been no substantial changes in the legal system in Germany since German

public accounting firms were initially required to register with the PCAOB that would facilitate provision of information protected by German law to the PCAOB.

Potential impact of the existence of any legal impediment to the provision of information

We note that the PCAOB has identified certain information for which it proposes to introduce limits on asserting a conflict of interest. Insofar as these limits relate solely to the information identified on page 21 of Release No. 2006-004 and apply exclusively to the identified historical information required to be given on Forms 2 and 3, we do not believe there appear to be legal impediments, however, we would need recourse to legal advice before commenting fully on this issue. This notwithstanding, the criterion listed under (2) in the first paragraph of section C on page 21, namely "the Board could not, consistent with its most basic responsibilities, allow a firm to withhold the information and remain registered" when taken in conjunction with the proposal under Rule 2207 (e) gives us significant cause for concern.

Rule 2207

We believe that proposed Rule 2207 (e) would place foreign registered public accounting firms in an untenable position. Pursuant to proposed Rule 2207 (e) the PCAOB reserves the right to request any of the information required by the instructions to the Form, thereby requiring a foreign registered public accounting firm to violate home country law and transfer confidential information.

Page 22 of PCAOB Release No. 2006-004 states that paragraph (e) of proposed Rule 2207 is necessary to preserve the authority that Congress intended for the Board to have over all registered firms. We do not support inclusion of the provision of Rule 2207 (e) because it effectively undermines the intended protection afforded to foreign registered public accounting firms against breaches of law in their respective jurisdictions. The Board itself recognizes (footnote 33), that when sufficiently important information is not otherwise forthcoming, a foreign registered public accounting firm is placed in the position of having to breach either PCAOB Rules, potentially risking sanctions, or the relevant law prevailing in its home country. This has serious implications for German firms and other non-U.S. firms, because violation of home country law may ultimately affect a firm's authorization to perform audit work in its home country.

Respective roles of the PCAOB and home country regulators

We appreciate that when a foreign registered public accounting firm is unable to transfer certain information the Board may, depending on the circumstances of an individual case, consider that the matter warrants further investigation. However, we

do not consider it appropriate for the PCAOB to sanction foreign registered public accounting firms directly for non-compliance with information requests when home country laws prevent them from so doing. Nor do we agree that the PCAOB should request this information directly from firms, under the provisions that the Board is proposing in Rule 2207 (e). Rather, we believe that, before implementing Rule 2207 (e), the Board should further explore whether information needs it might have following a legal conflict assertion by a firm can be satisfied by means of cooperation with the oversight authority of the firm's home country. The Board has itself, on Page 20 of the Release, suggested this possibility may be appropriate in certain circumstances. Information exchanged under cooperative arrangement with the home country oversight authority might alleviate the need for the PCAOB to request a firm transfer confidential information protected by non-U.S. law. At the same time, it might provide a basis for determining whether further action is appropriate, and if so, whether it can be undertaken by the home country regulator, recognizing that it may ultimately lead to sanctions by the PCAOB. Whilst we appreciate that the Board is proposing Rule 2207 (e) as an *ultimate* measure, to be applied when all other possibilities have been exhausted, we do not accept that this proposal represents the only option open to the PCAOB. It may not be necessary in every case, for the PCAOB to, for example, obtain names of persons protected by confidentiality laws for the purpose of their oversight function. Again the example given on page 20 of the Release indicates that the Board accepts this. In any case, we do not consider this provision to be an appropriate stopgap solution until cooperative arrangements between regulatory authorities have been finalized.

In addition, we note that the Board proposes to extend Rule 4000 to make it clear that the Board may require a firm to provide additional information at any time as part of its inspection authority, so that cooperation requirements of Rule 4006 apply. Our concerns and suggestions discussed above also apply in respect of this proposal.

Affirmation of Consent

Form 2 requires annual affirmation of consent. The PCAOB is proposing this measure to serve as an annual reminder to the firm of its obligation to cooperate and its obligation to secure signed consents from new associated persons. As we note above, all aspects that were raised in the legal opinions submitted to the PCAOB in 2004 remain unchanged; thus German firms remain unable to give confirmation, and thus an affirmation relating to the broad consent foreseen by the PCAOB where a legal conflict exists. The proposal does not appear to allow for this, accordingly, we would like to suggest that wording such as "to the extent permitted by any applicable law" be added, to accommodate the situation faced by some foreign firms. We un-

derstand that German firms have adopted wording to this effect in submitting their registration forms to the PCAOB, which have been accepted.

Overly onerous requirements affecting foreign firms

The Release explains that the core principle for Rule 2207 is the same as that for Rule 2105, and further, that the differences are, in part, designed to minimize certain burdens relating to the supporting materials. The second paragraph on page 19 of the Release refers to elimination of "the possibility of an ambiguous general assumption that non-U.S. law limits the firm's ability to provide information of a particular type". We do not consider this justified, as Rule 2105 already required applicants to submit both a copy of the relevant portion of the conflicting non-U.S. law and a legal opinion that submission of the information would cause the applicant to violate the conflicting non-U.S. law. On this basis, we believe there are insufficient grounds for introducing requirements substantially more onerous to those of Rule 2105. In our view the following aspects of the proposal are overly onerous.

Degree of detail required

In respect of information relating to a firm's personnel we are of the opinion that the 10+ hours criterion applicable to Item 7.1 of Form 1 could also apply. We fail to appreciate why the PCAOB should routinely request information on individuals who were not active in the audit of issuer clients for less than 10 hours and/ or below the level of audit manager. Furthermore, in requiring information that is current as of the last day of the reporting period the rules do not provide for any cut-off criteria regarding the numbers of personnel required to be disclosed under Part VI Item 6.1 d. "the total numbers of personnel who, during the reporting period provided audit services, segregated by functional level". This is, inter alia, relevant, for example, when managers are promoted to partners.

Item 2.8 of Form 3 refers to certain information of which the firm has become aware, involving a partner, shareholder, principal, owner, member, or manager of the firm. As proposed, such information would cover the provision of all professional services for a client. Even the larger German registered public accounting firms may audit relatively few SEC registrants, but would, under the proposal, be required to submit information that is not even restricted to professional services provided to their issuer clients. The requirement under Rule 2207 (c) to obtain information of the detailed degree foreseen by the Board may constitute a disproportionate burden on firms. We suggest the information referred to in Items 2.5- 2.10 of Form 3 be limited to individuals involved in the provision of audit services to issuer clients in a similar manner to that applicable to Item 5.1 of Form 1. In the case of Form 1, the PCAOB has added a

note clarifying the requirement for foreign public accounting firms: "*Foreign public accounting firm* applicants need only disclose such proceedings for the applicant and any proprietor, partner, principal, shareholder, officer or manager of the applicant who provided at least ten hours of *audit services* for any *issuer* during the last calendar year".

The requirement to submit information on affiliations in or with network, arrangement, alliance partnership, or association on Form 2, Item 5.2 does not repeat information submitted by the applicant firm on Form 1 on initial registration. We accept that the Board may consider such information necessary for its purposes, however, we question the necessity of submitting this detailed level of information each year, in particular, when no significant changes in the firm's structure have occurred within a given year. We suggest that this degree of detailed information need not be submitted as a matter of routine, but on specific request of the PCAOB, and annual confirmation of the accuracy be sought.

Retrospective introduction

We do not favor retrospective introduction of Rules. The board intends the first reporting period for which a Form 2 needs to be submitted to be April 1, 2006 to March 31, 2007. In addition certain disclosures on Form 2, and any reportable event for Form 3 are to be required from the cut-off date applicable to a firm's filing of Form 1. We believe that this may lead to practical difficulties for firms whose current information systems are not capable of making all such so-called "catch up" information readily available. In extreme circumstances the firm may be unable to obtain certain information, but the proposal includes no provisions to allow for this. Furthermore, we believe some of this information may not be particularly relevant for the PCAOB's purposes. For example, information relating to an employee taken on by the firm reportable under Items 2.11, and 6.1 of Form 3, but no longer in the firm's employment at the effective date of the proposed rule may be difficult to obtain and of questionable benefit to the PCAOB. We would like to suggest that all such information requirements be limited to those persons as are connected with the firm at the effective date of the proposed rule in the capacity foreseen.

Other matters

Timing issues

Under Rule 2207 (b) Form 3 filing requires the firm to file within 14 days of the occurrence of the event in question. According to Rule 2207 (b) the prior consent of individuals may need to be obtained before the event can be reported to the PCAOB by

filing Form 3. There may be legal impediments precluding foreign firms from obtaining such consent, but even where this is not the case, the proposed deadline of 14 days is extremely unlikely to allow foreign registered public accounting firms sufficient time for this purpose, and almost certainly, in respect of unplanned or unforeseen events.

Rule 2207 (c) requires the firm to have certain materials in its possession, *before the date on which the foreign registered public accounting firm files the form* with the Board. In respect of Rule 2207 (c) (3) “a legal opinion, in English … that providing the omitted information ... would constitute a violation of non-U.S. law …”. The proposed 14-days timeframe is also unrealistic here, in particular when the event in question is unplanned or unforeseen.

We would also like to question the necessity of the need for the written description required by Rule 2207 (c) (4) to be dated or updated not more than 30 days before the submission of the Form to the Board. We appreciate the reasoning given in the release, however, when consents would be required and have not been granted, an auditor cannot reasonably be expected to “pester” a client or individuals with repeated requests for consent. We do not see that it is in the public interest for an auditor to update efforts when none can reasonably be expected to have been undertaken.

Practical difficulties resulting from specific aspects of the proposals

We understand from our members that there may be practical difficulties arising from the fact that not all firms’ internal reporting systems are capable of analyzing the total fees billed to all clients in the categories foreseen by the Board for disclosure under Item 3.2 of Form 2. For example, the financial year of many firms will not be synonymous with that required by the proposed reporting period, resulting in cut-off problems in relation to the calculations required. They are very concerned that necessary redesigning of their reporting systems may both be costly, and impossible to achieve in time for the first reporting deadline.

Use of different terminology

We note that when the firm issued no audit reports in respect of issuers, but *played a substantial role* during the reporting period, Form 2, Item 4.2 5 requires a description of the substantial role played by the Firm with respect to the *audit report(s)*, whereas on Form 1 Item 2.4 d. requires the applicant to state the type of substantial role played by the applicant with respect to the *audit report.* The inconsistent use of terminology is confusing. We wonder whether the Board intents a difference in substance.

Inclusion of information not readily available to the firm

Item 4.2 of Form 2 requires a firm provide certain information in respect of an audit report not issued by the firm, but with respect to which the firm played a substantial role during the reporting period. Under such circumstances the firm will not know the exact date the audit report was signed, since signing the report does not lie within the responsibility of that firm. We question whether it is really necessary to require the firm to take steps to obtain and pass on this information, which is neither within the role nor responsibility of that firm.

Potential need for guidance

We would appreciate the Board providing guidance as to the meaning of phrases such as “the firm has become aware of…” as used on Form 3, Items 2.4 to 2.10. In some instances, there appears to be doubt as to whether such “awareness” relates to the passive receipt of official notification. For example, in relation to legal proceedings referred to in Items 2.5 to 2.10 the issue appears clear. In contrast, in respect of use of the Firm’s name without consent in Item 2.4 the situation is less clear. The point in time “awareness” occurred directly impacts the proposed filing deadline of 14 days. In this context, we are also not sure what the Board envisaged when adding the phrase “the issuer indicates that such consent was provided” to Item 2.4, as the mere fact of publication itself indicates consent.

Definition of an Amendment

Although the wording of Rule 2205 states “unless the error or omission is clearly inconsequential” there appears to be a need for more qualitative and /or quantitative guidance as to when the PCAOB would regard an amendment reportable under this Rule.

Access to information

A foreign registered public accounting firm may be at a disadvantage in ascertaining whether an individual or an entity providing consulting or other professional services has been, or currently is, subject to a Board or SEC proceeding, as required on Form 2, Item 7.4. We are unsure as to how the PCAOB expects the firm to identify whether such individuals or entities meet the criteria set forth in Part VII. German firms may also face legal impediments precluding the transfer of detailed information in this context. In our opinion, the wording of Item 7.4 could be open to misunderstanding. The proposed wording refers to “any individual or entity meeting the criteria described in Items 7.1.a, 7.2.a, or 7.3.a”. From the proposed wording it is not clear whether the firm is required to supply information concerning individuals within an entity with which the firm entered into a contractual or other arrangement to receive

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consulting or other professional services, or merely to report on the entity as a whole in this context. In addition, we note that Rule 1001 does not contain a definition of "consulting or other professional services" that would enable consistency in application. We wonder whether the term is intended to encompass, for example, the provision of assurance services in relation to a subsidiary in a group or permitted non-audit services.

We hope that you will find our comments useful. If you have any questions about our comments, we would be pleased to be of assistance.

Yours very truly,

Wolfgang Schaum
Executive Director

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July 24, 2006

Rulemaking Docket Matter No. 019

Transmitted via electronic mail

Dear Mr. Secretary:

On behalf of KPMG LLP (U.S.) and the other member firms of KPMG International, we appreciate the opportunity to comment on the proposed rules of the Public Company Accounting Oversight Board (Board), *Periodic Reporting by Registered Public Accounting Firms,* (proposed Rules) issued May 23, 2006 pursuant to Section 107 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).

The overarching objective of Sarbanes-Oxley is to further the public interest by improving financial reporting, governance, and audit quality. KPMG wholeheartedly supports the efforts of the Board in helping to achieve this objective. We commend the Board on its efforts and realize that requiring periodic reporting by registered public accounting firms (registered firms) is another step in fostering transparency and confidence in the public accounting profession.

As further explained in this letter, we support:

- A concept of requiring periodic public reporting and disclosure for registered firms; and

- The prompt, public disclosure on the Board's website of the non-confidential portions of the annual and special reports upon filing by a registered firm.

However, we believe the Board should reconsider:

- The mandatory required dates to provide the information for Forms 2 and 3, as contained within the proposed Rules. We recommend that the Board defer the implementation date for one year for registered firms' submission of the initial Form 2. We also believe the 14-day period is too short for reporting events

required by Form 3 and recommend that the Board significantly extend the required reporting period for such events.

- Disclosure requirements contained within the proposed Form 2 relating to (a) certain sanctioned individuals and (b) individuals with certain sanctioned firms. We recommend that the Board convene a meeting of interested parties to further reconsider these disclosure requirements.

- Proposed Rule 2207(e), which could overrule and disregard mandatory foreign law. The Board should have the power to obtain all protected information through home country regulators, but not to sanction registered firms that cannot comply with information requests because of applicable local law.

- The extent of reporting of certain revenue, personnel, litigation and business relationship data.

- The auditor's responsibility to report the withdrawal of its audit report or unauthorized use of its name on Form 3.

- Information required to be reported on Form 3 for the "catch-up" period.

To achieve better clarity and understanding of the proposed Rules, we request that the Board convene a roundtable of representatives of registered firms and other regulators, e.g., the SEC and state boards of accountancies, to hold a thorough discussion regarding the impact and potential unintended consequences that may occur with implementation of certain of the proposed Rules.

The principal observations set forth in this letter reflect the assessment by KPMG LLP (the United States (US) member firm of KPMG International) and other registered member firms of KPMG International (collectively, KPMG) of the proposed Rules' potential effect on US and non-US registered firms. Many of the registered KPMG member firms outside the US have a direct interest in the proposed Rules because of the number of issuers and affiliates of issuers domiciled outside the US that they audit. Adoption in final form of the provisions in the proposed Rules without consideration of the matters discussed in this letter, may in our view, result in significant cost and other inefficiencies, conflict with local laws in others countries and cause potential delays in a non-US registered firm's ability to comply with the final rules.

We also believe that for non-US registered firms, many of the reporting requirements incorporated into the proposed Forms 2 and 3 should be subject to the Home Country Principle (HCP), a concept that KPMG believes should be

supported by a global protocol on baseline and annualized information to be supplied by a registered firm. A key underpinning to the HCP is that the Board should rely on reporting information supplied to the home country regulator, which would be based on international protocols agreed to by local country regulators and the Board, and, as such, enabling information to be shared between auditor oversight bodies. This approach would be consistent with the Board's rules 4011 and 4012, which were adopted for inspection purposes and would avoid the significant costs of duplicate reporting and complexities of complying with different audit regulators' varying requirements and timeframes, and would also avoid any existing legal conflicts.

For more discussion on these issues, we request that the Board convene a roundtable of representatives from non-US registered firms and oversight bodies and others with a direct interest, e.g., the European Commission.

We include in the Attachment our specific comments on the proposed Rules, including suggestions that we believe will improve the overall quality and effectiveness of the final rules in a cost-effective manner, consistent with the objectives of Sarbanes-Oxley.

We would be pleased to clarify or answer any questions about our comments. Please call or write Mike Plansky, 212-872-4458 or mplansky@kpmg.com.

Very truly yours,

KPMG

cc:
Mark W. Olson, Chairman, Public Company Accounting Oversight Board
Kayla J. Gillan, Member, Public Company Accounting Oversight Board
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Willis D. Gradison, Jr., Member, Public Company Accounting Oversight Board
Charles D. Niemeier, Member, Public Company Accounting Oversight Board
Christopher Cox, Chairman, Securities and Exchange Commission

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ATTACHMENT

A. Annual and Periodic Reporting on Proposed Forms 2 and 3

Required Information and Timing

The proposing release describes the proposed Form 2 as requiring registered firms to provide information to the Board in three broad categories as follows:

- Whether the registered firm issued audit reports for issuers or played a substantial role in any audits of issuers;
- Revenues derived from, personnel who provided audit services as part of, and external sources used in the audits of issuers; and
- Disclosure of certain relationships entered into during the reporting period, including acquisitions.

Furthermore, the proposed Form 2 mandates that the registered firm affirm its consent to cooperate with the Board and enforce cooperation by the registered firm with respect to its associated persons. Finally, the proposed Form 2 mandates a single reporting period for all registered firms.

The proposed Rules would require a registered firm to file a special report on Form 3 no more than 14 days after certain reportable events occur. The proposed Rules also include a corresponding "catch-up" provision in which a registered firm is required to file a Form 3 for all reportable events that have occurred since the data cut-off used by the registered firm in its initial registration application with the Board.

The proposing release describes the Board's reasoning for requesting the potentially significant amount of information required by both proposed Forms 2 and 3. In our opinion, it is not clear that there has been adequate consideration of the cost/benefit implications of requiring registered firms to accumulate and report all of the requested information and we are uncertain as to how some of the information requested by the Board will be useful to it in fulfilling its mandate to improve audit quality. While we acknowledge and respect the Board's authority to require registered firms to submit such information, we request that the Board first look to data that are publicly available before requiring registered firms to accumulate and report duplicative information, which may not be cost efficient for registered firms.

Effective Dates of the Annual Reporting Forms

The proposed Rules contain effective dates, with which it will be extremely difficult for registered firms to comply. As described in the proposing release, the proposed Rules would be effective 21 days after approval by the Securities and Exchange Commission (SEC), which might not occur until early 2007. As such, the registered firm's initial Form 2 report on the annual period ending March 31, 2007, would be due to the Board by

June 30, 2007 and its initial Form 3 report would be due within 14 days of the effective date of the proposed Rules.

The due dates, as currently proposed, could cause registered firms to undertake extensive and costly modifications to their financial reporting and other information systems in order to accumulate the data required to be submitted to the Board in conjunction with the filing of the required forms. Certain of these modifications might require a registered firm to revise its processes in mid-year for reporting functions relating to recasting revenues and other data and could result in multiple or overlapping periods to meet the proposed Form 2 requirements. Specifically, the proposed Rules will require registered firms to record and classify, on a total firm basis, their fees to issuers in a manner that was not previously required by regulation. Existing industry practice has been for registered firms to accumulate fee information, on an individual issuer basis, to assist the issuer in complying with its obligations pursuant to the SEC's proxy disclosure rules with respect to fees paid to its auditor. Thus, the proposed Rules may also require the registered firm to incur significant costs to revise existing information systems or build new systems to capture the data required by the proposed Rules. Furthermore, with respect to the initial Form 3 report "catch-up" period, it would require registered firms to accumulate certain information that they are unlikely to have collected during the three or more years that have elapsed since the registration process was initiated. For example, registered firms are unlikely to have gathered information concerning certain SEC or Board sanctions that might have been imposed on persons or entities with which they had an arrangement to receive professional services at any time in the period from mid-2003 until the Rule's effective date (Item 2.13). Similarly, Item 2.11 would require reports concerning employees and partners who had received certain SEC or Board sanctions, who may no longer be employed with the registered firm, and as to whom the registered firm may have limited ability to obtain such information.

We respectfully ask the Board to consider delaying the effective date of the proposed Rules in light of the difficulty many registered firms may have in designing and building information systems to accumulate and report accurate data to the Board in the limited time available from final approval of the proposed Rules by the SEC to the reporting due date of June 30, 2007 for the initial Form 2. Accordingly, we believe that implementation of the proposed Rules should be deferred for a reporting period that commences subsequent to approval of the proposed Rules by the SEC. For example, if the SEC approves the proposed Rules in early 2007, the first reporting period for Form 2 would encompass a period from April 1, 2007 to March 31, 2008. This would allow registered firms to have systems in place for the entire initial reporting period As such, the registered firm would file its initial Form 2 with the Board by June 30, 2008. By granting this deferral, it would allow registered firms time to build and revise systems to accumulate data in the proposed format.

Alternatively, if the Board decides not to defer the effective date of the initial Form 2, we believe it should allow a registered firm to accumulate the fee and other required data based on its most recent fiscal year without regard to the April 1 to March 31 reporting period. Furthermore, for the initial reporting period, registered firms would report total

audit fees received from issuers as a percentage of the registered firm's total revenues and would not be required to disaggregate the issuer fee data into the four categories as proposed by the Rules. By allowing registered firms this flexibility, the Board would minimize disruption to the registered firm and would provide it with the time and opportunity to modify its current reporting systems appropriately. On a prospective basis, registered firms would submit the information in the categories as proposed in Form 2 by June 30, 2008 and thereafter.

With respect to submitting the initial Form 3 information within the 35-day period set forth in the proposed Rules, we believe certain information should not be necessary for "catch-up" reporting and have further commentary regarding this information and the submission deadlines in the section entitled "FORM 3 - SPECIAL REPORT FORM."

Proposed Rule 2207(e) and Required Information to be Submitted by non-US Registered Firms

In its proposed Rules, the Board makes an effort to accommodate non-US registered firms by recognizing legal constraints that might be in place in local countries that would prevent a non-US registered firm from providing certain information to the Board. However, we do not believe that the proposed Rules afford the safeguards necessary to prevent a non-US registered firm from potentially violating local country law to comply with the affirmations and information requested as described.

We believe that proposed Rule 2207(e) could undermine protection of non-US registered firms against a breach of local law. Disclosure of protected and confidential information should only be possible when a global protocol exists between local country regulators or a bilateral agreement or an understanding is in place between the Board and the local country regulator. As written, the proposed Rule ultimately requires a non-US registered firm to disclose any kind of protected information and leads to a situation where the non-US registered firm either breaches Board rules or local country law. Accordingly, a non-US registered firm might potentially jeopardize and place at risk, its local licenses.

In addition, we wish to note, for the period from the initial registration of non-US registered firms with the Board to today, no substantial changes in the legal systems have occurred that would enable non-US registered firms to better comply with the proposed Rules for information. As such, we recommend that the same principles in Rule 2105 should govern information requests made by the Board of non-US registered firms. The Board should have the power and authority to obtain all protected and confidential information through home country regulators, but should not be empowered to sanction non-US registered firms that cannot comply with the Board's information requests because of applicable local law.

Form 2

Item 2.2 Amendments

The proposed Rules will require a registered firm to amend its Form 2 report within 14 days if the registered firm becomes aware of information that was incorrect at the time of filing or omitted any affirmation that was required to be included with the filing, unless the error or omission is clearly inconsequential. We ask the Board to reconsider the events that would cause a registered firm to file an amendment to its Form 2. For example, we believe a registered firm should be required to file amendments to its Form 2 report only if the certifications contained at item 10.1 would no longer be true. If the Board declines to change the proposed Rules for amending Form 2, we suggest that the Board consider replacing the "clearly inconsequential" standard with language that clearly sets forth a higher standard. The term "clearly inconsequential" is vague and may be too low of a threshold to enable registered firms to comply effectively. A materiality standard with a higher threshold would be consistent with item 10.1 of Form 2, in which an authorized partner or officer of the registered firm must certify that, based on his or her knowledge, "the Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading."

Item 3.2 Firm's Revenues

The proposed Rules will require registered firms to provide certain information regarding their fee data in Form 2, including computing audit fees billed to issuer audit clients as a percentage of total fees billed to all clients. Furthermore, this approach will require registered firms to accumulate fee information in four service categories (audit, non-audit, tax, and other accounting) for their issuer practices, similar to the method used by issuers to disclose auditors' fees in their proxy statements. We believe this approach places an unreasonable burden on a registered firm to capture and compute such categorized fee information as a percentage of its total revenue. Also, in the proposing release, the Board is not clear on how this information, particularly at this level of specificity, will assist the Board in its inspection program or in its evaluation of registered firms.

No regulatory statute existed previously that required public accounting firms to capture and accumulate total disaggregated fee data on a firm-wide basis as proposed by the Rules. As we previously stated, historically, registered firms accumulated disaggregated fee data on an issuer-by-issuer basis to assist the issuer in complying with their disclosure obligations pursuant to the SEC's proxy rules. We will need to make significant modifications to existing financial procedures and information technology to accumulate and report fee information in the categories required by the proposed Rules. If the Board is interested in knowing how significant a registered firm's issuer audit practice is to its overall practice, we believe that there may be other, less costly, ways to obtain this information. Accordingly, we ask the Board to reconsider its requirement for registered firms to provide disaggregated fee information relative to issuers. Instead, we ask the

Board to require a registered firm to submit only its total audit fees charged to issuers as a percentage of its total fees rendered, which we believe would still enable the Board to evaluate the significance of issuer audit practices to individual registered firms.

However, if the Board elects not to change the reporting requirements for audit fees as we suggest in the aforementioned paragraphs, we would appreciate the Board's consideration in revising the proposed Rules with respect to reporting audit fees as we recommend in the remainder of this section.

To avoid confusion among registered firms and issuers, we ask the Board to clarify that the four fee categories contained within its proposed Rules are identical to those categories contained within the SEC's proxy disclosure rules. We believe that the terms as currently defined in the proposed Rules differ slightly from the SEC's terms as they pertain to the four fee categories. The Board could resolve this difference by either amending its defined terms to match the terms used in the SEC's proxy disclosure rules or by expressly stating in a note to Item 3.2, that the Board intends the terms to be identical to the terms used in Item 9(e) of the SEC's Schedule 14A.

We ask the Board to consider implementing an overarching, principles-based approach for registered firms to report fee data. This principles-based approach would allow each registered firm to determine how best to accumulate the fee data for computing its percentage of fees in each of the designated categories. The registered firm would be required to provide a description of the methodology employed in determining the aforementioned percentages in its Form 2 report. Using this approach would provide some flexibility to each registered firm in utilizing its available resources and possibly avoid making costly modifications to existing systems and procedures. Furthermore, since the Board is asking for data that are more directional than precise, it might be helpful if the Board considers allowing a registered firm to report its fee revenue in the form of ranges, e.g., 0 -10%, 10 – 20%, etc. This approach would allow a registered firm some discretion in accumulating the fee data and still provide the Board with a reasonably accurate barometer of a registered firm's percentage of its fees in each of the categories.

Item 4.1 Audit Reports Issued by the Firm

We urge the Board to reconsider the reporting requirements under Item 4.1. We wish to emphasize that the information being requested already exists in the public domain. The SEC's Edgar database contains each issuer's required periodic filing with the SEC. In compliance with the securities laws, each issuer files with the SEC, its most recent annual report, which contains the audited financial statements of the issuer, and the auditor's report thereon, with the applicable auditor's report date. Accordingly, we ask that the Board delete the requirement that a registered firm include in its Form 2 reporting a listing of its issuer clients for which the registered firm issued an audit report and the date(s) of the audit report. We make this request to the Board to eliminate a process that results in the reporting of duplicative information that is already publicly available.

If the Board declines to eliminate the requirements in Item 4.1, we ask the Board to consider clarification of the following:

- The proposing release on page 4 states that required reporting includes information on whether the registered firm issued any audit reports for an issuer during the reporting period. In Item 4.1, the registered firm is asked to provide the dates of the reports. The Board may wish to clarify whether the date to be provided on Form 2 is (a) the date of the auditors' report, (b) the report release date pursuant to Auditing Standard No. 3, or (c) the date the issuer files the report with the SEC.

Item 5.2 Audit-related Memberships, Affiliations, or Similar Arrangements

We find unclear the term "alternative practice structure" as used in Item 5.2(a) (3) and believe that additional clarification of this term would be helpful.

Item 6.1 Number of Firm Personnel

The proposed Rules for Form 2 in Item 6.1d require the registered firm to report information regarding certain categories of individuals who provided audit services during the reporting period. The proposed Rules may result in a registered firm reporting all individuals, who charged any time to an audit of an issuer. For example, we interpret the proposed Rules to require registered firms to report certain individuals, (e.g., tax, information technology, valuation experts, etc.,) who are primarily involved in providing non-audit services, but have charged minimal hours in support of an issuer audit, but whose job responsibilities primarily are devoted to non-audit services. We expect that many registered firms may be unable to supply such information that is tailored to the terms of the proposed Rules. As such, reporting of this type of data might result in the Board receiving irrelevant or even misleading information regarding the portion of the registered firm's personnel who provide services in support of the audits of issuers. We recommend that the Board revise the proposed Rules to require the registered firm to report only for those individuals who work primarily in the audit practice.

We suggest that the Board reconsider the information needed for specific categories of professionals who perform audit services for issuers and whether minimum thresholds are necessary for reporting hours associated with those individuals. For registered firms, a more effective approach might be to track the definition of "persons associated with a CPA firm." That is, accountants who are partners, managers, or staff of the registered firm and provided 10 or more hours of audit service to any issuer during the last reporting period would be reported on Form 2. However, it should be noted that registered firms might not currently have systems in place to capture this information and would therefore be required to develop them.

We also ask that the Board consider its requirement regarding the number of personnel that a registered firm is required to report. We believe that the Board should consider allowing registered firms to report the number of personnel in ranges, by category, e.g., 0-100, 100-500, 500-1000, and over 1000.

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Item 7.1 Certain Sanctioned Individuals

The proposed Rules will require a registered firm to disclose whether, during the relevant reporting period, the registered firm has taken on individuals or otherwise become owned by an individual who had been subject to certain disciplinary sanctions within the last five years. The proposed Rules appear to apply to all individuals, regardless of job function, taken on by the registered firm. We are concerned as to the unintended consequences that may arise regarding individuals whose sanctions are required to be disclosed. In many situations, a registered firm may decide not to hire an individual, regardless of the substance of the prior sanction or the type of position the individual may be seeking. Consequently, a registered firm may be reluctant to hire such individuals if the registered firm must disclose the individual's prior sanctions. As such, the individual's employment prospects could be adversely affected by such a disclosure. We recommend that the Board reconsider the requirements under the proposed Rules to determine if the disclosure requirements should be less restrictive for registered firms who are considering employing such individuals who are not applying for senior-level positions within the firm, are not being hired to work on issuer audits or who were subject to relatively minor sanctions. In addition, we ask the Board to consider if the requirement for a registered firm to disclose an individual's prior sanctions may result in a duplication of prior public notice.

We also have concerns regarding the reporting period required under the proposed Rules, which potentially might require registered firms to report an individual on Form 2, even though the individual is no longer associated with the registered firm. This issue is further complicated in that, in the absence of prior guidance by the Board, a registered firm may not have been permitted by home country law to have gathered such information while the individual was employed by the registered firm. A registered firm may find it impossible to provide assurance that its information is complete with respect to an individual who has left the registered firm before the end of the reporting period. The "catch up" period reaches back several years and the registered firm may lack the ability to fully develop relevant information with respect to these individuals. We suggest the Board consider requiring a registered firm to report only those individuals still associated with the registered firm at the end of its reporting period or as of the required filing date of the initial Form 3 report. We also believe that it would be helpful to clarify that "within the last five years" refers to five years from the close of the reporting period or from the date of registration, whichever is shorter.

Issues involving sanctions of individuals are highly sensitive. Achieving the proper balance between the (a) appropriate transparency to the marketplace of matters involving deficient performance, and (b) premature public disclosure of information that can have serious implications to an individual's career, as well as broader implications on the profession's ability to attract and retain talent, is a challenging and complex issue. Given the importance of, and inherent difficulty in, striking this balance, we recommend that the Board convene a meeting with representatives of registered firms and other interested parties, to discuss further this proposed Rule.

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Item 7.2 Individuals Connected with Certain Sanctioned Firms

Similar to Item 7.1, the proposed Rules will require a registered firm to report when it has taken on certain individuals connected with a sanctioned firm, or otherwise becomes owned by an individual who was connected with a sanctioned firm. We share the Board's concern in which certain individuals could attempt to circumvent sanctions against their previous firm by aligning themselves with a new firm. However, if a situation occurred where a large firm is subject to a sanction and subsequently ceased operations, the proposed Rules could require multitudes of registered firms to report individuals who were forced to find employment with other firms. We suggest the Board consider whether the reporting requirement should apply only to those individuals who take on a senior role within the reporting registered firm with whom they become associated. We also repeat our observation with respect to Item 7.1 regarding the timing and reporting of such individuals; the final Rules should require reporting only those individuals who are still employed with the registered firm at the end of the reporting period.

It also may be difficult for a registered firm or an individual to determine if an individual was with a sanctioned firm at "the time of the conduct giving rise to the sanctions." For example, an individual may have left his or her former registered firm before the sanction was imposed. Accordingly, neither the individual nor the registered firm will have a practical ability to monitor and obtain the information called for in the proposed Rules. We suggest registered firms be required to report only those individuals who were with a sanctioned firm at the time a sanction was issued. In the alternative, we suggest that the burden for tracking this type of information will be reduced if a time period were specified for the period in which, after an individual has become associated with the registered firm, the sanction order must have been entered. For example, a sanction order entered against the prior registered firm more than a year after the individual was taken on by the reporting registered firm would not be required to be included in Form 2.

Item 7.4 Certain Arrangements to Receive Consulting or Other Professional Services

The proposed Rules will require a registered firm to disclose whether it has entered into a "contractual or other arrangement to receive consulting or other professional services" from any individual or entity meeting the criteria described in Items 7.1a, 7.2a, or 7.3a. We believe that the requirement, as written, is overly broad. The registered firm may already be a party to an arrangement with an individual, who had been subject to such disciplinary proceedings, to consult on matters unrelated to audits of issuers. Accordingly, we request the Board to reconsider this proposed Form 2 requirement and limit it to individuals or entities that have arrangements to consult or provide other professional services relative to audits of issuers. We also repeat our observation with respect to Item 7.1 regarding the timing and reporting of such information and stress the importance of limiting the reporting requirements to arrangements in existence at the end of the reporting period, as information in the earlier period could include information not

relevant to the Board and difficult to develop. This situation is even more critical with respect to arrangements existing during the catch-up period for information that may be difficult or impossible for the registered firm to obtain.

Item 8.1 Acquisition of Another Accounting Firm or Substantial Portions of Another Accounting Firm's Personnel

We support the proposed Rules regarding the reporting of an acquisition of another accounting firm or substantial portion of another accounting firm's personnel. However, we ask the Board to consider eliminating the 75% threshold in Item 8.1.c or limiting the requirement to situations in which the number of individuals from another firm is significant with respect to the registered firm. Alternatively, the Board could consider a significance test analogous to Rule 3.05 of Regulation S-X, which would require a registered firm to report only significant acquisitions of businesses or personnel.

We also ask the Board to clarify if the proposed Rules apply only to one transaction or a series of transactions. In addition, if the proposed Rules apply to a series of transactions, we are unclear as to whether the proposed Rules relate to a specific timeframe, e.g., within one reporting period.

Item 9.1 Affirmation of Consent

Most non-US registered firms were unable, due to legal impediments, to provide the Item 8.1 consents when their Forms 1 were submitted. In lieu of those consents, non-US registered firms included a standardized best efforts wording in Form 1. We suggest the Board consider applying these best-efforts principles to the proposed Form 2; however, this approach will require a revision of Rule 2207(e). Accordingly, we find it unclear as to whether the Board will accept such "qualified consents" in its Form 2 reports, and if not, the procedures that the Board would require. We also believe that the concept of a Home Country Principle should apply to non-US registered firms and that each registered firm "use its best efforts to secure and enforce" the consents of cooperation from its associated persons. We also suggest that the Board consider amending Note 2 to Item 9.1c., to recognize the difficulty of determining, on an associated person by associated person basis, whether the Rule 2207 statement is "sufficient to satisfy the requirements of subparagraphs (2) through (4)" by making clear that the registered firm's reasonable belief in the sufficiency of the Rule 2207 statement will satisfy the requirement.

FORM 3 – SPECIAL REPORT FORM

The proposed Rules introduce a requirement in which a registered firm will be required to file a special report on Form 3 if any of the reportable events described in Form 3 occur, and to file that special report no later than 14 days after the event. With due respect to the Board's statement in the proposing release that many firms may never experience a reportable event, our view is that the triggering events described in Form 3 will likely occur more often in larger registered firms than smaller registered firms and will likely not be infrequent.

14-Day Reporting Requirement

We suggest that the Board reconsider its conclusion that 14 days is sufficient time for a registered firm to detect the occurrence of a potentially reportable event, to determine if it satisfies one of the Items under Form 3, and to complete the information gathering process and prepare and submit a Form 3 report, especially if the event involves legal proceedings relating to the firm or its personnel. The 14-day rule could be particularly difficult to comply with in situations where the reportable event is triggered by the conduct of an individual rather than by the registered firm's conduct. Moreover, in many countries, registered firms must seek legal opinions on whether disclosures of such matters would conflict with local laws, prepare extensive documents when requesting confidential treatment, and translate the documents and laws into the English language. In certain situations, the registered firm would be required by local law to obtain the consent of individuals before the event could be reported on Form 3. We submit that a substantially longer time is required to permit a firm to gather, evaluate, and adequately report the event on Form 3. We believe that a minimum of 60 days seems a more appropriate period in which a registered firm should be required to report such events.

We also suggest that for purposes of the catch-up period, the reporting of proceedings involving individuals should be limited to those who are with the registered firm on the date that the Rules become effective. We find it difficult to understand how information about departed professionals will serve any purpose of the Board; in addition, it may be difficult or impossible for registered firms to obtain the information required by Items 5.1 and 5.2 as to matters that involve former professionals.

Item 2.1 Withdrawn Audit Reports
Item 2.4 Unauthorized Use of Firm Name

We believe that an issuer's compliance with the SEC's Rules, including filing requirements pursuant to the 1933 and 1934 securities acts, is a matter involving questions of compliance with the securities laws. The auditor's responsibility should not be confused with those of the issuer or its legal representative. We believe the auditor's responsibility in these instances is defined by the Board's auditing standards, namely AU 561.08. Under AU 561.08, if a company fails to take appropriate action to prevent reliance on the independent auditors' report, the auditor notifies the appropriate regulatory agencies having jurisdiction over the company that the auditors' report should no longer be relied upon.

We believe that the purpose of the proposed Rule would be clarified if Item 2.1 were changed to say "...and the *issuer* has failed to comply with a *Commission* requirement to make a timely report concerning the matter pursuant to Item 4.02(b) of *Commission* Form 8-K." Making clear that only an issuer's failure to comply with subpart (b) of 4.02 of Form 8-K triggers the Item 2.1 reporting requirement, would clarify the registered firm's responsibilities, and be consistent with the reference in the Reporting Release to Section

10A(b) of the Securities Exchange Act of 1934 (regarding the auditor's responsibilities concerning potential illegal acts).

Accordingly, we request the Board to reconsider the procedures for reporting trigger events for Items 2.1 and 2.4 in Form 3 and if those procedures duplicate other long-standing requirements in AU561.08 and Section 10A of the Securities Exchange Act of 1934, respectively.

Certain Legal Proceedings

Items 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 2.14 and 4.1

The wording "the firm has become aware" will not provide sufficient guidance to registered firms. We suggest that the Board utilize alternative wording assigning responsibility to report such circumstances that "senior management responsible for operations of the firm knows to have occurred." To avoid the possibility that this could result in certain events going unreported, the Board's adopting release could contain guidance suggesting that the Board reasonably expects that registered firms will act in good faith to design systems to capture reportable information and to require registered firm personnel with knowledge of such events to provide notice to senior firm management. We also believe that similar prefatory language should accompany Items 2.1, 2.2, and 2.3, which as proposed, do not appear to contain a knowledge component.

Items 2.5 – 2.8

We believe that the trigger for reporting events under these Items is overly prescriptive and burdensome. In particular, we believe that the phrase "has become a defendant or respondent" is ambiguous; a more accepted terminology would be that the registered firm or the individual "has been charged" with the violations described in the Item. We believe it would clarify the registered firm's reporting responsibilities if the Board used this terminology. We also suggest that Items 2.5 and 2.6 be changed to make clear that only crimes that are misdemeanors and felonies, or their equivalent under non-US laws, must be reported. Acts that in the US are considered to be "quasi crimes" (i.e., certain civil offenses that are not felonies or misdemeanors but may permit criminal penalties) are in certain jurisdictions deemed criminal in origin, and we do not believe it is the Board's intent to require the reporting of such events.

Items 2.6 and 5.1

We believe that including a crime involving "false statements" or "dishonesty" is overly broad and ambiguous, and will result in reporting charges that have little or no relation to the type of conduct relevant to the Board's concerns. Moreover, the clause regarding "alleged conduct that, if proven, would bear materially on the individual's fitness to provide audit services to issuers" is impermissibly vague and subjective, and does not provide the registered firm sufficient guidance to satisfy due process. We note that the ability of registered firms to obtain this information as it pertains to individuals largely

rests on self-reporting, and the lack of clarity in the proposed Rules would present an insurmountable obstacle to consistent reporting. It also would apply regardless of whether the individual in fact provided audit services. Uncertainty also could exist as to whether the registered firm would need to report the event if the firm suspended, terminated, or otherwise prohibited the individual from providing services to issuers after learning of the proceeding.

Items 2.7 and 2.8

It is not clear to us why proceedings involving the provision of services other than those involving the audit function should be of concern to the Board; we note that similar information required to be submitted (as specified in the Sarbanes-Oxley Act) in connection with the application for registration did not include proceedings arising from non audit-related activities. Accordingly, we submit that Items 2.7 and 2.8 should be reworded to replace the word "client" with the word "issuer" so that it is clear that these requirements are not intended to include individuals within a registered firm who have no involvement in issuer audits. The final rule also should clarify that "proceedings initiated by a governmental entity" is limited to such entities carrying out a governmental function, as opposed to a governmental entity that is suing on private rights, e.g., an insurance department suing in a private capacity, as receiver of an insurance company. The rule also should specify that "administrative or disciplinary proceedings" are those brought by governmental agencies, not, for example, those brought by nonpublic membership organizations.

Other Observations Regarding Criminal Proceedings

- We are uncertain if the proposed rules require a registered firm to actively search for such information. We believe clarification is necessary in this respect. Furthermore, the registered firm or the firm's personnel may be unable to disclose the event due to secrecy obligations or laws in certain countries and thus the firm would be unable to comply with this reporting requirement. In some situations, the action of reporting that a matter exists even on a no-name basis may conflict with certain secrecy obligations.

- The term "member" was not used in Form 1 and the need for disclosure of certain criminal, civil, and administrative proceedings in Form 1 was limited to associated persons, which for non-U.S. firms, would only include partners and managers. It is unclear whether the term "member" is intended to include employees in general. It is our belief that it would seem reasonable and consistent to use the definition of "associated persons" as used in Form 1 for non-US firms.

With respect to the civil proceedings, we believe the reporting should be limited to issuer clients.

McGladrey & Pullen
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July 21, 2006

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

RE: PCAOB Rulemaking Docket Matter No. 019
Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

Dear Mr. Secretary:

McGladrey & Pullen, LLP is pleased to submit written comments on the proposed rules on periodic reporting by registered public accounting firms. McGladrey & Pullen, LLP is a registered public accounting firm serving middle-market issuers.

General Comments

We appreciate the Board's efforts in trying to minimize the disruption that a firm may experience in connection with their registration with the PCAOB. We acknowledge that certain information previously provided in Form 1 is no longer required to be accumulated by the firm and reported in subsequent filings with the Board.

We do however have other comments and observations relating to the cut-off date of the reporting period for Form 2, the reporting of firm revenue information and the catch-up provision for reporting on Form 3 for firms that are already registered.

Form 2- Annual Report Form, General Instruction Number 4

The proposed rule requires that the Form cover a 12 month period from April 1 to March 31. The proposed rule release stated that the purpose of the reporting period "is intended to coincide with the end point of the period for which the Board's inspection staff will generally request substantial information from firms scheduled for inspection in that year." We suggest that the Board consider allowing the firm some flexibility in selecting a cut-off date perhaps within a time range that would be acceptable to the Board.

In making this suggestion, one matter to consider relates to the fiscal year-end of the firm and the ability of the firm to gather more accurate data with respect to fees billed to audit clients and the firm's total revenue. Our firm for instance, has an April 30 year-end and accordingly the cut-off of billings or the estimate of unbilled services would be more accurate at April 30 than at March 31 and easier for us to report. Another matter to consider is that for firms that are subject to annual inspection by the PCAOB, if

the data request has historically coincided with a period other that March 31, would the PCAOB allow the cut-off for those firms to be something other than March 31 for purposes of reporting on Form 2?

Form 2, Part III, Item 3.2 The Firm's Revenues

This item would require the firm to report as a percentage of the total fees billed to all clients for services that were rendered in the reporting period, those fees attributable to fees billed to issuer clients for services rendered during the reporting period. These percentages are to be broken down by audit services, other accounting services, tax services and non-audit services as defined. The purpose of this disclosure is to "provide a picture of how the firm's services for issuer audit clients compare generally with the firm's services for other clients." Given that amounts are generally billed after the period in which they are rendered or that amounts may be billed that cover a period both before and after the reporting cut-off period, we suggest that the Board consider whether these percentages could also be estimated based upon a firm's internal reporting system that would reflect fees on an accrual basis versus when they might have actually been billed.

Rule 2203, Special Reports

Paragraph (a) (3) stipulates that no later than 14 days after the effective date of the rule, a registered public accounting firm must file a special report to disclose any event specified on Form 3 that occurred after the date used by the firm in their initial registration and before the effective date of the rule. We suggest that this initial catch-up report allow a period longer than 14 days to allow firms to gather whatever information may be required once the final rules become effective. In addition, we question whether certain items need to be disclosed in the catch-up report if they were subsequently resolved. Specifically the disclosure of Items 2.1 and 2.4 dealing with a withdrawn audit report or the unauthorized use of the firm's name that were subsequently resolved would not seem to be important to the investing public and do not require disclosure. In addition if certain legal matters requiring disclosure under Items 2.5, 2.6, 2.7 or 2.8 were subsequently dismissed and disclosed under Item 2.9, we question why such matters should be disclosed at all in the catch-up report.

Closing Comments

We support the Board's initiative to obtain information from registered public accounting firms on an annual basis as well as currently for certain specified events. We appreciate the opportunity to comment on the proposed rules.

Sincerely,

McGladrey & Pullen, LLP

new york state society of
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certified public accountants

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July 21, 2006

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

By e-mail: comments@pcaobus.org

Re: PCAOB Release No. 2006-004 – Proposed Rules on Periodic Reporting by Registered Public Accounting Firms (Docket No. 019), and PCAOB Release No. 2006-005 – Proposed Rules on Succeeding to the Registration Status of a Predecessor Firm (Docket No. 020)

Dear PCAOB Board Members:

The New York State Society of Certified Public Accountants, the oldest state accounting association, representing approximately 30,000 CPAs, welcomes the opportunity to comment on the proposed rules of the PCAOB referenced above.

The NYSSCPA SEC Practice and Auditing Standards and Procedures Committees deliberated the proposed rules and have prepared the attached comments. If you would like additional discussion with the committees, please contact Mitchell J. Mertz, chair of the SEC Practice Committee at (212) 891-4048, Robert W. Berliner, chair of the Auditing Standards and Procedures Committee, at (212) 503-8853, or Ernest J. Markezin of the NYSSCPA staff, at (212) 719-8303.

Sincerely,

Thomas E. Riley
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS TO THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD ON

RELEASE NO. 2006-004 – PROPOSED RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC ACCOUNTING FIRMS

AND

RELEASE NO. 2006-005 – PROPOSED RULES ON SUCCEEDING TO THE REGISTRATION STATUS OF A PREDECESSOR FIRM

July 21, 2006

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New York State Society of CPAs

Comments to the Public Company Accounting Oversight Board on Release No. 2006-004 – Proposed Rules on Periodic Reporting by Registered Public Accounting Firms (Docket No. 019), and PCAOB Release No. 2006-005 – Proposed Rules on Succeeding to the Registration Status of a Predecessor Firm (Docket No. 020)

July 21, 2006

Comments on Release 2006-04

FORM 2

The Public Company Accounting Oversight Board (PCAOB) should reconsider the requirement to impose a common reporting year ending March 31. This may impose an administrative burden, in compiling the required information, on firms that have a different fiscal year. Furthermore, many firms may not have billed for work done in busy season until some time after the end of busy season. As an alternative, we suggest that the information called for should be hours charged rather than hours billed. This is more indicative of the earnings activity of the firm. Form 1 should be revised as well to reflect this alternative.

We note that the form asks for tax billings as a fourth category of revenue in addition to the three called for in Form 1. We are not clear why the form asks for a distinction in the categories of non-audit services, or what use this information is to the PCAOB. We believe that the Form should use the same categories as required for issuers in their annual proxies.

We also note that information is requested for networks or affiliations of the registered public accounting firm. We suggest that some materiality standard be set because minor affiliations likely will have little impact on a firm's practice.

FORM 3

Reporting on criminal and other proceedings, etc. (Items 2.6, 2.8, and 2.9) should not rely on titles but on roles in the audits of issuers. The "associated persons" concept from Form 1 should be used, and would provide for consistency. Also, there should be clarification as to whether the requirement as presently written encompasses individuals in tax, consulting and other roles as well as in audits of issuers. This would go beyond the Form 1 requirement.

Item 2.13 should clarify the meaning of "other arrangements" and whether it includes individuals that "funnel" issuer work to the firm. This is a very common arrangement in the smaller-issuer, smaller-registered firm arena. While there may be no formal compensatory arrangement with such individuals, a significant portion of the issuer work of certain firms comes from such relationships. Such individuals can be in a position to exert significant influence on the firm. Furthermore, it is not unusual for them to have regulatory matters in their past. Such individuals should be included in the reporting under this item, whether compensation is exchanged or not. We suggest that some threshold based on both number of referrals and magnitude of fees should trigger a reporting requirement.

Comments on Release No. 2006-005

FORM 4

The requirement for the successor firm to formally acknowledge responsibility for any conduct of the predecessor firm has the potential to significantly erode the successor's defensive position, without merit, in the event of certain litigation arising from acts of the predecessor. In spite of the exposure draft's attempt to delimit this responsibility, it provides no support for this delimitation. Such matters can only be known through the results of cases litigated through the judicial system. We believe that the PCAOB may already have the authority to accomplish the same results without requiring this affirmation. This should be examined.

The requirement for "an individual who is a member of the old firm and a member of the new firm… certify that the predecessor …intended for its registration to attach to the successor firm" is too lax and probably inoperative. This is indicating that any member, no matter how marginal their role in the predecessor, has the power to represent the intent of the entire predecessor firm. This needs to be revised to provide a mechanism that truly expresses the intent of the predecessor by requiring a majority of the predecessor firm's interests to authorize the certification on their behalf.

There are three "yes" or "no" questions which need to be answered negatively in order to file Form 4 rather than a Form 1 registration. We suggest that a fourth question needs to be asked – whether the successor will adopt the quality control document previously filed (and as amended) by the predecessor registered firm with Form 1. If the answer is "no", the new quality control document should be submitted. The ability of an audit firm to perform work that complies with PCAOB standards depends, to a large extent, on its formally adopted system of quality control. Systems of quality control vary greatly, particularly among non-registered firms. The PCAOB should add this fourth item.

To: Comments

Subject: RE: PCAOB Votes to Propose Rules for Annual and Special Reporting by Registered Firms

From: Marks, Norman [mailto:Norman_Marks@maxtor.com]
Sent: Sunday, May 28, 2006 2:59 PM
To: Comments
Cc: Holly Daniels; Dominique Vincenti; Brenda Lovell; David Currie; Warren E. Malmquist; Larry Harrington; jrose1@humana.com; Gilbert.Radford@VerizonWireless.com; Anderson, Doug (DJ); Williams, Sarah; Murdy, Heidi; Salisbury, Nancy L.; Phillips, Laura; curtisverschoor@sbcglobal.net
Subject: RE: PCAOB Votes to Propose Rules for Annual and Special Reporting by Registered Firms

Thank you for the opportunity to comment on the recently proposed rules for reporting by Registered Firms.

I only have one comment, as the proposed rules relate solely to the needs of the PCAOB and you, together with the firms, are best positioned to assess their adequacy.

I suggest that, in addition to the PCAOB, there are other stakeholders whose interests are not represented in the proposed rules, including registrants. The recent SEC §404 Roundtable, run together with the PCAOB, highlighted again that registrants are not particularly satisfied with the performance of the firms. There are continuing oversight needs to ensure not only quality but cost management of services. This oversight should be in the open, with appropriate reporting (e.g., on litigation status, results of internal and external quality assessments, the results of conflict of interest assessments, cost management given the essentially monopolistic nature of the market, process for and status of registrant complaints, etc.) to all stakeholders.

My recommendation is that the PCAOB, probably in association with the SEC, convene further roundtables and/or other information proceedings to gather information on oversight and reporting needs to satisfy the interests of all stakeholders.

Yours truly,
Norman D. Marks, FCA, CPA
Vice President, Internal Controls and Process Assurance
Maxtor Corporation

PRICEWATERHOUSECOOPERS

July 24, 2006

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Office of the Secretary
Public Company Accounting Oversight Board
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Washington, DC 20006

RE: PCAOB Rulemaking Docket Matter No. 019, Release No. 2006-004, Proposed Rules on Periodic Reporting by Registered Public Accounting Firms

Dear Mr. Secretary,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's proposed rules, *Proposed Rules on Periodic Reporting by Registered Public Accounting Firms, PCAOB Release No. 2006-004, May 23, 2006, PCAOB Rulemaking Docket Matter No. 019.* We support the PCAOB's efforts to establish guidelines for meaningful reporting by registered public accounting firms intended to enhance oversight of the accounting profession and the role it plays in providing the investing public with information regarding public companies and their financial position and results. We have reviewed the PCAOB's proposed rules and believe they contain measures that would advance these goals. We do, however, have a number of observations and proposals that we feel will help support the overall objectives of the Board. Our comments are set forth in the attachment.

Many of our comments are framed by the following overarching themes:

- balancing the benefits of the new requirements to the PCAOB against costs of compliance to firms;
- resolving temporal issues presented by the proposed rules, both with respect to the timing of implementation of the rules and in connection with the various dates, periods and deadlines specified for ongoing reporting obligations;
- minimizing difficulties that may arise out of the retrospective aspects of certain rules; and
- highlighting the particular concerns of foreign registered public accounting firms.

Our comments address specific operational and legal issues from the proposed requirements, and, where appropriate, we propose alternatives that we believe would deal with our concerns. Throughout our comments, however, we have made adherence to the regulatory purposes underlying the PCAOB's proposals the guiding principle informing our discussion.

We hope that our commentary will help the PCAOB strike the right balance between ensuring the Board receives the relevant information it needs and allowing registered public accounting firms to satisfy the reporting requirements without undue burden and expense.

We will be pleased to discuss any of our comments or answer any questions that you may have. Please do not hesitate to contact Richard R. Kilgust at (646) 471-6110 regarding our comment letter.

Very truly yours,

PricewaterhouseCoopers

PricewaterhouseCoopers

PricewaterhouseCoopers Comment Letter Dated July 24, 2006

PROPOSED RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC ACCOUNTING FIRMS, PCAOB Release No. 2006-004, May 23, 2006; PCAOB Rulemaking Docket No. 019

PricewaterhouseCoopers ("PwC")[1] appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (the "Board" or "PCAOB") rulemaking proposal relating to periodic reporting by registered public accounting firms.

PwC fully supports the Board's efforts to develop an appropriate system of annual and special reporting. We favor rules that will facilitate the Board's inspection program and provide meaningful and useful information about registered public accounting firms. We are cognizant and appreciative of the Board's stated desire to avoid unnecessary and unduly burdensome regulations. Such concern is both necessary and appropriate.

This comment letter presents our comments on certain aspects of the proposed rules that we believe should be clarified and/or reconsidered to mitigate burdens on registered public accounting firms. Where appropriate, we propose alternatives that we believe would address these points while remaining faithful to the Board's underlying purposes for the proposed rules.

Our comment letter is divided into five main sections:

(i) General Comments.

Section I outlines general observations and themes that recur throughout our comments, including (a) balancing the benefits of new reporting requirements against the costs and burdens to firms of implementing them, (b) adopting any reporting rule within a reasonable period of time while providing sufficient time for firms to implement measures to enable compliance, (c) minimizing any unnecessary retrospective aspects of the proposed rules, and (d) limiting unintended consequences for foreign firms.

(ii) Annual Reporting Rules and Form 2.

Section II focuses on the proposed annual reporting requirements and Form 2. Among PwC's chief concerns are (a) difficulties in calculating precise revenue percentages attributable to services provided to SEC issuer audit clients, (b) issues raised by the proposed reporting requirements for relationships between a firm and certain persons and entities, (c) the need for a more refined definition of an "acquisition," and (d) other operational and legal observations about compliance with the proposed rules for annual reporting.

(iii) Special Reporting Rules and Form 3.

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[1] PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International, Ltd., each of which is a separate and independent legal entity.

Section III discusses PwC's concerns about the special reporting requirements and Form 3. These concerns include (a) the short timeframe and one-size-fits-all approach of the proposed 14-day period for filing special reports, (b) the vagueness of the "awareness" trigger for reporting and resultant uncertainties about reporting duties, (c) issues related to the proposed requirement that firms report certain issuer conduct to the Board, (d) issues arising out of required reporting of issuer, as opposed to firm, conduct, (e) overbreadth and other issues with respect to the reporting of legal proceedings, (f) concerns over the current reporting of the firm's relationships with certain persons and entities contemplated by Form 3 and (g) other operational and legal observations about compliance with the proposed rules for special reporting.

(iv) Confidential Treatment.

Section IV focuses on the need for guidance and protocols regarding the treatment of confidential information.

(v) Legal Impediment and Other Issues Affecting Foreign Firms.

The final Section discusses the need for a broader rule concerning the withholding of information based on claims of legal impediment.

PricewaterhouseCoopers Comment Letter Dated July 24, 2006
PROPOSED RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC ACCOUNTING FIRMS, PCAOB Release No. 2006-004, May 23, 2006; PCAOB Rulemaking Docket No. 019

TABLE OF CONTENTS

I. GENERAL COMMENTS.

A. BALANCING COSTS AND BENEFITS.

The proposed rules, if adopted as written, would require accounting firms to design and implement new information-gathering and -reporting processes. PwC believes strongly that it is important to balance the need for the information required by these rules against the imposition on registered public accounting firms of increased costs and burdens that may result from the new requirements. We are cognizant of, and appreciate, the Board's sensitivity to regulatory burdens and its efforts to craft the proposed rules to reduce those burdens.

It may seem relatively straightforward to compile and produce the information required by the proposed rules. In practice, however, large registered firms, including many foreign firms for whom U.S. audit clients comprise a minority of their business, would likely encounter significant difficulties and costs in compiling some of this information. A number of our comments center on this theme. Wherever possible, we have proposed alternatives that seek to accomplish what we take to be the Board's regulatory purposes in proposing to require the reporting of information while minimizing excess burdens and costs.

It also bears noting that foreign regulators have adopted or are developing their own reporting requirements for accounting firms they regulate. These include, among others, the Canadian Public Accountability Board disclosure rules and the upcoming European Union 8th Directive requirements. Even where there is no current *per se* legal impediment to foreign firms' disclosing the information sought by the Board in the proposed rules, foreign firms may be subject to additional costs and burdens to the extent U.S. rules diverge from those of other jurisdictions. We urge the Board to consider incorporating into the final rules flexibility to allow convergence with other jurisdictions' requirements (to the extent they address goals similar to those of the U.S. reporting rules) as those requirements are adopted.

B. TIMING OF ADOPTION.

1. Need for Transitional Rules for Annual Reports.

As proposed, Item 2.1 of Form 2 provides for a reporting year beginning April 1 and ending March 31. We appreciate the Board's efforts to spare firms from having to prepare duplicate responses on the same subject at different times, and we have no objection to the Board's proposed reporting cycle (except as noted herein with respect to issuer fee calculations) for domestic registered firms. We note, however, that many foreign firms' clients make their SEC reports on Form 20F, and those reports are filed by June 30. Therefore, we propose that the reporting year for foreign firms should end on June 30, rather than March 31, and the annual report should be due on September 30 rather than June 30.

PROPOSAL: *The reporting year for foreign firms should end on June 30, rather than March 31, and the annual report should be due on September 30 rather than June 30.*

Despite our general support for the reporting years of U.S. firms ending on March 31, requiring reporting in 2007 for the first reporting year of April 1, 2006, through March 31, 2007, would present significant difficulties. Under the proposed schedule, the initial reporting year will likely be more than half over by the time the rules are enacted.

This will present major logistical and operational issues for registered public accounting firms. Much of the information that would be disclosed under the proposed rules has not previously been collected by accounting firms in the format require by the proposed rules. Mid-year adoption would require reporting firms to gather information retrospectively for the part of the initial year preceding the enactment of the rules and to implement new information controls and systems mid-year to track such information at the engagement level and consolidate it for firm-wide reporting.

Firms cannot begin to collect newly required information (or implement systems changes necessary to do so) until approval by the SEC of final rules. The difficulty is compounded by the fact that the rules will likely not be adopted for several months, and they are likely to be revised during that period. Because of issues like these, in a number of placed throughout this comment letter, we have proposed modifications of the rules that would address the issue of transitional difficulties while continuing to adhere to the Board's regulatory purposes.[2]

PROPOSAL: *Transitional rules should be developed for the initial period of the new reporting regime to allow firms to collect retrospective information. We have included our proposals for transitional rules in the body of this comment letter in connection with our comments on the various reporting requirements the transitional rules would affect.*

2. ***Querying Past Periods.***

As proposed, both Form 2 and Form 3 require that the reporting firm "look back" and supply retrospective information for periods after the cut-off date of the firm's initial registration through the effective date of the Form. In this section, we address the difficulties caused by retrospective aspects of the proposed rules.

(a.) *Look-back for Form 2 reporting of relationships with persons subject to disciplinary matters.*

Part VII of Form 2 requires that the first annual report of a registered firm include information relating to disciplinary actions against certain persons connected with the firm or entities during periods prior to the initial reporting period dating back to the cut-off date of the firm's original registration filings (a period of over three years in the case of U.S. firms). PwC does not object to obtaining this retrospective information in the case of current employees, partners,

[2] We further request that the Board make the precise XML Schema for Form 2 and Form 3 available to firms as quickly as possible after approval, and preferably at least 60-90 days prior to the first required reporting deadline for each Form. This will allow firms the time needed to prepare for electronic submission of the Forms.

shareholders, principals, members, or owners ("firm individuals"), though it will be costly and time-consuming for registered firms to go back several years to query information that they did not track at the time.

As drafted, however, the information sought is not limited to current firm individuals. Rather, it also includes firm individuals who are no longer connected with the firm. It will be, as a practical matter, virtually impossible for firms to gather a complete body of such information since the firm no longer has any relationship with these former firm individuals. Moreover, given this lack of any current relationship between the reporting firm and these former firm individuals, it is difficult to see the value of such information to the Board. Therefore, we urge the Board to narrow the requirement so that initial annual reports must include retrospective disciplinary information about only current firm individuals at the end of the first reporting year.

PROPOSAL: *The requirement that a firm report retrospective information about the disciplinary history of the firm's employees, partners, shareholders, principals, members and owners should be limited to those individuals who are currently connected with the firm at the time the initial Form 2 is filed.*

In any event, more time may be needed than the period between adoption of final rules and the first annual reporting date for firms to query past periods. By definition, there is no immediate need for this information, as it relates to past events that have not been reported up to now.

PROPOSAL: *More time should be provided to enable firms to gather retrospective information for the initial Form 2 filing.*

(b.) *Look-back for Form 3 reporting of legal proceedings.*

The same logic applies to the retrospective reporting requirement in Rule 2203 for firms that were registered prior to the adoption of the rules. For parties no longer connected with the firm as of the rules' adoption, the requirement that registered firms retrospectively report the information sought by Items 2.6, 2.8 and 2.9 of Form 3 should be clarified to limit the disclosure requirement to persons who are currently associated with the firm as of the date the initial Form 3 is filed.

PROPOSAL: *Retrospective reporting requirements in Items 2.6, 2.8 and 2.9 should be limited to individuals that are current associated persons of the firm as of the date the initial Form 3 is filed.*

(c.) *Filing of initial catch-up Form 3.*

The Board has proposed that initial catch-up Form 3 filings be made 14 days after the effective date of the rules, which period would be added to the 21 days between SEC approval of the final rules and the effective date to make a 35-day period for firms to compile the retrospective information required for the filing. The proposed period is wholly inadequate to allow firms to

compile and evaluate the historical information, much of which has not been collected prior to now, and to prepare the Form 3 filings on time. As with Form 2 requirements, as a practical matter, firms cannot begin to collect newly required information until SEC approval of final rules, when there will be certainty around the technical requirements of the rules. We propose a 120-day period to allow firms to prepare the initial Form 3 filings.

PROPOSAL: *Firms should be required to submit their catch-up Form 3 filings no later than 120 days after the effective date of the final rules.*

C. ISSUES RELATING TO FOREIGN FIRMS.

We appreciate the Board's continued attentiveness to the operational and legal issues facing foreign firms in the proposed rules. Such firms are likely to face special legal and operational issues in gathering and reporting certain of the information that the proposed rules would require, and our comments highlight these situations. In addition, we discuss separately the limitations of the proposed approach to claims of legal impediment, which we believe in certain respects does not provide sufficient flexibility to allow foreign firms to avoid insoluble conflicts between the U.S. reporting regime and foreign laws and regulatory rules.

It is worth noting that foreign firms' task in implementing the reporting rules will be compounded by the fact that many of these firms and their clients will be completing the first year of compliance with the requirements of Audit Standard 2 and Section 404 of the Sarbanes-Oxley Act, which is scheduled to go into effect for foreign firms during the next Audit Standard 2 / Section 404 reporting cycle, which will coincide with the first year of reporting under the Board rules. To ease the burden of simultaneously implementing compliance with both Audit Standard 2 / Section 404 and the Board annual and special reporting requirements, the Board should delay implementation of the reporting requirements with respect to foreign firms until such time as the first cycle of Audit Standard 2 / Section 404 reporting by foreign firms is complete.

PROPOSAL: *The Board should delay implementation of the reporting requirements with respect to foreign firms until such time as the first cycle of Audit Standard 2 / Section 404 reporting by foreign firms is complete.*

II. ANNUAL REPORTING RULES AND FORM 2.

A. FIRM REVENUE PERCENTAGES (FORM 2, ITEM 3.2).

Item 3.2 of Form 2 calls for statistical information that breaks down the percentages of a firm's total billings that are attributable to four enumerated categories of services. We understand the Board's regulatory purpose underlying the requirements of Item 3.2 to be the need for an overall picture of the relationship between the firm's revenues derived from work for audit clients vis-à-vis non-audit clients. As proposed, this Item presents a number of logistical and operational

difficulties. We believe it would be possible to diminish the burdens of compliance with this rule by modifying the details of some of its requirements while remaining faithful to the Board's regulatory purpose.

1. Defined Service Categories.

The proposed category definitions should be conformed to SEC proxy rule definitions that are already in force in SEC rules and reported by issuers: "audit fees", "audit-related fees", "tax fees" and "all other fees", as each term is defined under SEC rules (*see, e.g.*, Item 9(e) of Schedule 14A for requirements applicable to domestic issuers). This will better enable the Board to obtain the information sought without either adding significant costs or creating interpretive difficulties that might inhere in tracking information according to two sets of definitions.

PROPOSAL: *The category definitions should be conformed to SEC proxy rule definitions that are currently in force.*

2. Reporting of Percentage Ranges.

More substantively, the proposed rule would require firms to provide an exact calculation of various categories of services for audit clients as a percentage of total firm revenue. Because this information may not correspond to current reporting metrics used by many firms for client or internal management purposes, many firms' billing and financial reporting systems likely do not presently compile or maintain information by category of services as defined in the SEC/PCAOB rules. As such, readily comparable information regarding the relationship between audit client revenues and total revenues may not exist and could not be generated without substantial effort and significant process changes and modifications to the firm's financial reporting systems.

As mentioned above, individual SEC issuer audit clients do currently generate information regarding categories of services for SEC reporting purposes. Audit procedures generally include a reconciliation of these numbers. However, this information may be maintained only by the audit teams themselves, not by any centralized firm management information system. Therefore, to collect this information could involve either significant system changes or querying the individual engagement teams. This time-consuming administrative task could impose additional burdens on the individuals that conduct audits.

Another complexity is created by the fact that audit clients report their fees to their auditors on an aggregate basis. For a large multinational accounting firm network, these fees are apportioned among many different member firms in numerous countries. Any process for determining revenue percentages would also have to break out the fees among these different member firms. This administrative burden would be exacerbated for non-U.S. firms that have significant numbers of U.S. audit clients, but for which U.S. audit clients are not their principal business. For example, a Canadian registered public accounting firm may have 70-100 U.S. audit clients that nevertheless represent a small percentage of its thousands of total clients. In such an instance (not unique to Canada), it would be unduly burdensome for the firm to have to

redesign its management information systems to capture information that is only relevant to its U.S. audit clients.

To address these issues, we propose that the Board modify the rules in two ways. First, firms should be allowed to use a reasonable estimation methodology that would yield approximate rather than exact percentages. Second, firms should be allowed to report their estimates by stating into which of several different ranges their relative percentage of each category of services falls.[3]

(a.) *Firm-chosen estimation methodology and explanation of basis for methodology.*

Because each firm will collect the raw data that will be used to calculate the relative percentage of its revenues derived from each service category in a different way according to its circumstances, a standardized approach is less likely to yield the most useful reported information for the Board than a more flexible approach.

Each firm should instead be required to use a reasonable methodology to estimate its percentages and to describe briefly the basis for its use of that methodology. The flexibility of this approach would allow each firm to choose the approach that would, in its reasonable view, best achieve the regulatory purpose of providing the Board with a meaningful picture of the relative revenues derived from each service category. The requirement that the firm explain and justify its methodology would both ensure that a reasonable, defensible methodology would be used and facilitate dialogue between the Board and the firm about both its approach and the substance of the numbers reported. This approach would carry the added benefit of allowing firms to reduce the administrative burdens and implementation costs associated with providing exact data according to a fixed formula by tailoring their approaches to their own systems and operational processes.

One method of achieving the foregoing would be to allow a firm to report the four categorized fee percentages derived using numerators (fees by each category of service) based on information reported by its audit clients during the reporting period (appropriately adjusted to pull out fees attributable to work by other registered public accounting firms) and a denominator equal to the firm's total revenues for the most recent fiscal year ended during the reporting period. This approach would create a derived number that would represent only an approximation, but it should be sufficient to achieve the requirement's regulatory purpose.

PROPOSAL: *Form 2 should require a firm to (1) choose a reasonable methodology to be used in estimating the percentages attributable to each service category and (2) explain briefly the basis for such methodology. One method would be to have the reporting firm divide categorized fee figures provided by audit clients by the*

[3] Even if the rules are not modified, firms should as a transitional matter be permitted to use audit clients' reported proxy data for the first reporting year.

firm's total revenues to approximate the actual percentages of each class of service.

(b.) Reporting of percentage ranges rather than exact values.

Because of the difficulties outlined in the introduction to this section, calculating the exact percentage of revenues derived from each service category will require considerable resources and will also create the risk of error even where the firm is allowed to choose the reporting methodology best suited to its own circumstances. The regulatory purpose of providing the Board with a picture of how the firm's service for audit clients compare with its services for other clients as well as the allocation of services of different types to SEC issuer audit clients could still be preserved while reducing these burdens and risks if the Form were instead to require firms to make their report by stating into which of several different ranges their relative percentage of a particular category of service falls.

For example, the percentage ranges might run from zero up to and including 10%, from amounts greater than 10% up to and including 20%, and so on. Under this approach, a firm estimating its percentage of audit services as 55% of its total revenue would report that the audit services percentage is greater than 50% but no more than 60% of its total revenue. The use of ranges rather than exact percentages would still show the relative magnitude of a firm's billings attributable to each category while avoiding the need for them to reduce the estimates illustrating this relation to an exact value, which would seem to be an exercise in diminishing returns as differences between revenues by category become small. This approach would also have the added benefit of reducing the time and effort of firms for which particular categories constitute a small fraction of revenue.

PROPOSAL: *Firms should be allowed to report their estimates by stating the range into which their percentages of each service falls.*

B. AUDIT-RELATED MEMBERSHIPS, AFFILIATIONS OR SIMILAR ARRANGEMENTS (FORM 2, ITEM 5.2).

Some of the relationships that firms must disclose with respect to audit-related memberships, affiliations and similar arrangements are defined in terms that are overbroad or ambiguous, thereby creating uncertainty about what must be reported to the Board. For example, Item 5.2.a.2 refers to "joint audits." In some foreign jurisdictions, joint audits, which may or may not be statutorily required, are not done through a network or alliance. Item 5.2.a.3 refers to arrangements with another entity by which a firm "commonly" employs or leases personnel to perform audit services. The phrase "commonly employs or leases personnel" is unclear, and we think this item needs to be revised to establish a materiality threshold so that it applies only to arrangements that are significant to a firm's audit practice taken as a whole. The text of Item 5.2 should be clarified to make clear that it is not intended to require the reporting of support personnel hired or contracted in connection with a firm's rendering of audit services.

PROPOSAL: *Item 5.2.a.2 should be revised to omit reference to joint audits, and Item 5.2.a.3 should be revised to limit it to arrangements that are significant to a firm's audit practice taken as a whole.*

C. PERSONNEL (FORM 2, PART VI AND ITEM 4.1.B).

The proposed rule requires the reporting firm to provide information about numbers of accountants, CPAs (including those with "comparable licenses from non-U.S. jurisdictions"), total personnel and personnel who worked on audit clients by functional categories. We understand why statistics of this nature may be useful to the Board in analyzing the profile of a firm's business and planning for the Board's inspection program. However, this item, particularly the requirement to identify the number of personnel who performed work for audit clients, raises several operational issues:

- While firms have systems in place to provide appropriate training and qualifications for persons who work on audit client engagements, they may not have systems in place to track which individuals do or do not in fact work on audit client engagements. As such, this reporting requirement is another situation requiring significant changes to firms' information-gathering systems.

- Many personnel may work for both audit and non-audit clients and may work for more than one audit client. Similarly, there are also likely to be personnel who performed only a very minor role or devoted a relatively small number of hours to a particular audit project. For these reasons, statistics provided pursuant to the proposed requirements would not provide relevant data to the Board.

- As a practical matter, there may be no way to satisfy this requirement short of surveying all firm personnel every year to identify all individuals who worked on the client engagement during the reporting period and to specify their positions and level of involvement in the particular engagement. As with the revenue figures above, responding to this regulatory requirement could require those working on audits to compile this information.

As illustrated above, the proposed rule would not capture information that we believe is worthwhile to the Board. It may be overinclusive in potentially over-counting individuals that work on multiple engagements and unnecessarily counting others whose involvement was peripheral to the rendering of audit services. At the same time, capturing this information would cause firms to incur costs disproportionate to the marginal value of the information.

As such, we favor a compromise solution: requiring firms to report the information sought by Item 6.1 as currently proposed but only as to personnel employed in the firm's principal audit business unit as of the end of the reporting period. This is information that can be readily obtained from existing information systems and, while this compromise approach would

admittedly not provide a completely comprehensive count of all individuals engaged in providing audit services during the reporting period, it would provide an approximation of the actual figure, as the personnel in a firm's principal audit business unit perform the bulk of audit services rendered by the firm. This proposal therefore strikes a balance between the Board's regulatory purpose of receiving a reasonably comprehensive picture of reporting firms' use of personnel in rendering audit services and the need to minimize firms' administrative burdens associated with reporting this information.

PROPOSAL: *A reporting firm should be required to report the information sought by Part VI of Form 2 as currently proposed but only as to personnel employed in the firm's principal audit business unit as of the end of the reporting period.*

For similar reasons, the requirement in Item 4.1.b that a reporting firm disclose the total number of personnel who exercised the authority to sign the firm's name to an audit report during the reporting period will be difficult to fulfill. We therefore propose that the compromise solution outlined in this section for Part VI be applied to Item 4.1.b as well, so that a firm would only be required to provide the number of partners from its principal audit business unit who are members of its principal audit business unit as of the end of the reporting period.

PROPOSAL: *A reporting firm should only be required pursuant to Item 4.1.b to provide the number of partners who are members of its principal audit business unit as of the end of the reporting period.*

If the Board elects to maintain the requirement that all personnel rendering audit services be disclosed as set forth in the proposed rules, the reporting requirement should be subject to an exception for personnel providing audit services below a *de minimis* threshold. This would reduce the administrative burden on firms in compiling this information without unduly diminishing information relevant to the Board.

PROPOSAL: *If the Board maintains the proposed requirements, firms should not be required to include in the reported number those individuals whose provision of audit services fall below a* de minimis *threshold.*

Finally, an issue particular to foreign firms is raised by Item 6.1.b of Form 2, which requires that the firm report the total number of its certified public accountants and to "include in this number all accountants employed by the Firm with comparable licenses from non-U.S. jurisdictions." In a number of foreign jurisdictions, the large variety of different professional qualifications combined with the proposed rule's requirement that licenses "comparable" to a CPA certification must be included creates a serious interpretive burden on foreign firms. This is particularly difficult in jurisdictions where there are no specific licensing requirements to practice public accounting. Without further guidance from the Board, non-U.S. firms will be required to compare the certifications of their employees against another nation's certification, an exercise outside their usual competence. This is compounded by the fact that this comparison will be

with a licensing standard in the U.S., a jurisdiction in which they may or may not have operations themselves. To avoid placing this interpretive burden on foreign firms, we urge the Board to elucidate the comparability concept more clearly by tying it more clearly to the individual's function, such as a requirement that a foreign firm report all accountants that are authorized by the firm to sign audit reports in the name of the firm.

PROPOSAL: *Foreign firms should be required to report the total number of all accountants that are (1) licensed by the jurisdiction in which they render services and (2) by virtue of such licensure are certified to perform the functions of a public accountant.*

D. CERTAIN RELATIONSHIPS (FORM 2, PART VII).

Part VII of Form 2 requires firms to disclose certain relationships into which they have entered with individuals and/or entities that have been subject to a Board or SEC sanction within the past five years. As discussed in Section I.B.2, *supra*, our position is that the retrospective reporting requirements be narrowed to eliminate certain reporting requirements that are both most onerous and least likely to produce complete, accurate and relevant information.

The disclosure requirements should be more narrowly tailored than the proposed rule on a going-forward basis as well.

PROPOSAL: *Limitations such as the following would restrict the unfair attribution of others' acts to reporting firms that enter into relationships with them, while also diminishing the administrative burden of the reporting requirements of the proposed rule:*

- *Item 7.1 requires disclosure of any employee, partner, shareholder, principal, member or owner that has been the subject of disciplinary action. For foreign firms, this represents a significant expansion of the scope of required information. We therefore propose that for foreign firms disclosure should be required only for those employees, partners, shareholder, principals, members or owners who actually render audit services to SEC issuer audit clients..*

- *Where a firm takes on an employee, partner, shareholder, principal or member that was previously connected with, or becomes wholly or partly owned by an individual that was previously an owner of, a firm that was sanctioned at the organizational level, the new firm should only be required to report the relationship where the individual in question was personally involved in the conduct that was the subject of the sanction. In other words, the fact that a firm with which the person was previously connected was subject to disciplinary sanction(s) should not require disclosure per Item 7.2 if the individual was not himself or herself involved.*

- *As proposed, the disclosure requirements with respect to consultants and contractors are too broad in the scope. Firms hire consultants and contractors to provide a wide array of professional services beyond those related to the firm's rendering of audit services to clients, and the present rule would require reporting as to all such individuals and entities. To make these disclosures with respect to all consultants and contractors would require extensive affirmative investigation by reporting firms into the past histories of entities and individuals where both transparency and the firm's control are necessarily limited and where the relationship to the firm's provision of audit services may be attenuated. To avoid the overbroad scope of this requirement, consulting and contractual arrangements should be limited to consultants and contractors who are providing services to the firm relating directly to the issuance of audit reports.*

E. ACQUISITIONS (FORM 2, ITEM 8.1).

While it is appropriate for the Board to seek information relating to acquisitions, the proposed rule requires further clarification. If the goal of the Board is to reflect a true acquisition rather than a hiring away of a certain number of key individuals, the reporting threshold of taking, 75% of another firm's partners, should be supplemented. To constitute a reportable acquisition in which a reporting firm absorbs a substantial part of another such that it is likely to be affected by the acquired firm's culture, clients and practices, a reporting firm should, in addition to taking on 75% of another firm's partners, also have acquired at least 75% of the acquired firm's assets, including its client base, and hired or retained at least 75% of the acquired firm's non-partner workforce.

Also, to avoid triggering a reporting requirement through cumulative hiring away of another firm's partners over an extended period, which is unlikely to have the effects at which the proposed rule seems to be aimed, we would propose that the 75% threshold be time-limited, such that reporting would be required where 75% of another firm's partners are taken on during a one-year period.

Finally, the relative sizes of the acquiring and acquired firms should be such that the acquisition represents a material addition to the acquiring firm that would be likely to affect its profile. Accordingly, we propose that only acquisitions involving the taking on of partners who would comprise 20% or more of the pre-acquisition partnership of the acquiring firm should trigger the reporting requirement.

PROPOSAL: *To constitute a reportable acquisition, the 75% requirement in Item 8.1 should be supplemented with the following additional requirements: (1) taking on of partners must be combined with acquisition of at least 75% of the acquired firm's assets, including client base, and at least 75% of its non-partner workforce; (2) taking on of acquired firm's partners must occur within a one-year period; and*

(3) taking on of a number of partners equal to or greater than 20% of the acquiring firm's pre-acquisition partnership.

F. AFFIRMATION OF CONSENT (FORM 2, ITEM 9.1).

Item 9.1 of Form 2 tracks the concepts in Item 8.1 of Form 1 by requiring that the firm (subject, in each case, to legal impediments identified by foreign firms) (1) affirm its consent at the organizational level to cooperate with any Board investigation, (2) affirm that it has secured from its associated persons, and agrees to enforce as a condition their continued employment, similar consents, and (3) affirm that it understands and agrees that cooperation and the securing and enforcement of consents are conditions to the continued effectiveness of its registration. However, Item 9.1.b appears to expand on the original requirements in Item 8.1 of Form 1 through the addition of the final phrase of that Item, "and that the associated person understand and agrees that such consent is a condition of his or her continued employment by or other association with the Firm."

If the intent of the Board is to make clear that the consent to be secured by firms from their associated persons must include this language, we have no objection to the substance of that requirement. The language of the requirement should, however, be modified to make clear that the requirement is only that the consent contain this language, not that the firm be required to affirm the fact of its associated persons' understanding and agreement that the consent is a condition to his or her continued employment or association, as the latter effectively would make the firm the guarantor of its associated persons' state of mind.[4]

PROPOSAL: *Item 9.1.b should be revised to clarify that firms are being asked to affirm only that the consents they have secured include language to the effect that the employee understands and agrees that the consent is a condition to his or her continued employment or association. Firms should not be required to affirm the fact of such understanding and agreement on the part of their associated persons.*

G. CERTIFICATION OF THE FIRM (FORM 2, ITEM 10.1).

It is entirely appropriate to ask the firm to state in its annual report that it has filed all required Form 3 reports during the reporting year. However, we do not think it necessary to require the certifying officer to assume personal liability for this statement. Because the firm would be liable at the organizational level for failing to file all required Form 3 reports, the individual's liability seems unnecessary and unlikely to provide any additional incentive to the firm to make sure the information it has provided is correct.

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[4] It is also worth noting that to the extent the Form 2 requirements go beyond comparable registration requirements in Form 1, the added requirements may be in conflict with foreign employment law in certain circumstances (such as where the person was employed prior to the consent requirement coming into effect). This could render the foreign firm unable as a matter of local law to enforce the consent "as a condition of employment." These situations would be subject to assertions of legal impediment.

PROPOSAL: The certifying officer on Form 2 should not be required to sign a statement certifying the Firm's filing of Form 3 reports for all reportable events during the annual reporting period.

III. SPECIAL REPORTING RULES AND FORM 3.

A. TIMING.

As proposed, Form 3 prescribes a 14-day filing period for all special reports. As a general proposition, we believe 14 days is an insufficient amount of time to require a firm to review, assess and report on information required by the Form. Although many of the matters covered by the Form are appropriate for current rather than annual reporting, they are not so exigent that almost immediate reporting is necessary.

As an alternative, we propose a 45-day deadline for reporting all matters listed as reportable on Form 3. A 45-day deadline would still provide timely reporting while allowing firms sufficient time to evaluate reportable matters fully, thus allowing for a fuller understanding of their impact, and, ultimately, this timing will lead to a more a more useful report. It should facilitate a more substantial, well-informed dialogue with the Board after submission of the report, to the extent additional questions arise. While it is to be expected that firms may require less than the full 45 days to become aware of and report some of the enumerated items listed on Form 3, the administrative ease and simplicity of having a single time period for all items will ease the compliance burden of reporting firms considerably.

PROPOSAL: The time period for reporting all triggering events listed on Form 3 should be 45 days.

B. "AWARENESS" OF THE FIRM.

Many of the Form 3 reporting requirements are triggered by the firm's "becoming aware" of the reportable event. This term is too vague and should be more clearly defined. "Awareness" of the event, rather than its occurrence, is the trigger of the reporting obligation. First, the word "awareness" is itself ambiguous. To avoid interpretive uncertainty, we propose that the "awareness" trigger be defined as actual knowledge. Second, a potential problem emerges where some individuals within a firm could have knowledge of a reportable event, while those responsible for Board reporting may not. We do not believe the Board intends that knowledge of any person within the firm should be attributed to the organization. Accordingly, we propose that the trigger should be actual knowledge of the chief executive officer, chief financial officer, chief legal officer or chief compliance officer (or their equivalents) of the reporting firm. Of course, firms would be expected to implement processes to ensure timely internal reporting of such information.

PROPOSAL: *A firm should be deemed to be "aware" of an event only when the firm's chief executive officer, chief financial officer, chief legal officer or chief compliance officer (or their equivalents) has actual knowledge of the event.*

C. REPORTING OF ISSUER CONDUCT (FAILURE TO REPORT WITHDRAWAL AND IMPROPER USE OF FIRM NAME) (FORM 3, ITEMS 2.1 AND 2.4).

Two proposed special reporting items related to audit client conduct present issues that warrant comment. These are Form 3, Item 2.1, which requires a firm to report when an audit client fails to report the firm's withdrawal, and Item 2.4, which covers improper use of the firm name. These proposals seem to be aimed at regulating issuer conduct rather than conduct of auditing firms. As such, we think they should fall within the jurisdiction of the SEC rather than the Board, which would have no power to remediate these issuer actions in any event. Moreover, firms have every incentive to work to rectify these matters themselves if the events targeted by the reporting requirements should occur.

We gather that the Board views this rule as a vehicle for firms to be able to report publicly the withdrawal of audit reports where their clients fail to do so on Form 8-K. However, it seems impractical for the Board's website to serve as a separate source of public disclosures in addition to the SEC reporting system. While we appreciate the Board's desire to afford firms a mechanism to deal with potential issues arising out of client conduct, as a practical matter, this reporting requirement represents something of a solution without a problem: it is rare that an audit client does not file a Form 8-K disclosing its withdrawal of an audit report. Similarly, it is rare that an audit client uses the firm's name without consent. For the foregoing reasons, we believe these reporting requirements to be superfluous and respectfully ask that they be removed.

In any event, if the Board does not omit these proposals, we believe these Items could be clarified in certain respects. First, the reference in Item 2.1 to Item 4.02 of Form 8-K should be to Item 4.02(b) only. Second, the rule should explain more fully what types of unauthorized use are covered. For example, it is unclear whether the rule applies to consents other than those statutorily required under the Securities Act, or to consents in connection with private offerings by public issuers. The rule should also clarify whether it applies to consents in connection with financial statements that are not contained in a document, but are incorporated by reference.

PROPOSAL: *Items 2.1 and 2.4 should be deleted. If Items 2.1 and 2.4 are not omitted, they should be clarified in certain respects.*

D. LEGAL PROCEEDINGS REPORTING (FORM 3, ITEMS 2.5 THROUGH 2.10).

In certain respects, the scope and definitions of reportable criminal or governmental regulatory proceedings in the proposed rules are expanded beyond those set forth in the registration rules. For example, Item 5.1 of Form 1 requires the registering firm to list criminal and civil proceedings brought by a governmental authority "arising out of the applicant's or such person's

conduct *in connection with an audit report*" (emphasis added), as opposed to the Form 3 requirements, which are not restricted to conduct in connection with audit reports. We believe that the requirement in Form 2 should be consistent with that imposed by the registration requirements, and therefore propose that the comparable disclosure requirements in Form 2 be limited to proceedings arising in connection with audit reports or comparable reports for non-public clients.

PROPOSAL: *Definitions of reportable events in Items 2.5 through 2.9 should be conformed to comparable requirements in Form 1 to avoid firms' having to track two sets of reporting criteria for legal proceedings. Also, matters required to be reported should be limited to audit reports or comparable reports for non-public clients.*

Foreign firms are presented with an additional issue by the change in the requirements, which require in Items 2.6 and 2.8 disclosure where a partner, shareholder, principal, owner, member or manager becomes a defendant in legal proceedings. Under Form 1, the analogous requirement in Item 5.1 was limited to associated persons, which in the case of foreign firms served to eliminate the need to report proceedings involving individuals that do not provide audit services. To return to a scope similar to that of the registration requirements, we propose that foreign firms be required to make disclosures under Items 2.6 and 2.8 only to the extent that the individual involved is a partner or manager who renders audit services to SEC issuer audit clients.

PROPOSAL: *Foreign firms should only be required to make disclosures under Items 2.6 and 2.8 if the individual at issue is a partner or manager who renders audit services to SEC issuer audit clients.*

Item 2.6 requires disclosure of criminal proceedings regarding certain persons associated with a firm. It generally limits reportable criminal offenses to specific enumerated types of offenses that could reasonably raise questions about an individual's fitness to act as an auditor for public companies. We generally agree with this targeted approach and with the enumerated categories set forth in the proposed rule. However, we urge the Board to clarify the meaning of the term "dishonesty" or to delete it entirely. The rule also contains a catchall for "any crime arising out of alleged conduct that, if proven, would bear materially on the individual's fitness to provide audit services to issuers." This is a vague standard that would require firms to make reporting decisions based on a subjective assessment of the significance of a criminal charge, which is outside the usual competence of an accounting firm. Accordingly, we propose that this catchall category be deleted.

PROPOSAL: *The catchall category of proceedings in Item 2.6 requires firms to make subjective legal judgments to fulfill their reporting requirements and therefore should be deleted.*

Items 2.7 and 2.8 require disclosure of the fact that either the firm or certain firm individuals have become a defendant or respondent in civil proceedings brought by a governmental or other

administrative authority. This requirement should be further narrowed with respect to foreign firms, many of which are based in jurisdictions where the threshold for commencing a government proceeding may be low and for which audits of U.S. public companies may comprise only a small fraction of their total practice. Accordingly, we propose that the requirements in Items 2.7 and 2.8 be limited to civil proceedings involving, in the case of foreign firms, the rendering of audit services to an issuer reporting to the SEC and, in the case of foreign firm individuals, those partners, shareholders, principals, owners, members or managers who actually render audit services to SEC issuer audit clients.

PROPOSAL: *The reporting requirements in Items 2.7 and 2.8 should be limited to civil proceedings involving, in the case of firms, the rendering of audit services to an issuer reporting to the SEC and, in the case of firm individuals, those persons who actually render audit services to SEC issuer audit clients.*

Item 2.10 requires the firm to report the fact that the firm or its affiliate has become the subject of certain bankruptcy proceedings. As proposed, Item 2.10 would require the reporting of both voluntary and involuntary bankruptcy petitions. Involuntary petitions are initiated by creditors and require a court order before an actual proceeding commences. Accordingly, we would propose that the phrase "has become the subject of a petition filed in a bankruptcy court" be revised to read "has become the subject of an order for relief from creditors entered by a bankruptcy court (or similar judicial forum)". The revised provision would focus the disclosure requirement on situations in which the firm is actually dealing with an insolvency issue rather than simple creditor disputes and the like.

PROPOSAL: *Item 2.10 should be revised to make clear that the reporting requirement deals with actual insolvency situations rather than petitions filed by creditors seeking payment from a solvent firm.*

Item 5.1, which sets forth the detailed information firms are required to report for proceedings required to be reported pursuant to Items 2.5 and 2.7, includes requirements that firms report information that goes beyond the informational reporting requirements set forth in Item 5.1.b of Form 1. Both Form 1 and Form 3 require information about proceedings that is purely factual in nature—e.g., filing date, docket number, etc.—and we have no objections to providing this information for Form 3 reports, just as it was to be provided on Form 1. Form 3's requirements diverge from the purely factual, however, by requiring the reporting firm to include descriptions of the nature of the case, the statutes, rules or legal duties alleged to have been violated and the conduct of the firm and/or any individual defendants that is alleged to constitute the violation. This represents an inherently subjective exercise, and requiring firms to make qualitative descriptions of pending claims and firm conduct seems onerous, given that the firm's description will be publicly filed even as the described proceedings continue to be pending. Similarly, the requirement in Item 5.2.c that a reporting firm describe "the conclusion of the proceeding as to the Firm or partner, shareholder," etc., will force the firm to make subjective legal judgments for the report. For these reasons, the subjective reporting requirements impose an undue burden on

reporting firms, and as a consequence the Form 3 reporting requirements should be conformed to those set forth in Form 1.

PROPOSAL: *The requirements in Items 5.1 and 5.2 that firms make qualitative descriptions of pending claims, firm and individual conduct and the effects of concluded proceedings on individuals require the making of subjective legal judgments and should be deleted.*

E. REPORTING OF CERTAIN RELATIONSHIPS (FORM 3, ITEMS 2.11 THROUGH 2.13).

The requirement that firms report certain firm relationships on Form 3 raises issues that are generally similar to those raised by comparable requirements in Form 2, Part VII. In addition to the issues we cited in our discussion of Form 2, Part VII, however, the Form 3 reporting requirement is fundamentally questionable in that it is difficult to see a need for current reporting of these events, even if they are required to be disclosed in the annual report. Entry into the relationships listed in these items of Form 3 is not a critical exigency sufficient to warrant immediate disclosure to the Board, and we therefore propose that disclosure of these matters be limited to annual reports. Failing that, however, our proposals made with respect to Form 2, Part VII as to non-disclosure of entry into relationships with non-associated persons, the hiring of persons who were not involved in their previous employers' sanctioned actions and consultants and contractors, would also apply to Form 3 reporting of these matters.

PROPOSAL: *Reporting of these relationships does not rise to the level of exigent circumstances that should be subject to special reporting, and these matters should therefore be dropped from Form 3's requirements. Failing that, however, the reporting requirements should be more narrowly drawn, as for Form 2, Part VII.*

F. REPORTING OF LICENSES AND CERTIFICATIONS (FORM 3, ITEMS 2.14 AND 2.15).

Item 2.14 requires a special report where, among other things, licenses have expired without renewal. As a technical matter, in some cases state renewal processes may result in a license's "expiring" while a renewal is pending. As a practical matter, these states treat the license as continuing to be active unless there is some affirmative step to not renew or suspend it. We think that firms should not be required to make disclosures in these circumstances.

PROPOSAL: *Reporting should be required of licenses that have expired without renewal only where the expiration has the effect of prohibiting the firm from continuing to practice in the relevant jurisdiction.*

Item 2.15 of Form 3 requires that firms make a special report of any new license or certification, regardless of its subject matter, that has not been previously identified on a Form 1 or Form 3 filing. To avoid firms' having to file such reports for licenses and certifications not relevant to

the Board's oversight, this requirement should be limited to the reporting of new licenses or certifications that bear on the firm's ability to render audit services to clients.

PROPOSAL: *Item 2.15 should be limited to reporting of new licenses or certifications that bear on the firm's ability to render audit services.*

IV. CONFIDENTIAL TREATMENT.

We agree with the Board's recognition of the importance of preserving confidential information in appropriate circumstances and, in general, accept the categories of information for which confidential treatment would not be allowed (subject to any legal impediments that prevent such information's being made non-confidential). The Board should, however, consider offering affirmative guidance as to categories for which confidential treatment will ordinarily be granted as a matter of course. Such guidance would lessen the burden on firms to have to make repetitive and duplicative requests every time information is reported for matters that are routinely approved for confidential treatment. Two examples of information that we believe should fall into this category would be information relating to pending litigation and disclosures of a firm's relationships with persons or entities that have been subject to Board or SEC sanction.

PROPOSAL: *The Board should offer guidance as to categories for which confidential treatment will ordinarily be granted as a matter of course.*

V. LEGAL IMPEDIMENT AND OTHER ISSUES AFFECTING FOREIGN FIRMS.

Among the supporting materials that the firm is required by Rule 2207(c) to have in its possession is a written description of its efforts to seek consents or waivers that would be sufficient to allow it to provide the required information or affirmation to the Board, dated or updated not more than 30 days before the submission to the Board. We think additional clarification of this requirement is necessary.

If the Board is proposing to require only that the description of the reporting firm's efforts to secure consent be dated not more than 30 days prior to the filing of the Form, regardless of when such efforts took place, then no issue is presented. If, however, the Board is proposing that efforts to seek consent must be renewed within the 30 days prior to filing, regardless of the reasons for and finality of such consent's having been denied when requested earlier, then such a requirement would seem to be overly burdensome where it was previously determined that, for example, giving consent was impermissible under applicable law. If the latter approach is what the Board intends to require, additional flexibility should be incorporated to allow firms not to renew their consent requests where such requests would be futile, in the firm's judgment and supported by its description of its earlier efforts to secure consent.

PROPOSAL: *The requirement that an asserting firm have a description of its efforts to secure consent dated within 30 days prior to filing should be clarified as to whether this*

requirement entails the firm's having to refresh its efforts to secure consent as of that date; if that is the Board's intention, then an exception should be made where such a renewal would be futile.

To the extent any U.S. firm makes a claim of legal impediment on behalf of a foreign affiliate that is not itself a registered firm, such as discussed in Note 2 to Item 9.1 of Form 2, the U.S. firm should not be required to make an independent assessment of the merits of the foreign firm's assertion of legal impediment or review its supporting documentation for adequacy. Moreover, we suggest that, as the U.S. firm should not be required to make an independent assessment, there is no reason why it should be required to maintain its own copies of all supporting documentation. Rather, the U.S. firm should be able to rely on representations from its foreign affiliated firm that the foreign firm has such documentation.

PROPOSAL: *U.S. firms should not be required to make an independent assessment of foreign affiliates' assertion of or documentation supporting legal impediment, nor should U.S. firms be required to maintain separate copies of supporting documentation.*

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Location/Date	Zurich, July 24, 2006
Recipient	Secretary, Public Company Accounting Oversight Board
Sender	Walter Hess, Secretary General, and Reinhard Oertli, Member of the Committee on Oversight over Accounting Firms and Chairman of the Subcommittee on Oversight over Accounting Firms by U.S. Authorities

PCAOB Release No. 2006-004, *Proposed Rules on Periodic Reporting by Registered Public Accounting Firms* (PCAOB Rulemaking Docket Matter No. 019) and
PCAOB Release No. 2006-005, *Proposed Rules on Succeeding to the Registration Status of a Predecessor Firms* (PCAOB Rulemaking Docket Matter No. 020)

Also by e-email: comments@pcaobus.org
PCAOB
Office of the Secretary
Mr. J. Gordon Seymour
1666 K Street, N.W.
Washington, D.C. 20006-2803
U.S.A.

Dear Mr. Seymour

The Swiss Institute of Certified Accountants and Tax Consultants (the "Institute") appreciates the opportunity to submit its general comments to the U.S. Public Company Accounting Oversight Board ("PCAOB") regarding the rules proposed in PCAOB Release No. 2006-004, ***Proposed Rules on Periodic Reporting by Registered Public Accounting Firms*** (PCAOB Rulemaking Docket Matter No. 019) and in PCAOB Release No. 2006-005, ***Proposed Rules on Succeeding to the Registration Status of a Predecessor Firms*** (PCAOB Rulemaking Docket Matter No. 020, both rules proposed therein the "Proposed Rules") by which the PCAOB proposes a system for updating the registration of registered public accounting firms periodically or after the occurrence of certain special events.

In our five previous letters to the PCAOB and the SEC dated March 27, 2003, July 2, 2003, August 18, 2003, January 20, 2004, and January 26, 2004 (collectively the "Letters"), we have provided comments as to how the Sarbanes-Oxley Act of 2002 (the "Act") and the registration, inspection and investigation system for foreign public accounting firms affects and will affect our members. Furthermore, in the Letters we highlighted areas where the PCAOB's proposed rules conflict with Swiss law.

We also refer to

(i) a copy of the relevant portion of the conflicting Swiss law;

(ii) a legal opinion issued by Baer & Karrer, attorneys-at-law, and dated April 15, 2004, that submitting the information would cause the applicant to violate the conflicting non-U.S. law; and
(iii) an explanation of the Swiss accounting firms' efforts to seek consents or waivers to eliminate the conflict, if the withheld information could be provided to the Board with a consent or a waiver, and a representation that the applicant was unable to obtain such consents or waivers to eliminate the conflict

(collectively the "Attachments"), that were submitted together with Form 1 as attachments 99.2 (i), (ii) and (iii) by the Swiss public accounting firms in the course of their initial registration.

We consider the Letters and Attachments to be integral parts of this submission, as many of our comments made herein repeat or refer to issues discussed in the Letters and/or the Attachments.

When dealing with conflicts of law, we refer to Swiss law as the law that applies to the majority of situations. We note, however, that several of the Swiss registered accounting firms are licensed to provide audit services in the Principality of Liechtenstein. We refer in that regard to the legal opinion provided by Marxer & Partner Rechtsanwälte, dated April 23, 2004, as submitted by certain Swiss public accounting firms in the course of their initial registration. In special circumstances, the laws of other jurisdictions may also be applicable. Thus any reference to Swiss law below should be taken as Swiss and/or for any other applicable non-U.S. law.

All capitalized terms used herein and not otherwise defined shall have the meaning as described in the Rules.

A. General Comments

We appreciate the reporting framework the PCAOB lays out in the Proposed Rules for registered accounting firms to update the information provided by them upon registration; the reporting would occur both on an annual basis and upon occurrence of certain events, and we support the general approach set out in the Proposed Rules.

This being said, we are of the opinion that the Proposed Rules do not take sufficiently into account the constraints and risks that Swiss registered public accounting firms are exposed to due to their being subject to two (or more) legal systems, with the ensuing risk of conflicting legal requirements between these jurisdictions. We have referred before to the substantial and concrete risk that a Swiss registered accounting firm, by complying without limitation to the information requests imposed by the Act and by the Rules and Forms issued by the Board, could be exposed to civil and criminal liability for violation of auditor's secrecy, banking and stock exchange and securities traders' secrecy, confidentiality obligations imposed by general penal law (violation of manufacturing or business secrets), company law and contract law, data processing law, employment law, the prohibition to commit illegal acts for a foreign state, economic espionage or similar public policy limitations imposed by Swiss or other applicable laws.

The Proposed Rules and forms also appear to deviate in several ways from principles set forth in the Rules applying for registration of non-U.S. accounting firms, and, more specifically, to

require more information from and grant less consideration to the specific situation of registered non-U.S. accounting firm than when these firms initially registered. We trust and assume that no substantial deviation from the registration Rules was intended, and that the PCAOB will continue to honor and reciprocate the willingness of the Swiss registered accounting firms to apply the principle of cooperation within the limits set by applicable law.

B. Main Topics of Concern regarding the Proposed Rules

The chief topics of concern to us are the following:

I. Limitation of Possibility to Assert Legal Conflicts
II. Limitation of Possibility to Claim Confidential Treatment
III. Insufficient Notification Period

I. Limitation of Possibility to Assert Legal Conflicts

There should be no limitations on information that can be withheld based on legal conflicts so long as the conflict can be supported. As outlined by us on several occasions, Swiss law prohibits disclosure of sensitive information not already publicly known, whereby in most circumstances consent by the issuer client does not cure the problem fully. It should suffice for the Swiss registered accounting firm to comply with proposed Rule 2207 with regard to the assertion of conflicts with non-U.S. laws, so as not to be exposed to civil and criminal liability for violation of Swiss laws.

II. Limitation of Possibility to Claim Confidential Treatment

There should be no absolute limitations on confidential treatment requests for certain types of information, as information that is proprietary and/or subject to applicable laws relating to the confidentiality of proprietary, personal or other information should be able to be kept confidential, so long as the requirement for confidentiality can be supported, in reliance on Section 102(e) of the Act.

III. Insufficient Notification Period

Forms 3 and 4 provide for a notification period of fourteen days after the occurrence of certain events. This notice period may be too short for verifying the necessary facts. Furthermore, this period will limit the time and possibility to obtain the consent and waiver of the issuer client and other third parties involved, a legal opinion and other evidence accompanying the assertion of a legal impediment or a confidentiality request as required in Proposed Rule 2207.

C. Comments to PCAOB Release No. 2006-004 and Forms 2 and 3

I. Rule 2203. Special Reports

The PCAOB proposes in its proposed Rule 2203 a period of fourteen days after the occurrence of certain events. Such period is extremely short and we are concerned that in more complex cases this timeframe would not allow for proper collection of the required information, verification, conclusive assessment of implications, and information to the Board in the form requested.

Within the same timeframe, the firm would have to seek consents from issuer clients and other persons affected and obtain copies of applicable laws and a legal opinion, what we expect will be necessary in many circumstances.

We have highlighted earlier that general consents obtained from clients in advance and without connection to a specific instance may not be valid under Swiss law, since such consents could only be given in a form that would be too general to cover a particular case that may come up much later and involving questions that were not contemplated at the time the consent was given.[1] In addition further consents of third parties with whom the accounting firm does not have any direct contacts may be necessary. Also, administration, updating and assuring completeness of such consents would be an unreasonable administrative burden for Swiss registered accounting firms, given the number of issuer clients including their subsidiaries and other third parties potentially affected.

In particular, the foreign public accounting firm must have available a legal opinion (proposed Rule 2207 (c) (3)) before submission of a Form 2 or Form 3. Such legal opinion must be focused on the particular case in question and must be current. Therefore, such legal opinion can only be prepared after the occurrence of an event. The instruction of the lawyer and the drawing up of the opinion will normally take more than fourteen days.

We propose either a longer notification period (*e.g.*, 45 days), or a staggered notification process, with an initial notification period during which the registered accounting firm would have to provide basic information only (in particular that a specific event occurred), followed by a subsequent notification period during which the registered accounting firm would have to provide details of the event, legal opinion, copies of applicable laws, etc.

Rule 2300 (a) (2) enables the Board to ignore the request for confidential treatment, if the firm requesting the confidential treatment fails to provide additional information on the background of the request. To mitigate consequences of technical failures or omissions during process of filing a form, we recommend – in the case that a request for confidential treatment is made, but no or insufficient supporting material is submitted – that the Board set a short timeframe for the firm to submit the missing supporting material to cure such omission.

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[1] We refer to item 65 page 31 of the Swiss legal opinion filed together with the initial registration documents.

II. Rule 2207. Assertion of Conflicts with Non-U.S. Laws

We note and agree with the fact that the new proposed Rule 2207 does not contain a *per se* limitation of items for which legal conflict cannot be asserted.

While most of the areas the Board identifies in item IV.C of PCAOB Release No. 2006-004, Page 21, are not likely to present problems, we respectfully ask the Board to avoid creating any possibility of a conflict which might arise, *e.g.*, under Part IV, item 4.1 of Form 2, Parts III and IV of Form 3, or Part IV, item 4.2 of Form 4, by omitting the respective limitation from the instructions with respect to the three proposed forms.

III. Rule 2300. Public Availability of Information Submitted to the Board; Confidential Treatment Requests

As stated above, we view an absolute exclusion of confidential treatment requests for certain types of information not to be in compliance with Section 102(e) of the Act, provided the Swiss registered accounting firm provides the detailed and valid explanations as requested in proposed Rule 2300 para. (c)(2).

While most of the areas the Board identifies in item III of PCAOB Release No. 2006-004, Pages 16-17, are not likely to present problems, we respectfully ask the Board to avoid negative consequences for the registered accounting firms by treating as non-confidential all confidential information provided as part of the proposed forms (*e.g.*, also under Parts III and IV of Form 2, or Parts III, IV and V of Form 3, or Part IV of Form 4).

IV. Rule 4000. General

It has been outlined on several occasions that the Swiss registered accounting firms may not provide information the provision of which would violate Swiss (and/or other applicable) laws. Some of this information may be able to be inspected, once the Swiss Accounting Oversight Act (the "AOA") has come into force, by the Swiss Accounting Oversight Authority, which may make it available to the PCAOB through the mechanism of international assistance and information exchange, as further outlined in the AOA. Until that time, inspections by the PCAOB may be carried out in coordination with and through the channels established with the Swiss Federal Government for exchange of information by using the traditional means of judicial and administrative assistance.

V. Form 2 – Annual Report Form

(1) Part III Item 3.2

This would be proprietary information of the registered Swiss Accounting firm, for which it should be allowed to ask for confidential treatment.

(2) Part IV Item 4.1

The requirement to identify each report issued during the reporting period appears to be an excessive burden on registered firms that audit a large number of issuers or audit large issuers that have extensive audit needs. The information requested here is already known and available to the PCAOB through the SEC reporting system and publicly known through the electronic SEC Filings & Forms system EDGAR.

We understand that the focus of the Proposed Rules should be oversight over accounting firms, and not duplication of oversight over issuers, what could lead to conflicts and frictions.

(3) Part VII Item 7.1 Certain Sanctioned Individuals and Item 7.2 Individuals Connected With Certain Sanctioned Firms

As a consequence of Swiss employment law, under certain circumstances the names of such employees cannot be provided to the PCAOB. This is generally true in all situations where the connection between the name of the person and the sanction is not already publicly known. Consent of the employee to such disclosure would not cure the situation, since it may be invalid or insufficient under Swiss law.

This requirement goes beyond what had been requested in Form 1, where the questions in items 5.1.a.(3), for foreign registered accounting firms, were limited to any applicant and any proprietor, partner, principal, shareholder, officer, or manager of the applicant who provided at least ten hours of audit services for any issuer during the last calendar year, whereas items 7.1 and 7.2 ask for information on all persons, irrespective of whether they were personally involved in the sanctioned behavior (item 7.2), and irrespective of whether they have been or will be involved in the provision of audit services to issuer clients. We do not understand the reason for this extension of the reporting requirement, and do not consider it warranted, given the fact that within the registered Swiss accounting firms, a large number of partners and employees are engaged in audit services for non-issuers, or in non-audit services.

(4) Part VII Item 7.4 Certain Arrangements to Receive Consulting or Other Professional Services

Item 7.4 requires the Swiss registered accounting firms to indicate details on arrangements to receive consulting or other professional services with third parties meeting certain criteria. This requirement in our opinion should be limited to arrangements relating to audit services, and should have a materiality threshold, so as to spare the registered accounting firms from making statements on arrangements that have no impact, or only a minimal impact, on their providing

audit services. The requirement pursuant to the form as proposed would lead to an administrative burden on the Swiss registered accounting firms that does not seem justified.

(5) Part IX Item 9.1.a Affirmation of Understanding of, and Compliance with, Consent Requirements

As in the course of the initial registration, Swiss public accounting firms may not be able to give the requested affirmations. We refer to the legal opinion of April 15, 2004 and the cover letter submitted by the Swiss public accounting firms together with their Form 1, which highlight in detail that complying with the affirmation would expose the Swiss registered accounting firm to civil and criminal liability for violation of auditor's secrecy, banking and stock exchange and securities traders' secrecy, confidentiality obligations imposed by general penal law (violation of manufacturing or business secrets), company law and contract law, data processing law, employment law, the prohibition to commit illegal acts for a foreign state, economic espionage or similar public policy limitations imposed by Swiss or other applicable laws. Also giving the affirmation could be subject to penal sanctions as a preparatory measure. We point out once again that client consents sought and obtained in advance would not cure the situation fully, since they might be invalid and could not serve as basis of reliance for the Swiss registered accounting firms when complying with the affirmation.

(6) Part IX Item 9.1.b Securing Consents from Associated Persons

We take this opportunity to draw your attention to the fact that consents from associated persons would be subject to (at least) the same limitations as would be the consent that could be given by the Swiss registered accounting firm. The Proposed Rules, in the same way as the registration Rules with regard to the consent in Form 1, do not provide for an alteration of the wording of the affirmation, but allow the Swiss registered accounting firm to withhold the consent for legal conflict reasons. This should not, however, alter anything with respect to the willingness of the Swiss registered accounting firms and their associated persons to cooperate and comply with the Board to the extent permitted by Swiss and other applicable laws.

We also draw your attention to the fact that making such consent a condition for continued employment may not in all circumstances be compatible with Swiss employment law.

VI. Form 3

(1) Part II

Several items of this Part II refer to the registered accounting firms becoming aware. It should be made clear that an accounting firm is deemed to be aware once the persons responsible for reporting requirements have become aware of the details of the facts and persons involved, and have had the opportunity to inspect and verify the facts internally, assuming of course an appropriate internal controlling and reporting structure and everybody's acting with all due efficiency and speed. Knowledge of the person whose acts or omissions are subject to the reporting requirement should clearly not be considered awareness on the part of the firm.

(2) Part II Item 2.5 through 2.8 and Part V Item 5.1

This requirement goes beyond what had been requested in Form 1, where the questions in items 5.1.a.(2) and 5.1.a.(3) were limited to proceeding in connection with an audit report, and for foreign registered accounting firms only with regard to an applicant and any proprietor, partner, principal, shareholder, officer, or manager of the applicant who provided at least ten hours of audit services for any issuer during the last calendar year, whereas item 2.8 asks for information on all persons, irrespective of whether the behavior that is subject to the relevant proceeding relates to audit services, and items 2.6 and 2.8 would apply irrespective whether the relevant persons have been or will be involved in the provision of audit services to issuer clients. We do not understand the reason for this extension of the reporting requirement, and do not consider it warranted, given the fact that within the registered Swiss accounting firms, a large number of partners and employees are engaged in audit services for non-issuers, or in non-audit services.

We also take this opportunity to highlight that Swiss employment law would not allow employees of Swiss registered accounting firms to be asked for information that would not relate to their ability to provide audit services, and would not allow this information to be provided for an employee of a Swiss registered accounting firm except where all of the facts are already publicly known (*cf.* item C.V(3) above).

(3) Part II Item 2.11 and 2.12

This would require the consent of third parties, who are under no obligation to provide their consent.

(4) Part II Item 2.14 and 2.15

We understand this requirement to relate to licenses that have been granted to the registered accounting firms only, to the exclusion of licenses granted to individual partners or employees, as is presently the case in Switzerland. (The AOA, upon its coming into force, will set in place a uniform system of licenses being granted to accounting firms.) The PCAOB should additionally consider asking for this information only as part of the annual registration process *in lieu of* within 14 days of obtaining the license.

(5) Part III Item 3.1 Withdrawn *audit reports* and consents

The withdrawal of an audit report may be information that cannot be provided under Swiss law, irrespective of the consent of the issuer client, unless the issuer client has complied with the respective SEC reporting requirements or the withdrawal and the facts surrounding it have otherwise become publicly known. Where the issuer client has not complied with the respective SEC reporting requirements, there will most likely be a dispute situation, where client consent would not be available, and the Swiss accounting firm should be able to assert a legal conflict on that ground.

We understand that the focus of the Proposed Rules should be oversight over accounting firms, and not duplication of oversight over issuers, what could lead to conflicts and frictions.

Furthermore, the Swiss registered accounting firms must be permitted to submit a confidentiality request unless the fact has become publicly known.

(6) Part IV Item 4.1 Unauthorized Use of Firm Name

Any act of unauthorized use of the name of an accounting firm is most likely to occur in a dispute situation, where client consent would not be available.

Furthermore, the Swiss registered accounting firms must be permitted to submit a confidentiality request unless the fact has become publicly known.

(7) Part VI Item 6.1 New Relationship with Person Subject to Bar or Suspension

We refer to what has been said above to Item 7.1 of Form 2 (Clause C.V(3)).

(8) Part VII Certain Relationships

This requirement should be limited to persons who are providing services related to audit reports.

D. Release No. 2006-005 and Form 4

I. Form 4

(1) Part III Item 3.2.a.1.

If the predecessor firm has to file a request for leave to withdraw from registration on Form 1-WD before the acquisition or combination has become effective, there may be a registration "gap" for one of the predecessor registered firms as they would need to apply to withdraw their registration prior to legally combining with the new registered entity (unless withdrawal could be made effective upon the closing of the transaction). It should be possible to make the request of withdrawal contingent upon the closing and non-revocation of the transaction. Alternatively, it should be possible for the succeeding firm to make this request for withdrawal on the behalf of the predecessor firm between the date of the combination and the 14 day filing date; or to make a statement similar to the one in item 3.2.b.

(2) Part III Item 3.2.b.

This may not be practical in those cases where none of the persons that were members of the predecessor registered firm becomes a member of the new firm.

(3) Part III Item 3.2.e.1 in combination with Item 3.2.f

In connection with the reference to items 5.1.a or 5.2.a of Form 1, we refer to the fact that a "no" answer could not be given by a Swiss accounting firm, since in principle Swiss employment law prohibits it from collecting the necessary information in an encompassing way.

Furthermore, in a transaction involving a party which is not a registered public accounting firm that, if registering with the PCAOB, would have to give a positive response to questions 5.1.a or 5.2.a, the requirement that the resulting firm has to re-register with a complete Form 1 appears to be overly punitive, particularly for large registered accounting firms that combine with smaller firms. It would seem to be more appropriate to impose a special filing requirement that relates to the disciplinary history or civil proceedings only, *i.e.*, that is limited to items 5.1 and/or 5.2 of Form 1.

The answer to this question should also be able to be subject to a confidentiality request, since it may allow third parties to draw conclusions that could expose the firm or its associated persons to liability claims, or an increased risk of such claims.

(4) Part IV Item 4.1 Continuing Consent to Cooperate

We refer to what has been said in items C.V(5) and C.V(6) above with regard to Form 2.

(5) Part IV Item 4.2 Continuing Responsibility for Previous Conduct

It should be made clear that this affirmation related to reporting, testimony and document production obligations towards the PCAOB (insofar as not conflicting with Swiss and other applicable laws), but does not relate to civil or criminal liability for acts of the predecessor firm except insofar as such liability is explicitly transferred and assumed by way of contract or law (other than the Act and the Rules issued thereunder). It is not the intention of the Act, and cannot be the intention of the PCAOB, to increase the liability exposure of accounting firms.

E. Conclusions

We trust that the Board will take into consideration the concerns that arise from the special situation of non-U.S. registered accounting firms, both with regard to the items referred to above and as part of its general policy, and refrain from imposing any requirements that would increase and accentuate the exposure to conflicts between the different legal regimes that are applicable to them.

This is even more warranted in a situation where the AOA has been approved by both houses of the Swiss Parliament and is expected to enter into force in 2007.

We appreciate this opportunity to express the continuing interest of our members to work towards a well balanced reporting and registration system, and look forward to continuing discussions with the PCAOB regarding these matters. The goal should be to establish a reporting framework that achieves our common goal on the basis of the principles set forth in the Proposed Rules, but gives all due consideration to the conflicting legal requirements to which Swiss registered accounting firms are exposed, and allows for the necessary coordination with the Swiss authorities, in particular with the Swiss Oversight Authority once the AOA has come into force.

Respectfully submitted,

Swiss Institute of Certified Accountants and Tax Consultants

Walter Hess
Secretary General

Dr. Reinhard Oertli
Chairman of the Subcommittee on Oversight over Accounting Firms by U.S. Authorities

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RULES ON PERIODIC REPORTING BY REGISTERED PUBLIC ACCOUNTING FIRMS	PCAOB Release No. 2008-004 June 10, 2008 PCAOB Rulemaking Docket Matter No. 019

Summary: The Public Company Accounting Oversight Board ("Board" or "PCAOB") is adopting rules to establish a reporting framework for registered public accounting firms. The rules require that each firm report certain information annually. The rules also require special reporting regarding certain specified events within 30 days of the event. The Board is adopting eight new rules (PCAOB Rules 2200 through 2207), two new forms (PCAOB Form 2 and PCAOB Form 3), and amendments to five existing rules (PCAOB Rules 1001, 2107, 2300, 4000, and 4003). The rules will take effect 60 days after Securities and Exchange Commission ("Commission") approval pursuant to Section 107 of the Sarbanes-Oxley Act of 2002.

Board Contacts: Michael Stevenson, Deputy General Counsel (202-207-9054; stevensonm@pcaobus.org), Sarah Williams, Deputy Director, Division of Registration and Inspections (202-207-9076; williamss@pcaobus.org), and, for questions relating to non-U.S. firms, Rhonda Schnare, Director of International Affairs (202-207-9167; schnarer@pcaobus.org).

* * * * *

Section 102(d) of the Sarbanes-Oxley Act of 2002 ("the Act") provides that each registered public accounting firm shall submit an annual report to the Board, and may also be required to report more frequently to provide information specified by the Board or the Commission. The Board solicited comment on proposed rules and forms for annual reporting of certain information and event-based reporting ("special reporting") of

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certain other information.[1/] After considering all comments submitted on the proposal, the Board is today adopting rules and forms for annual and special reporting, to take effect 60 days following Commission approval, with the earliest potential reporting deadline for any firm (including special reporting of certain events that may have occurred since the firm registered) being 90 days after Commission approval.

Section I of this Release discusses how the Board's adoption of these rules relates to the ongoing public discussion about the nature of information that firms should publicly disclose. Section II of this Release discusses the information that the rules require firms to report, as well as issues relating to timing, amendments, and PCAOB follow-up. Section III discusses public availability of reported information. Section IV explains how the rules implement the Board's policy of reasonably accommodating foreign registered firms faced with non-U.S. legal restrictions. Section V describes when the rules will take effect and the related timing of initial reporting. Section VI addresses various issues raised by commenters and that are not otherwise addressed in Sections II through V. A detailed table of contents is set out below.

Contents

[1/] See Proposed Rules on Periodic Reporting by Public Accounting Firms, PCAOB Release No. 2006-004 (May 23, 2006) ("Proposing Release") at 2.

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I. The Relationship Between These Rules and Ongoing Public Discussion of Additional Disclosure Requirements

In taking final action with respect to this set of rules, the Board does not mean to suggest that the information encompassed by these rules is the only information that the Board will require firms to report under Section 102(d) of the Act. Over time, the Board may identify other useful requirements by, for example, monitoring public discussion of relevant issues or considering disclosure requirements in other auditor regulatory regimes. To the extent that the Board identifies additional reporting requirements that are necessary or appropriate in the public interest or for the protection of investors, the Board may propose and adopt them at any time.

In particular, the Board is aware of the work of the Department of the Treasury's Advisory Committee on the Auditing Profession ("Advisory Committee").[2/] Among other things, the Advisory Committee has considered whether the public interest would be served by increased transparency concerning public accounting firms, including through requirements that such firms periodically disclose certain information that goes beyond that required by the rules the Board adopts today.

[2/] Information about the Advisory Committee's work is available at www.treas.gov/offices/domestic-finance/acap. Certain individual Board members have participated as observers in meetings of the Advisory Committee and its three subcommittees.

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The Advisory Committee has published for public comment a draft report dated May 5, 2008[3/] and an addendum to that draft report issued June 3, 2008.[4/] The Advisory Committee's draft recommendations include recommendations relating to transparency of public accounting firms and include specific recommendations for action by the Board to require certain disclosures by registered firms. The Board's action today should not be understood to suggest any Board view on the substance of the Advisory Committee's draft recommendations. The Board has for some time been working steadily toward final action on its earlier rule proposal and is now ready to implement those elements of a disclosure framework.

Rather than delay that implementation pending any final Advisory Committee recommendations, the Board is proceeding now for a variety of practical reasons, including that firms' registration applications are increasingly stale. Through today's rulemaking, the Board puts into place a mechanism through which firms can, among other things, comply with the Act's requirement that they annually update basic elements of the registration information. Waiting to formulate specific rule proposals based on the eventual Advisory Committee recommendations, and obtain and evaluate public input on those proposals, would delay the Board's adoption of any reporting rules until well into 2009. In addition, the Board's reporting framework will be new to public accounting firms. The Board sees value in implementing the basic framework now, so that firms can begin to adjust to this reporting obligation and begin to get familiar with the Board's web-based reporting system, rather than waiting for the development of additional reporting requirements. The Board's action today will put in place the basic elements without further delay, and without diminishing the Board's ability or willingness to consider imposing additional disclosure requirements.

The Board will continue to monitor the Advisory Committee's process, including the public comments on the draft report and addendum, and will give careful consideration to the Advisory Committee's final recommendations. To the extent that implementation of any of those recommendations would involve the development of new Board rules, the Board will formulate a proposed approach to those recommendations and provide opportunities for further public input.

[3/] See *Federal Register*, Vol. 73, No. 95 (May 15, 2008) at 28190.

[4/] See www.treas.gov/offices/domestic-finance/acap/draft-report-addendum_06-03-2008.pdf.

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II. The Substance of the Reporting Requirements

The reporting requirements serve three fundamental purposes. First, firms will report information to keep the Board's records current about such basic matters as the firm's name, location, contact information, and licenses. Second, firms will report information reflecting the extent and nature of the firm's audit practice related to issuers in order to facilitate analysis and planning related to the Board's inspection responsibilities and to inform other Board functions, as well as for the value the information may have to the public. Third, firms will report circumstances or events that could merit follow-up through the Board's inspection process or its enforcement process, and that also may otherwise warrant being brought to the public's attention (such as a firm's withdrawal of an audit report in circumstances where the information is not otherwise publicly available).

The reporting framework includes two types of reporting obligations. First, it requires each registered firm to provide basic information once a year about the firm and the firm's issuer-related practice over the most recent 12-month period. The firm must do so by filing an annual report on Form 2. Second, upon the occurrence of specified events, a firm must report certain information by filing a special report on Form 3.

There is no significant overlap between the information required to be reported annually on Form 2 and the special reporting required on Form 3. The purpose of Form 2 reporting is principally to provide a profile of the firm at a point in time, based on its activity related to issuers over the most recent 12-month period. The purpose of Form 3 reporting is principally to alert the Board to the occurrence of events that may, depending upon the situation, have more immediate bearing on how the Board carries out its regulatory responsibilities regarding the firm. With just two exceptions, special reporting on Form 3 does not serve to update information reported on Form 2.[5/]

[5/] Among the things required in an annual report on Form 2 are the firm's name and certain contact information for the firm's Board contact person. Any changes to those two items must be reported on Form 3. No other information required on Form 2 is subject to updating via Form 3.

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A. Annual Reporting on Form 2

1. Required Information

Beyond basic threshold information about the identity of the firm and the location of its offices, Form 2 requires information in three categories: the firm's issuer-related practice, internal and external resources on which the firm draws in performing audits, and certain new relationships and acquisitions. Form 2 also requires an affirmation related to the firm's statutory obligations to cooperate with the Board.

a. The Firm's Issuer-Related Practice

Required Form 2 reporting includes information about whether the firm issued any audit reports for issuers (and, if not, whether the firm played a substantial role in any audits of issuers), identifying information concerning all such issuers, the number of firm personnel who exercised authority to sign the firm's name to an audit report, and a breakdown showing the percentage of the firm's total billings that was attributable to certain categories of services provided to issuer audit clients. The final rules generally mirror the proposal on these points, but consideration of comments has prompted the changes and clarifications described below.

(i) Fees Billed to Issuer Audit Clients

Commenters voiced concern about burdens associated with the proposed requirement to report the percentage of total fees billed to all clients that is attributable to fees billed in each of four categories of services provided to issuer audit clients. Commenters indicated that firms, particularly large firms, may not be able to comply with the proposed requirement without making costly changes to their internal systems. The Board has weighed these concerns carefully, bearing in mind that the purposes for which the information is sought do not depend upon a high level of precision in the data. The Board is adopting a modified version of the proposed requirement, incorporating some elements of alternatives suggested by commenters.

Form 2 will allow a firm to select from two methods of calculating the percentages to report. Firms that are reasonably able to report the requested percentages based on data precisely coinciding with the annual reporting period (i.e., the data specified by the proposed requirement) may do so. As an alternative, a firm may, for each category of services, report the percentage derived by (1) using as a denominator the total fees billed to all clients in the firm's fiscal year that ended during the annual reporting period

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and (2) using as a numerator the total issuer audit client fees as determined by reference to the fee amounts disclosed to the Commission by those clients for each client's fiscal year that ended during the reporting period (or, for clients who have not made the required Commission filings, the fee amounts required to be disclosed). Under either approach, a firm may use any reasonable method to estimate the components and may round the reported percentages to the nearest five percent. Firms that use estimated data in their calculations should briefly describe their methodology in an exhibit to Form 2.

Some commenters also expressed concern about what they saw as a disconnect between the four categories of services used in the proposed form and the four categories of fees that the Commission requires issuers to report in proxy filings. The Board reiterates that its definitions of these four categories of services correspond to the Commission's descriptions of services for which an issuer must disclose the fees paid to its auditor.[6/] The Board is not adopting commenters' suggestions to make the Board's labels conform to the Commission's labels (i.e., to say "audit-related services" instead of "other accounting services" and to say "all other services" instead of "non-audit services") because the labels that the Board uses come from Section 102(b)(2)(B) of the Act and have been used in all applications for registration on Form 1.[7/] Commenters also noticed a disconnect between Item 3.2's focus on fees billed and the reference to "revenues" in Item 3.2's caption. The Board has changed the caption to refer to fees billed instead of revenues.

[6/] See Proposing Release at 4, n.3. Compare the descriptions of services in Item 9(e) of Commission Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the Board's definitions of "Audit Services" (Rule 1001(a)(vii)), "Other Accounting Services" (Rule 1001(o)(i)), "Tax Services" (Rule 1001(t)(i)), and "Non-Audit Services" (Rule 1001(n)(ii)). The note to Item 3.2 on Form 2 has been expanded to highlight this point.

[7/] The Board is, however, taking this opportunity to delete from the relevant definitions certain provisions that ceased to apply after December 15, 2003. Specifically, the Board is amending Rules 1001(a)(vii), 1001(o)(i), and 1001(n)(ii) by deleting the paragraph denominated "(1)" from each rule.

(ii) Audit Reports

Item 4.1 of Form 2 requires information relating to a firm's issuance of audit reports during the reporting period. As it was proposed, Item 4.1 would have required, among other things, the total number of firm personnel who exercised authority to sign the firm's name to an audit report during the reporting period. Commenters suggested various alternatives to requiring that precise number. Bearing in mind that, here too, the purposes for which the information is sought – principally inspection scoping and planning – do not depend upon precise information, the Board has adopted a slightly modified version of an approach suggested by a commenter. As adopted, Item 4.1.b requires a firm to indicate from among the following ranges how many individuals exercised the authority to sign the firm's name to an audit report in the reporting period: 1-9, 10-25, 26-50, 51-100, 101-200, or more than 200. If the firm indicates that the range is 1-9, the firm must also provide the exact number.

One commenter sought clarification on whether the audit report date being requested referred to the date of the auditor's report, the report release date pursuant to PCAOB Auditing Standard No. 3, *Audit Documentation*, or the date that the issuer filed the report with the Commission. A note to Item 4.1 now clarifies that the date called for by Item 4.1.a.3 is the date of the audit report, as described in AU 530, *Dating of the Independent Auditor's Report*. A note has also been added to clarify that it is not necessary to provide the date of any consent to an issuer's use of an audit report previously issued for that issuer, except that, if such consents constitute the only instances of the firm issuing audit reports for a particular issuer during the reporting period, the firm should include that issuer in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

(iii) Substantial Role

If, during the reporting period, a firm plays a substantial role in the preparation or furnishing of an audit report that was issued in the reporting period, but the firm did not issue audit reports required to be reported under Item 4.1, the firm must report certain information under Item 4.2. As proposed, Item 4.2.a.4 would have required the firm to report the date of each such audit report. One commenter expressed concern that a firm might not have access to the date of an audit report issued by another firm. The Board has revised Item 4.2.a.4 to require, instead, the end date of the fiscal period covered by the financial statements that were the subject of the audit report.

b. Internal and External Resources

Form 2 requires information about internal and external resources on which the firm draws in performing audits for issuers. As to external resources, Part V of Form 2 requires the firm to identify and describe any memberships or affiliations in or with any network, alliance, or similar arrangement that affords the firm access to resources for use in issuer audits, including procedures, manuals, or personnel. As to internal resources, Part VI of Form 2 requires information about the total number of the firm's personnel, accountants, and certified public accountants.

Regarding Part V, commenters sought clarification on various points. Item 5.2.a.3, as proposed, would have required the firm to state whether it has any "affiliation, whether by contract or otherwise, with another entity through or from which the firm commonly employs or leases personnel to perform audit services, or with which the firm otherwise engages in an alternative practice structure." Commenters asked for clarification of "commonly" and also suggested that the term "affiliation" could cause confusion since the item does not appear intended to be limited to relationships commonly viewed as "affiliate" relationships. The final version of Item 5.2.a.3 avoids the use of "affiliation" and "commonly" and requires the firm to state whether it has any "arrangement, whether by contract or otherwise, with another entity through or from which the firm employs or leases personnel to perform audit services." One commenter also asked the Board to clarify that Item 5.2.a.3 does not encompass a firm's hiring of, or contracting for, support personnel. Item 5.2.a.3, by its terms, encompasses only arrangements through which the firm employs or leases "personnel to perform audit services."

Regarding Part VI, commenters expressed concern about Item 6.1.d's requirement to provide information about the number of firm personnel, segregated by functional level, who provided audit services during the reporting period. Commenters stated that some firms cannot readily track with precision the number of such individuals. Commenters constructively suggested various alternative ways to collect a rough surrogate for that number. The Board has concluded, however, not to adopt any version of Item 6.1.d at this time.

Item 6.1.b requires the firm to report the total number, as of the end of the reporting period, of the firm's certified public accountants, and requires the firm to include in that number any firm accountants with "comparable licenses" from non-U.S. jurisdictions. One commenter asked for clarification of the "comparable license" concept. The "comparable license" concept is not new, but is employed in the Form 1

application for registration. Even so, the commenter suggested clarifying that the requirement refers to accountants that are (1) licensed by the jurisdiction in which they render services and (2) by virtue of such license, are certified to perform the functions of a public accountant. The Board confirms this as the appropriate understanding of the requirement.

c. Certain Relationships and Acquisitions

Form 2 requires that the firm report information about certain potentially significant relationships. Part VII of Form 2 requires the firm to report information about certain types of relationships with individuals and entities who have specified disciplinary and other histories. Part VIII requires the firm to report certain information if it acquired another public accounting firm, or took on at least 75 percent of the individuals who were partners, shareholders, principals, members, or owners of another public accounting firm. After consideration of comments, the Board has made significant changes to both Part VII and Part VIII.

(i) Relationships with Persons or Entities Having Specified Histories

In Part VII of Form 2, the firm must report information if it stands in certain relationships to individuals who, or entities that, were the subject of a Board order imposing a disciplinary sanction or a Commission Rule 102(e) order entered within the five years preceding the end of the reporting period.[8/] The Board has made a variety of changes to Part VII, including requiring the firm to specify the date of the relevant order and whether it was a Board or Commission order.

The Board has also made an important scope change. As proposed, the Part VII items would have required a firm to report new relationships commenced during the reporting period, and the proposal would have required every firm's first Form 2 filing to

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[8/] The Form 2 reporting requirement expressly excludes from its scope certain relationships that must be reported by a special report on Form 3. Those relationships – with individuals or entities that are currently subject to sanctions or orders that have the effect of prohibiting them from issuing audit reports, being associated persons of registered firms, or appearing or practicing before the Commission – must be reported on Form 3 within 30 days of the beginning of the relationship. They need not be reported again on Form 2.

report this information not only for the reporting period but for the entire period back to the cut-off date that the firm used for information it supplied in its Form 1 application. For hundreds of firms' first Form 2 filings, that period would be more than five years.

Rather than impose that burden, the Board has restructured the Part VII items relating to firm personnel or owners to capture only relationships that (1) exist as of the end of the reporting period, (2) are with individuals or entities whose relevant disciplinary sanction or Rule 102(e) order was entered within the five years preceding the end of the reporting period, and (3) have not previously been reported by the firm on Forms 1, 2, or 3. The Board has also restructured the Part VII item relating to receipt of consulting or professional services to capture only relationships that involve services received, or contracted for, in the reporting period. With these changes, a firm's first Form 2 will still effectively serve to fill any gap, but the burden will only extend to currently relevant information. Subsequent Form 2 filings need not report the same information again just because the relationship continues to exist at the end of the reporting period.

In response to commenters' concerns and suggestions, the Board has also limited the scope of relevant firm personnel to those who provided at least ten hours of audit services for any issuer during the reporting period. It is important to note, however, how this change intersects with the structural change described above. Just because an individual does not meet the ten-hour threshold during the reporting period in which the relationship begins does not mean that the firm need never report the relationship. If there is a later reporting period in which that person meets the ten-hour threshold, and that reporting period end is still within five years of the entry of the disciplinary sanction or Commission order, the firm must report that relationship in its annual report for that period. The relationship need only be reported one time, however, and need not be reported again for future reporting periods in which the criteria are met.

Also in response to comments, the Board has added a scope limitation to Part VII's approach concerning the firm's receipt of consulting or other professional services. The Board has narrowed the reporting trigger to encompass only arrangements for services related to the firm's audit practice or related to services the firm provides to issuer audit clients. The reporting obligation is triggered for any reporting period that ends less than five years after entry of the disciplinary sanction or Commission order and in which the firm has received or arranged to receive such services.

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Finally, the Board is eliminating one category of reportable relationships that was included in the proposal. The Board proposed that firms report information if they entered into a relationship with any individual who, while not having been sanctioned personally, was a principal of a firm at the time of conduct for which the firm was later subjected to specified sanctions. After carefully considering comments, however, the Board is persuaded that any occasional value this information might have is outweighed by the fact that treating this information as a risk indicator about either the firm or the individual has the potential to diminish the professional opportunities of (1) individuals who had no connection to the misconduct at all, and (2) individuals who had a connection to alleged misconduct, but who never had an opportunity to defend against charges because a regulator was satisfied to conclude the matter through a settlement with the firm. In addition, the Board is sensitive to the unusual burden that would be placed on firms not only to ascertain this information at the time they commence the relationship, but also to continually monitor for it, since the relevant sanction might not be entered until years after the conduct.

(ii) Acquisitions

In Part VIII of Form 2, the firm must report information if it has acquired another public accounting firm or taken on 75 percent or more of another accounting firm's principals. Commenters suggested the need for some clarification, and the Board has made changes to clarify two points. First, where the proposal referred only to acquisition of an "accounting firm" – which commenters correctly noted is not a term defined in the Act or the Board's rules – the final form now refers to a "public accounting firm," which is defined in both the Act and the rules. Second, with respect to taking on 75 percent or more of another firm's principals, the final form includes language clarifying that the reference is to 75 percent of the persons who were principals of the other firm "as of the beginning of the reporting period."

As proposed, Part VIII also would have required that a firm's first Form 2 filing report such acquisitions not only for the reporting period but for the entire period back to the cut-off date that the firm used for information it supplied in its Form 1 application. Here too, in recognition that the burden imposed by that requirement would likely be disproportionate to its value with respect to firms that have long been registered and been subject to the Board's inspection process, the Board has eliminated that requirement with respect to all firms that are registered before the effective date of Rule 2201 (the rule that requires the filing of annual reports). For firms that become registered after that date, however, the Board has left in place the requirement that their

first Form 2 provide the Part VIII information going back to the Form 1 information cut-off date.[9/]

d. Affirmation Related to Consent to Cooperate

In addition to requiring the information described above, Form 2 requires an annual affirmation related to the Act's requirements that the firm consent to cooperate with the Board and enforce cooperation by the firm's associated persons. Tracking the consent language included in Form 1, Form 2 requires the firm (1) to affirm its consent to cooperate with Board requests for testimony or documents, (2) to affirm that it has secured from each of its associated persons the required consents to cooperate with the Board, and (3) to affirm the firm's understanding and agreement that its cooperation and compliance, and the securing and enforcing of consents from its associated persons, is a condition of its continued registration with the Board.

The inclusion of the affirmation in Form 2 should not be understood to suggest that a firm's original consent, as required by the Act and executed in the firm's Form 1, expires at any point. Rather, the purpose of the Form 2 affirmation is to serve as an annual reminder to the firm of both the firm's obligation to cooperate and its obligation to secure signed consents from new associated persons. A firm's affirmation of these points is strictly required, subject only to an accommodation for registered firms that face non-U.S. legal obstacles, discussed below. Aside from that accommodation, the Board's system will not accept for filing a Form 2 that does not include the affirmation.

One commenter seemed to misunderstand the proposal and suggested that the Board make clear that this requirement is an update of the Form 1 consent and is required only for new employees since a firm's initial registration. The Form 2 affirmation does not impose a new substantive requirement but merely requires the firm to affirm that it remains aware of its continuing obligation to cooperate and that it has in fact been keeping up with its ongoing obligation to secure the requisite consents from all of its associated persons.

[9/] The Form 1 information cut-off date for such a firm could be either before or after the beginning of the reporting period for the firm's first Form 2. If it is before the beginning of the reporting period, the firm's reporting on this point must reach back to that date. If it is after the beginning of the reporting period, the firm's reporting on this point need only go as far back as that date and need not go all the way back to the beginning of the reporting period.

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As discussed generally in Section III below, the reporting framework includes accommodations for firms faced with potential non-U.S. legal obstacles to their ability to comply with Form 2 requirements. One such accommodation is reflected in a note to the Form 2 affirmation section. The note explains that the affirmation shall not be understood to include an affirmation that the firm has secured consents from associated persons that are unregistered foreign firms that assert that non-U.S. law prohibits them from providing the consent, as long as certain requirements concerning that assertion are satisfied.[10/] Two commenters expressed concern about the note's provision that the registered firm (filing the Form 2) must have in its possession documents relating to the unregistered firm's asserted conflict that would be sufficient to satisfy the requirements of Rule 2207(c)(2)-(4). The commenters expressed concern about whether that language effectively requires the registered firm (filing the Form 2) to assess the substance of the unregistered non-U.S. firm's conflict assertion. The note requires no such assessment by the registered firm, but only requires the firm to ascertain that the documents appear, on their face, to be the documents described in Rule 2207(c)(2)-(4).

e. Signed Certification

To be accepted for filing, a Form 2 must also include a signed certification by an authorized partner or officer of the firm. In addition to certifying to the completeness and accuracy of the information in the form, the signer must certify that the firm filed a special report on Form 3 with respect to each Form 3 event that occurred during the reporting period. If a firm ignored or overlooked the special reporting requirements for some period of time, the firm would eventually discover that it needed to become current on its Form 3 obligations, even if that meant late filing of a Form 3, so that it could truthfully provide the certification required in order to satisfy the annual reporting requirement.[11/]

[10/] The point of the note is solely to define the reporting requirement. This facilitates reporting on all other associated person consents, without miring the affirmation point in the issues raised by unregistered foreign firms' assertions about non-U.S. restrictions. The narrowed scope of this reporting requirement, however, does not modify a firm's obligation, under Section 102(b)(3)(A) of the Act, to secure the required consents, and it is not in any way an exercise of the Board's exemption authority under Section 106(c) of the Act.

[11/] Form 2 does not require a firm to certify that it has filed all required Form 3's on a timely basis, but only that it has filed them. The result is to force a firm to file

The person signing the form is, among other things, representing on behalf of the firm that the form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading. The Board's discovery, through inspections or otherwise, that a firm has provided untrue, misleading, or incomplete information could result in disciplinary action against the firm for violating the reporting requirements and, potentially, against an associated person who causes the firm's violation. It is therefore in a firm's interest to approach its reporting obligation with care and, where appropriate, to amend a previously filed form, as discussed in Section II.C below.

2. Timing of Annual Report

Rule 2201 sets June 30 as the deadline for the annual filing of Form 2. The reporting period covered by the report would be April 1 to March 31, leaving each firm with three months to prepare and file a Form 2 reflecting information from that 12-month period. Any firm that was registered as of March 31 of a particular year would be required to file Form 2 by June 30 of that year, but any firm that became registered in the period between and including April 1 and June 30 would not be required to file a Form 2 until June 30 of the following year.

Commenters suggested alternatives, such as tying a firm's reporting deadline to that firm's fiscal year, to avoid what those commenters saw as unnecessary burdens on firms. In the Board's view, a single filing deadline for all firms is more appropriate than varying deadlines tied to individual firms' fiscal years. The Board has considered the comments about burden and has made changes that will address those concerns – such as allowing a firm to use its and its clients' fiscal year data in reporting the fee billing information – without introducing varying reporting periods and deadlines for different firms.[12/] With the changes described above, the required Form 2 reporting

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any overdue Form 3 before the firm can truthfully provide the certification necessary to file Form 2.

[12/] In addition, the use of a reporting period ending March 31 coincides with the end point of the period for which the Board's inspection staff will typically request substantial information from larger firms in connection with their annual inspections in that year. Using that same end point for purposes of Form 2 may spare a firm from having to prepare, on a single topic (e.g., a list of issuers for which the firm prepared

does not involve any complexity or burden that makes it unreasonable to require all firms to supply the information according to the same schedule.

B. Special Reporting on Form 3

1. Required Information

Under the rules, the occurrence of specified events triggers an obligation to file a special report on Form 3. The reportable events described on Form 3 are not events that routinely occur, and the Board anticipates that most firms will go through most years without having any of the reportable events occur. Many firms may never experience a reportable event. Nevertheless, reportable events will sometimes occur, and the public interest, as well as the ability to consider whether prompt action is warranted by the Board's inspection staff or enforcement staff, will be served by contemporaneous reporting of the event. The events that trigger a reporting requirement under Form 3, as adopted today, are summarized below.

Form 3 Reporting Triggers

- The firm has withdrawn an audit report on financial statements, and the issuer failed to comply with Commission reporting requirements (Item 4.02 of Commission Form 8-K) concerning the matter.

- With respect to the 100 issuer audit client threshold that determines the frequency of Board inspections under Rule 4003, the firm has crossed to a different side of the threshold than the firm was on in the preceding calendar year.

- The firm, or a partner, shareholder, principal, owner, member, or audit manager of the firm (in some cases limited to those who provided at least ten hours of audit services for any issuer during the firm's current or most recently completed fiscal year), has become a defendant in certain types of criminal proceedings, or any such proceeding has been concluded as to the firm or the individual.

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audit reports and the dates of the reports), a lengthy response for purposes of the inspection and a different lengthy response for purposes of Form 2.

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- The firm, or a partner, shareholder, principal, owner, member, or audit manager of the firm (in some cases limited to those who provided at least ten hours of audit services for any issuer during the firm's current or most recently completed fiscal year), has become a defendant or respondent in a government-initiated civil proceeding, or an administrative or disciplinary proceeding (other than a Board proceeding), arising out of conduct in the course of providing professional services, or any such proceeding has been concluded as to the firm or the individual.

- The firm, or a parent or subsidiary, has become the subject of a petition filed in bankruptcy court or certain similar proceedings.

- The firm has taken on individuals or entities meeting certain criteria regarding disciplinary history, or entered into an arrangement to receive from such individuals or entities services related to the firm's audit practice or related to services the firm provides to issuer audit clients.

- The firm has obtained or lost authorization to engage in the business of accounting or auditing in a particular jurisdiction, or that authorization has become subject to conditions or contingencies.

- Contact information for the firm's Board contact person has changed.

- The firm has changed its legal name, while otherwise remaining the same legal entity that it was before the name change.[13/]

[13/] Under the reporting framework, a registered firm's name change should be reported on Form 3 only if the firm remains the same legal entity that it was before the name change. If the name change is in connection with a more significant change in which the firm, as previously constituted, ceases to exist – such as a change in the legal form of the firm or a merger resulting in a new legal entity – the new entity does not automatically succeed to the registration status of the former entity and may not report the event on Form 3 as a mere name change. The Board has separately proposed, and continues to consider, rules and a form (Form 4) that would govern whether and how a new firm may succeed to the registration status of a predecessor.

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The list of reporting triggers summarized above reflects the Board's decision, after consideration of comments, to drop some items from the list that was proposed and to refine the focus of other items. The changes and clarifications relate to a client's unauthorized use of the firm's name, reportable criminal and other proceedings, reportable new relationships, and changes in authorization to engage in the business of auditing.

a. Excluding a Requirement to Report Clients' Unauthorized Use of the Firm's Name

The Board has excluded from the final requirements one special reporting trigger that was proposed: an issuer's unauthorized use of the firm's name, such as by making a filing with the Commission that includes an audit report that the issuer falsely represents as having been issued by the firm.[14/] In proposing that item, the Board noted that it might protect investors and serve the public interest by drawing attention to a potential problem relatively quickly. At the same time, the Board noted that this reporting obligation might be viewed as unnecessary in light of a registered firm's existing obligation, under Section 10A(b) of the Securities Exchange Act of 1934, to follow the steps prescribed there when the firm becomes aware of an illegal act. The Board particularly encouraged commenters to address, in light of Section 10A(b), the value of including this trigger.[15/]

The commenters who addressed the point expressed a view that this reporting requirement would be fundamentally about issuer conduct and, therefore, is more appropriately left to the Commission in the context of its disclosure framework and its framework for addressing Section 10A(b) reports from auditors. After consideration of those comments, the Board has decided not to adopt such a requirement at this time.

[14/] As proposed, a firm would have been required to file a report on Form 3 if "the Firm has become aware that an issuer has made use of the Firm's name, without the consent of the Firm, in a report, document, or written communication containing the issuer's financial statements."

[15/] See Proposing Release at 10-11.

b. Withdrawal of an Audit Report

The proposed rules included a requirement that a firm file a special report when it withdraws an audit report, but also provided an exception to that requirement if the issuer audit client had already disclosed the relevant information in a Form 8-K filing with the Commission. The views expressed by commenters on this point were similar to the views described above with respect to an issuer's unauthorized use of a firm's name.

The Board is adopting this item as proposed. The point of this item is not to have the firm draw the Board's attention to potential problems with an issuer's financial statements. A withdrawn audit report is a risk indicator concerning the auditor's conduct preceding the withdrawal, not merely a risk indicator concerning the issuer's financial statements. The Board has a regulatory interest in being aware of that information and possibly following up on that information for reasons directly related to its oversight of auditors.

Nor is the point of the item to have the firm draw the Board's attention to a failure by the issuer to file a required Form 8-K. The Board's interest is in the fact of the withdrawn audit report. In the usual case, the Board can obtain that information from issuer Form 8-K filings without requiring duplicative filing by the firm, but the Board cannot do so if the issuer does not file the Form 8-K. For that reason, the Form 3 requirement is limited to circumstances in which the information is not otherwise available to the Board through a Form 8-K filing.

One commenter noted that if an issuer is no longer a client, the firm may not be in a position to monitor whether that former client has made the Form 8-K filing. Item 4.02(c) of Form 8-K, however, requires the issuer to provide the firm with a copy of the disclosures it is making in response to Item 4.02 no later than the day the issuer files the Form 8-K, and also requires the issuer to request that the firm furnish to the issuer a letter addressed to the Commission stating whether the firm agrees with the statements made by the issuer in response to Item 4.02. The firm should, therefore, generally be in a position to know whether the issuer has made the filing.

c. Criminal and Other Proceedings

As proposed, Form 3 would have required a firm to file a special report if a partner, shareholder, principal, owner, member, or audit manager of the firm became a defendant in criminal proceedings involving certain categories of offenses. After

consideration of comments, the Board has narrowed this requirement in two respects. First, the Board has reformulated these Form 3 reporting triggers to distinguish between proceedings that arise out of conduct in providing audit services or other accounting services for issuers and proceedings that do not arise out of such conduct. As to the latter category, the reporting obligation will be triggered only if the relevant individual provided at least ten hours of audit services for any issuer during the firm's current or most recently completed fiscal year. Second, the Board has eliminated from the categories of relevant offenses two relatively broadly described categories: crimes arising out of alleged conduct relating to "dishonesty," and crimes arising out of alleged conduct that, if proven, "would bear materially on the individual's fitness to provide audit services to issuers."

Other points raised by commenters may merit some clarification. One commenter expressed uncertainty about whether a firm would need to report the event if the firm suspended or terminated the individual or prohibited the individual from providing audit services for issuers. The reporting obligation includes no such qualification. The firm's reporting obligation is triggered when it becomes aware of the proceeding,[16/] and that obligation is not cut off if the firm terminates its relationship with the individual.

Some commenters sought clarification about the inclusion of "managers" and "members" within the scope of relevant individuals. One commenter asked whether "members" was meant to include employees generally. "Members" is not meant to include all employees but, rather, is intended as it is often used in firms' structures and parlance to distinguish those with certain ownership or governance rights from others. Some commenters noted that "managers" typically are not owners or partners and so questioned whether the Board intended to include them within the scope of this requirement. The Board is aware of the distinction and does intend the requirement to encompass manager-level personnel. The Board has, however, referred in the final rules to "audit manager" rather than merely "manager," to avoid any possible confusion about other sorts of managers, as the term is more generally used.

Some commenters expressed concern about the information that Form 3 would require the firm to provide about the proceedings that triggered the reporting requirement. Commenters suggested that providing descriptions of the proceedings could be burdensome, that the descriptions would be inherently subjective, and that the descriptions should not be in the public arena while the proceeding is ongoing. The

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[16/] The "awareness" trigger is discussed separately below.

Board has not made any changes related to this point. Form 3 requires the firm to list the statutes, rules, or legal duties that are alleged to have been violated, which involves no subjective or qualitative analysis, and requires a brief description of the alleged conduct, which can be drawn from the relevant complaint or charging document without creating any implication that the firm concedes anything about the allegations. If grounds exist, under Rule 2300, for keeping the reported information confidential, the firm may request confidential treatment.

d. New Relationships with Persons or Entities Currently Subject to Specified Disciplinary Sanctions or Rule 102(e) Orders

Form 3 requires a firm to file a special report if it enters into certain specified relationships with individuals or entities that are currently subject to any of the following: (1) a Board disciplinary sanction suspending or barring an individual from being an associated person of a registered public accounting firm, (2) a Board order disapproving an entity's application for registration,[17/] or (3) a Commission order under Rule 102(e) of the Commission's Rules of Practice suspending or denying the privilege of appearing or practicing before the Commission. Commenters suggested that the scope of relevant individuals should be limited to those who provide audit services. Although the Board has made such a change to the similar Form 2 requirement, such a change is not appropriate for this Form 3 requirement, which is generally intended to gather information about new relationships with persons or entities that are effectively restricted from providing audit services. In this context, the qualification suggested by commenters would have the effect of either negating the requirement entirely or transforming it into a requirement for a firm to report that a person or entity is violating such a restriction in connection with audits performed by the firm. For similar reasons, the Board has rejected suggestions to narrow the scope of consulting and professional services received by the firm that trigger this reporting requirement.

Commenters also expressed concern about the burden associated with identifying the existence of the sanction or 102(e) order. Firms should understand,

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[17/] An entity is considered to be "currently the subject" of a Board order disapproving registration if either of the following is true: (1) the Board order disapproving registration identified a date after which the Board would not treat the violations described in the order as a sole basis for possible disapproval of a new registration application, and that date has not passed, or (2) the Board order identifies no such date, and the entity has not subsequently become registered with the Board.

however, that to a significant extent that burden effectively exists regardless of whether the firm has a reporting obligation. Not only does the firm have an obvious need to know, for its own purposes, of any such limitations on the person's ability to provide services, but Board Rule 5301(b) provides that "no registered public accounting firm that knows, or in the exercise of reasonable care should have known, of the suspension or bar of a person may permit such person to become or remain associated with it, without the consent of the Board, pursuant to Rule 5302, or the Commission."[18/]

e. Changes in Authorization to Engage in the Business of Auditing or Accounting

Form 3 requires a firm to file a special report regarding certain changes in its authorization to engage in the business of auditing or accounting in a particular jurisdiction. After considering comments, the Board has made wording changes to clarify three points: (1) the requirement is intended only to cover circumstances that involve a loss of the firm's authorization to engage in the business of auditing or accounting; (2) the proposed phrase, "made subject to condition or contingencies," was not intended to encompass conditions or contingencies that are broadly applicable to all firms licensed in the jurisdiction; and (3) the requirement to report new licenses or certifications, or changes in existing licenses or certifications, is limited to licenses and certifications that authorize the firm to engage in the business of auditing or accounting.

2. Organization of Form 3

One aspect of Form 3's organization warrants discussion. Part II of the form requires the firm to indicate, by checking a box, which triggering event listed in Part II has occurred and is the reason for the report. For each box checked, Part II directs the firm to the particular Parts of the report that the firm must complete to provide the relevant details.

This approach serves two principal purposes. First, it allows a reader of the form to ascertain quickly, from a glance at Part II, the nature of the event or events being

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[18/] Rule 5301(b)'s prohibition on allowing such a person to "become or remain associated with" the firm is not a prohibition against any and all employment or other relationships, but only a prohibition against allowing the person to be an "associated" person as that term is defined in Section 2(a)(9) of the Act and Board Rule 1001(p)(i).

reported, without having to page through the entire form to see where the firm has included information. Second, it takes into account that some foreign registered firms may assert that non-U.S. law prohibits them from providing the details that the form requires about a particular event,[19/] and it provides a mechanism for at least alerting the Board at a very general level that a certain type of event has occurred.

To make the firm's responses to Part II as specifically informative as possible, Part II breaks some of the categories of reportable events into more specific components. That is, some of the reportable events summarized in a single bullet point above are broken down in Part II into two or three more specific triggers in order to provide more focused information, from a simple checkbox in Part II, about the event being reported.

3. Timing of Special Reports

The proposed rules would have required that special reports on Form 3 be filed no later than 14 days after the triggering event. Several commenters expressed concern that 14 days was not sufficient time in which to review and assess an event and report the required information, and that this was particularly true for non-U.S. firms that may need to assess possible legal obstacles to reporting and prepare the materials necessary to comply with Rule 2207. Commenters' alternative suggestions included 30 days, 45 days, 60 days, and 90 days. The Board is persuaded that a longer period than 14 days is appropriate and is adopting a requirement to file special reports within 30 days of the triggering event.

Commenters also raised questions about when, for certain reportable events, the "trigger" actually occurs. In particular, several triggering events are described in Form 3 in terms of when the firm has "become aware" that something has occurred. Commenters asked for clarification of what it means, in this context, to say that the firm has become aware of a matter. The Board has added a note to the beginning of Part II of Form 3 to specify that the firm is deemed to have become aware of the relevant facts on the date that any partner, shareholder, principal, owner, or member of the firm first becomes aware of the facts. The Board believes it is reasonable to expect a firm to have controls designed to ensure that any such person who becomes aware of relevant

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[19/] The Board's approach to making accommodations for conflicts with non-U.S. law is described in Section IV below.

facts understands the firm's reporting obligation and brings the matter to the attention of persons responsible for compliance with the obligation.

4. Initial Form 3 Reporting to Fill Gaps

In addition to requiring firms to file special reports going forward, Rule 2203 includes requirements designed to eliminate gaps that otherwise would occur in the information the Board has about a firm. One possible cause of such a gap is that certain information on a firm's Form 1 application for registration need not be any more current than as of a date 90 days before the application is submitted. For firms that become registered after the date that Rule 2203 takes effect, Rule 2203(a)(2) addresses that gap by requiring that, within 30 days of becoming registered, the firm must file a Form 3 concerning any reportable events that occurred between the firm's Form 1 information cut-off date and the date of registration.

Another possible cause of such a gap is the much more substantial passage of time that has occurred since the Form 1 information cut-off date used by firms that are already registered, the vast majority of which registered in 2003 or 2004. The proposed rules included a "catch-up" provision that would have required those already-registered firms to report all Form 3 events that have occurred since the firm's Form 1 information cut-off date. For hundreds of firms, that requirement would have covered all Form 3 events that occurred over a five-year period.

In view, however, of the passage of time, the obvious burden, and the fact that registered firms have been subject to the Board's inspection program, the Board has substantially restructured and narrowed this aspect of the proposal. Rule 2203(a)(3) requires already-registered firms to file a "bring current" special report on Form 3 only to the extent that certain events have occurred since the Form 1 information cut-off date and only to the extent that information about those events has current relevance. General Instruction number 4 to Form 3 specifies the circumstances that trigger a firm's obligation to file such a special report. For firms that are registered as of the date Rule 2203 takes effect, and to which any of the circumstances specified in General Instruction number 4 apply, Rule 2203(a)(3) requires the filing of a special report within 30 days of the effective date of Rule 2203.

C. Amendments

Rule 2205 provides for the filing of amendments to previously filed annual or special reports if the originally filed report included information that was incorrect at the

time of the filing, or if the originally filed form omitted any information or affirmation that was, at the time of such filing, required to be included in that report.[20/] Rule 2205, as adopted, reflects reassessment of the amendment concept since the proposal.

As proposed, Rule 2205 would have required a firm to amend its filing within a fixed time after becoming aware of the error or omission. Commenters raised concerns about the practical difficulties posed in this context by reliance on the concept of a firm becoming "aware" of an error or omission. The Board recognizes those difficulties. Rather than prescribe requirements for firms to have systems and procedures to surface such errors or omissions and then report them within a prescribed time, the Board's revised approach relies on the firm understanding its self-interest. The Board expects annual and special reports to be complete and accurate, and inaccuracies or omissions could form the basis for disciplinary sanctions for failing to comply with the reporting requirements reflected in Rules 2200 and 2203 and the instructions to Forms 2 and 3. Firms should be sufficiently motivated to have procedures to detect any need for amendments, and to amend filings as soon as possible, in order to mitigate the possibility of disciplinary sanctions for the inaccurate original filing.

As revised, Rule 2205 also makes clear that amendments are appropriate only to correct information that was incorrect at the time of the filing, or to supply omitted information or affirmations that should have been supplied at the time of the filing. The amendment process should not be used to update information reported on a form in the event the information changes. In the event of changes, the firm should consider whether a new Form 3 reporting obligation has been triggered or whether the information needs to be reflected in the firm's next Form 2 filing.

D. Follow-Up Pursuant to the Board's Inspection Authority

As information comes to the Board's attention through the reporting process, it may be appropriate for the Board to follow up with focused inquiries concerning a matter, without in the first instance launching a full inspection or investigation, in order to

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[20/] When filing an amended form, the firm will be required to file the entire completed form, as corrected. A section of the form will require the firm to identify the particular item or items with respect to which the firm has revised its report. The Board's reporting system will facilitate such filing by giving the firm access to an electronic copy of the previously filed form that the firm wishes to amend, so that the firm can make the necessary changes without needing to reconstruct the entire form.

determine whether any more formal action or inquiry is immediately warranted. Accordingly, the Board is adopting an amendment to its inspection rules that makes clear that the Board may require a firm to provide additional information.

Specifically, the Board is amending Rule 4000, which provides that registered firms shall be subject to such regular and special inspections as the Board chooses to conduct. The amendment adds a paragraph providing that the Board, in the exercise of its inspection authority, may at any time request that a registered firm provide additional information or documents relating to information provided on Form 2 or Form 3, or relating to information that has otherwise come to the Board's attention. The amendment provides that the request and response are considered to be in connection with the firm's next regular or special inspection. Accordingly, the cooperation requirements of Rule 4006 apply, and the request and response are subject to the confidentiality restrictions of Section 105(b)(5) of the Act.

In response to concerns raised by some commenters, the Board confirms that the information-gathering activity described in the amendment is an exercise of the Board's inspection authority. It does not provide a basis for the Board to compel a firm to provide information beyond the scope of information encompassed by the inspection authority, or for purposes other than assessing compliance by the firm or its associated persons with the "Act, the rules of the Board, the rules of the Commission, or professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers."[21/]

E. The Effect of Pending Requests to Withdraw from Registration

Existing Rule 2107 governs the process by which a firm may seek to withdraw from registration with the Board. Under Rule 2107, a firm cannot withdraw at will, but must request the Board's permission to withdraw, and the Board may withhold that permission under certain conditions.[22/]

The Board is amending Rule 2107 to change the way it addresses the reporting obligations of a firm that has filed Form 1-WD seeking leave to withdraw. Existing Rule 2107(c)(2)(i) provides that, beginning on the fifth day after the Board receives a

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21/ Section 104(a) of the Act.

22/ See PCAOB Rule 2107(d)-(e).

completed form 1-WD, the firm can satisfy any annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending. Under the amended rule, the firm's reporting obligation, including both annual and special reporting, would simply be suspended while Form 1-WD was pending. Because a firm cannot prepare or issue audit reports, or play a substantial role in the preparation or furnishing of audit reports, while Form 1-WD is pending, and because the withdrawal process normally ends with the firm ceasing to be registered, there is no reason to subject the firm to a reporting burden. If a firm withdraws its Form 1-WD and continues as a registered firm, however, Rule 2107 would require the filing of any annual or special reports, and the payment of any annual fee, that otherwise would have been required while the Form 1-WD was pending.

The Board is also eliminating from Rule 2107 the five-day delay between receipt of a completed Form 1-WD and the effect of that filing on a firm's reporting obligation. Suspension of that obligation would occur immediately upon the Board's receipt of the completed Form 1-WD.[23/]

III. Balancing Legitimate Confidentiality Interests and the Public Interest in Prompt Availability of Information

Annual and special reports will be made public on the Board's Web site promptly upon being filed by a firm, subject to exceptions for information for which a firm requests confidential treatment. The Board intends that as much reported information as possible be publicly available as soon as possible after filing. To accomplish that goal, the reporting framework relies on two elements.

First, the Board's Web-based reporting system will automatically publish a Form 2 or a Form 3 to the Board's Web site as soon as the form is filed.[24/] In doing so, the

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[23/] In connection with that change to Rule 2107, the amendment also eliminates the five-day delay before certain other consequences take effect. Among other things, the Board is amending Rule 2107(c)(2)(iii) so that the Board would, immediately upon receipt of the completed Form 1-WD, have the discretion to forego any regular inspection of the firm that otherwise would commence. This change necessitates a conforming change to Rule 4003(c), and the Board is making that conforming change as well.

[24/] A form is treated as "filed" when it is completed in accordance with the form's instructions and submitted. Satisfaction of the criteria for "filing" will be

system will redact from the published version any information for which the firm requested confidential treatment.[25/] Unless and until the request for confidential treatment is denied, the information will remain redacted, but processing the request for confidential treatment will not delay publication of the rest of the form. As a safeguard, the system will, at a final pre-submission stage, show the firm two separate versions of the completed form – one showing all of the information the firm has entered and the other showing what the publicly available version of the form will look like, with redactions where confidential treatment is requested.

Second, consistent with the approach described in the proposal, the forms identify certain categories of information for which a firm simply may not request confidential treatment. This reflects a determination that for certain categories of information there is no genuine possibility that the information could include information that is proprietary or otherwise protected from disclosure by any applicable law. Precluding the possibility of confidential treatment requests for those categories will avoid having to delay publication of that information while the Board processes a baseless request.

The Board does not take lightly the preclusion of confidential treatment requests. Section 102(e) of the Act requires the Board to honor "applicable laws relating to the confidentiality of proprietary, personal, or other information," and also requires that "in all events, the Board shall protect from public disclosure information reasonably identified by the subject accounting firm as proprietary information." Taking into account confidential treatment issues with which the Board and its staff have become familiar in connection with the registration process, including issues of non-U.S. law, the Board has aimed to err on the side of allowing confidential treatment requests with respect to categories for which there is any genuine possibility that the required information could include information that is proprietary or is otherwise protected from disclosure by any applicable law.

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recognized in the automated system, which will then direct the form to the Web site for publication. Users of the Web site will be able to go to a page for a particular firm and find there a chronological list of all filings by the firm, with each item on the list linking to a complete copy of the filed form.

[25/] PCAOB Rule 2300(b)-(h) provides a process for confidential treatment requests for information provided on Form 1. The Board is amending Rule 2300 so that it also encompasses confidential treatment requests on Forms 2 and 3.

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Set out below is a summary of the types of reportable information for which a firm may not request confidential treatment.

- Information identifying the firm (including any changes in the firm's name), contact persons, and office locations.
- The period covered by an annual report.
- Very general information about the nature of a firm's practice (e.g., whether, during the reporting period, the firm issued any audit reports for issuers).
- For U.S. firms, the percentage of a firm's annual billings attributable to certain broad categories of services provided to issuer audit clients (non-U.S. firms may request confidential treatment for this item).
- The identity of a firm's issuer audit clients.
- Basic information about whether the firm is a member of any network or affiliation related to its audit practice for issuers.
- The identity of any other firm acquired by the firm.
- Affirmation of the firm's statutorily required consent to cooperate with the Board.
- The identity of an issuer concerning which the firm has withdrawn an audit report, and the date of that audit report.[26/]
- Changes in legal authorization to engage in the business of auditing or accounting.

The Board encouraged commenters to review the specific corresponding items in the forms and to comment on whether the proposal overlooked any confidentiality protection provided by law. Although some commenters expressed general concern

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[26/] As discussed above, the proposal requires a firm to report this information only if the issuer has failed to make a filing on Commission Form 8-K concerning the matter.

about any limitation on the ability to request confidential treatment, only one of the items in the list set out above generated any specific comment arguing that confidential treatment should be an option for that item. Commenters noted that, under the local law relevant to some non-U.S. firms, the fee percentage breakdowns might be considered proprietary. The Board has not attempted to determine whether or where that might be the case, but consistent with a conservative approach toward limitations on the availability of confidential treatment, the instructions to the Form, as adopted, allow non-U.S. firms – but not U.S. firms – to request confidential treatment for the fee percentage data in Item 3.2.

In addition to limiting the categories of information for which a firm may request confidential treatment, the Board is adopting new requirements concerning the support that a firm must supply for a confidential treatment request.[27/] The amendments require that a firm support a request with both a representation that the information has not otherwise been publicly disclosed and either (1) a detailed explanation of the grounds on which the information is considered proprietary, or (2) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law.

The amendments also provide that the firm's failure to supply the required support constitutes sufficient grounds for denial of the request. In some cases, of course, the appropriateness of the request may be evident on its face, or the Board may otherwise be aware of a provision of law that protects the information, and the Board will not deny confidential treatment in those circumstances just because the firm failed to supply support. At the same time, the Board does not view Section 102(e) of the Act as requiring that the Board independently research whether certain information is protected from disclosure if the firm itself does not point to any basis for that protection. Accordingly, a firm's failure to supply the required support may well, on that basis alone, result in denial of the request.

In response to questions raised by commenters, however, the Board emphasizes that this approach to confidential treatment requests does nothing to change a firm's right to seek review of an initial denial of confidential treatment. Initial decisions will continue to be made by the Director of Registration and Inspections, pursuant to

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[27/] The amendments to Rule 2300(b)-(c), concerning the required support, also apply prospectively to confidential treatment requests on Form 1.

delegated authority, under Rule 2300(h). A firm may, under Rule 5468, seek Board review of any denial.

One commenter noted that confidentiality protection might arise from sources other than statutes and regulation, including common law, judicial orders, and contractual terms, and that the Board should more broadly define the scope of documentation that may be presented in support of a confidential treatment request. Rule 2300(b), however, does not limit the scope of documentation that a firm may present to support its argument that the rule's criteria for confidentiality are satisfied. The Board also agrees that "applicable law related to the confidentiality of proprietary, personal, or other information" that may protect information from public disclosure is not limited to statutes and regulations. At the same time, however, a contractual agreement between two parties does not constitute "applicable law" and is unlikely to satisfy the rule's criteria.

IV. Accommodating Non-U.S. Legal Restrictions

In developing its rules, policies, and programs, the Board consistently seeks to accommodate the legitimate concerns of non-U.S. firms faced with legal restrictions that might limit their ability to provide information to the Board. Early on, the Board adopted a rule that allowed firms to omit required information from registration applications if non-U.S. law prohibited the firm from submitting the information to the Board.[28/] The Board has also articulated a framework for cooperation with non-U.S. regulators, the objectives of which include working with those regulators to resolve potential conflict of law problems as they arise.[29/] The Board's commitment to that framework is embodied in Board rules related to inspections and a Board rule related to disciplinary investigations.[30/]

[28/] See PCAOB Rule 2105; see also Registration System for Public Accounting Firms, PCAOB Release No. 2003-007 (May 6, 2003), at 13-21 (www.pcaobus.org/Rules/Docket_001/2003-06-06_Release_2003-007.pdf).

[29/] See Oversight of Non-U.S. Public Accounting Firms, PCAOB Release No. 2003-020 (Oct. 28, 2003) (hereafter "Oversight of Non-U.S. Firms"), at 5 (www.pcaobus.org/News_and_Events/News/2003/10-28.aspx).

[30/] See PCAOB Rules 4011, 4012, and 5013; see also Final Rules Relating to the Oversight of Non-U.S. Public Accounting Firms, PCAOB Release No. 2004-005

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In adopting Rule 2207 today, the Board continues its commitment to reasonable accommodations for non-U.S. firms and reliance on a framework for cooperation. The core principle underlying Rule 2207's treatment of legal conflicts is the same as the core principle underlying Rule 2105 in the registration context. Specifically, so long as a firm has certain materials that support its assertion of a legal conflict and has made appropriate efforts to obtain waivers or consents that would overcome the conflict, a report on Form 2 or Form 3 will satisfy the basic filing requirement even if it omits the information that is the subject of the conflict.

Although the core principle is the same, the Rule 2207 process differs in some respects from the Rule 2105 process. As described below, the process differences are designed to accomplish two goals: (1) minimizing certain burdens relating to the supporting materials; and (2) making clear to readers of the form whether the firm is actually withholding information, thereby eliminating the possibility of an ambiguous general assertion that non-U.S. law limits the firm's ability to provide information of a particular type.

A. Materials Supporting the Asserted Conflict

Under Rule 2207, when a firm withholds required information from Form 2 or Form 3, it must have certain supporting materials, including (1) a copy of the relevant provisions of non-U.S. law, (2) a legal opinion concluding that the firm would violate non-U.S. law by submitting the information to the Board, and (3) a written explanation of the firm's efforts to seek consents or waivers that would be sufficient to overcome the conflict with respect to the information. These are the same materials that are required to support the withholding of information from a registration application under Rule 2105.

Unlike in the Rule 2105 process, however, Rule 2207 would not require a firm routinely to include those supporting materials with the form that the firm files. Rather, the firm must certify on the form that it has the supporting materials in its possession. The rule reserves to the Board, and to the Director of the Division of Registration and Inspections, the discretion to require that a firm submit any of those supporting materials in a particular case, but the rule does not include those materials in the basic filing requirement.

(June 9, 2004) (www.pcaobus.org/Rules/Docket_013/2004-06-09_Release_2004-005.pdf).

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In addition, Rule 2207 makes clear that a firm is not required to secure a new legal opinion specific to each Form 2 or Form 3 that the firm files. Rather, the supporting materials maintained by the firm need only contain a legal opinion that the firm has reason to believe is current with respect to the relevant point of law. The rule does not attempt to specify the ways in which a firm may satisfy this requirement, and various approaches might be satisfactory. Compliance does, however, depend upon a firm implementing in good faith some mechanism for generally being aware of relevant changes in the law, rather than relying on a particular legal opinion in perpetuity without genuine regard for whether the law changes.

To address a concern raised by commenters, the Board has revised Rule 2207(c)(4), and added a related note at the end of the rule, to make clear that the rule does not require a firm to repeat previously futile efforts to obtain consents and waivers. Specifically, Rule 2207(c)(4) requires the firm to prepare and maintain a written representation that it has made "reasonable efforts" to obtain relevant consents and waivers. The note at the end of the rule makes clear that the "reasonable efforts" element of the rule does not require either (1) that the firm renew efforts with parties that have previously declined to provide consents or waivers with respect to similar types of information, or (2) that the firm seek consents or waivers from parties other than firm personnel and firm clients.[31/]

The Board has also made a slight wording change to a formulation that appears throughout Rule 2207 and the certification parts of Form 2 and Form 3. Instead of phrasing the point in terms of a firm's assertion that it would violate non-U.S. law by providing certain information, the rule and forms now speak in terms of the firm asserting that it "cannot provide such information . . . without violating non-U.S. law." The subtle difference is meant to encompass more clearly the situation where the asserted obstacle is not an obstacle to the firm providing information that it has but, rather, is an obstacle to the firm requiring that an individual give the firm the information that the form requires.

[31/] The Board has also added to Rule 2207(c)(4) a provision specifying the time range within which the written representations required by that paragraph must be signed.

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B. Transparency Concerning the Meaning of an Asserted Conflict

The Board's experience with legal conflict assertions in the registration context has informed the design of the Rule 2207 process in two significant respects. In combination, these elements are intended to allow a reader of a Form 2 or a Form 3 to discern at a basic level whether a certain condition exists or a certain event has occurred, while preserving a firm's opportunity to withhold details that it asserts it cannot lawfully provide.

First, from the Board's experience with Form 1, it appears that in the vast majority of cases in which a firm would assert a conflict, the firm would not assert that non-U.S. law prohibits it from providing a general indication of whether a type of condition exists or a type of event has occurred. Accordingly, both Form 2 and Form 3 routinely employ formulations that facilitate reporting of the basic foundational point. For example, if a partner in a non-U.S. firm becomes a defendant in a criminal proceeding involving certain types of crimes, Item 2.4 of Form 3 provides a place for (and requires) the firm to report that basic fact, even if the firm asserts that it cannot lawfully provide identifying information or other details required in Part III of the Form. Once notified of the basic fact, the Board can determine whether the matter warrants additional follow-up, potentially including with the cooperation of non-U.S. regulators.

Second, unlike with Form 1, a legal conflict can be asserted on Form 2 or Form 3 only if the firm is actually withholding information that the form requires. A firm may not indicate a legal conflict on Form 2 or Form 3 as a way of making a general point that non-U.S. law would prohibit the firm from providing certain information if the firm had any such information. For clarity on this point, Form 2 and Form 3 will differ from Form 1 with respect to how a legal conflict is indicated. On Form 2 and Form 3, "LC" checkboxes will not appear throughout the form.[32/] Instead, a separate section at the end of each relevant part of the form instructs the firm that if any portion of its response in that part is incomplete because of an asserted legal conflict, the firm must, in that

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[32/] On Form 1, the opportunity to indicate a legal conflict appears throughout the form with an "LC" checkbox next to each item in the form, giving rise to the potential for ambiguity about whether the firm is actually withholding information or just preserving a legal position.

separate section, identify the specific items in that part with respect to which the firm actually has withheld, or been precluded from obtaining, responsive information.[33/]

C. Limits on Asserting a Conflict

The Board believes it is feasible to identify a small number of items on Forms 2 and 3 as to which either (1) it is not realistically foreseeable that any law would prohibit supplying the information or (2) the Board could not, consistent with its most basic responsibilities, allow a firm to withhold the information and remain registered. Accordingly, for the following few items, the forms do not afford a firm the option of withholding the information on the basis of non-U.S. law.

- Basic identifying information about the firm (including any changes in the firm's name) and a firm contact person.

- The period covered by an annual report.

- Very general information about the nature of a firm's practice (e.g., whether, during the reporting period, the firm issued any audit reports for issuers).

- The identity of a firm's issuer audit clients and the dates of audit reports.

As with the issue of confidential treatment, the Board does not take lightly limiting the items for which a legal conflict may be asserted, and the Board encouraged comment on whether the proposal overlooked any actual or realistically foreseeable non-U.S. legal restriction. One commenter expressed a general view that there should be no limitations on what information can be withheld based on a legal conflict, but that same commenter also noted that "most of the areas the Board identifies [for which a conflict could not be asserted] are not likely to present problems."[34/] That commenter

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[33/] Rule 2207 and the instructions to Forms 2 and 3 make clear that only a foreign registered public accounting firm may withhold required information on the basis of an asserted legal conflict. The Board cannot envision a circumstance in which the Board would honor any assertion by a U.S. firm that non-U.S. law prohibits the firm from providing, on Form 2 or Form 3, information in the firm's possession.

[34/] Letter from Swiss Institute of Certified Accountants and Tax Consultants (July 24, 2006) at 5.

did specifically request that the Board allow for the assertion of a legal conflict for Item 4.1 of Form 2, which requires the identify of issuer audit clients and dates of audit reports, but the commenter did not indicate any reason that non-U.S. law might block a firm from supplying that information, which is necessarily a matter of public record when the issuer makes the required Commission filing.

D. Asserted Legal Conflicts and the Board's Statutory Authority

While committed to cooperation and reasonable accommodation in its oversight of registered non-U.S. firms, the Board has not surrendered any of its statutory authority ultimately to compel firms to provide information necessary for the Board to fulfill its investor protection and public interest mandates. For example, while Rule 2105 lets applicants withhold required information without having the application treated as incomplete, the Board reserves its ultimate authority to deny registration if questions concerning the withheld information prevent the Board from finding that approval is consistent with the public interest and the protection of investors.[35/] Similarly, the Board's commitment to working cooperatively with non-U.S. regulators – and carrying out the Board's mission without creating unnecessary confrontations between legal systems – does not entail any relinquishing of the Board's ultimate authority to require information from registered firms if those efforts at cooperation are unavailing in a particular case.[36/]

Rule 2207 continues in that vein. The rule is an accommodation to concerns of non-U.S. firms. Paragraph (e), however, provides that the Board may ultimately require a firm to file an amended Form 2 or Form 3 providing the withheld information. Although the Board does not foresee invoking paragraph (e) with any regularity, its inclusion is necessary to preserve the authority that Congress intended for the Board to have over all registered firms.[37/]

[35/] See Frequently Asked Questions Regarding Issues Relating to Non-U.S. Accounting Firms (March 11, 2004), at 2 (www.pcaobus.org/Registration/2004-03-11_FAQ.pdf).

[36/] See Oversight of Non-U.S. Firms, at 5.

[37/] Because of the different context to which Rule 2105 applies, no comparable rule provision is necessary to preserve the Board's authority there. Rule 2105 accommodates non-U.S. firms by providing, essentially, that the Board will act on an incomplete application. But that accommodation provides no guarantee about how

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To date, the Board's accommodations and cooperation initiatives have worked well. The Board is optimistic that this approach will continue to work well and that reservations of authority such as that in Rule 2207(e) will serve a purpose that is principally theoretical, and will rarely need to be invoked as practical tools.

V. Effective Date of Rules and Timing of First Reports

In the Proposing Release, the Board stated that it intended for the reporting requirements to take effect 21 days after Commission approval, with the "catch-up" Form 3 filings due 14 days later. The Board has considered comments expressing concern that this is too ambitious a schedule, and the Board is now taking a different approach. The Board intends that the rules, rule amendments, and Forms 2 and 3 that it is adopting today will take effect on the date that is 60 days after Commission approval. This will build in more than ample lead time for firms to become aware of Commission approval of the rules and to prepare any reports that will be due after the rules take effect.

The first report due after the rules take effect will be the "bring current" special report on Form 3, which must be filed by any firm to which any of the circumstances described in General Instruction number 4 of Form 3 apply. That report must be filed no later than 30 days after the rules take effect. This gives firms 90 days between Commission approval and the deadline for any "bring current" special reports that must be filed.

The normal special reporting framework will also go into effect on the date that the rules take effect. Any reportable events occurring on or after that date must be reported on Form 3 within 30 days thereafter.

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the Board will Act. The Board retains the authority to impose the relevant sanction in that context – i.e., to disapprove the application – if questions concerning the withheld information prevent the Board from finding that approval would satisfy the Rule 2106(a) standard. Once a firm is registered, though, the situation is different. The Board can sanction a registered firm only if the firm violates some provision of certain laws, rules, or standards. Rule 2207(e) preserves the Board's authority to obtain information by preserving the possibility that, in an appropriate case involving sufficiently important information that is not otherwise forthcoming (e.g., through cooperation with non-U.S. regulators), the Board can ultimately put the firm to the choice of providing the information or being subject to a sanction for violating the Board's rules.

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The first reporting period for which an annual report on Form 2 will be required is the period from April 1, 2008 to March 31, 2009. Under Rule 2201, the annual report for that period must be filed by June 30, 2009.

VI. Discussion of Other Comments

A. Audit Reports

Some commenters questioned the need for the Board to require firms to report information identifying the issuers for which a firm issues audit reports. Commenters noted that this information is already publicly available. One commenter also indicated that the requirement would excessively burden registered firms with large numbers of issuer clients. Another commenter expressed concern about requiring firms to provide the date of their audit reports because firms do not "track" these dates, and questioned the Board's need for such information.

Although information about the identity of any single issuer's auditor is readily available, the Board is not aware of any way in which information about a particular firm's list of clients is similarly available to the public without going to significant trouble or expense. The commenters provided no persuasive reasoning or information to support the proposition that there is any unreasonable burden in expecting a firm to be able to generate a list of its audit clients and the dates of audit reports issued by the firm.

B. Affiliations and Networks

A commenter suggested that Item 5.2.a.2's reference to "joint audits" is unclear because, in some foreign jurisdictions, joint audits are not done through a network or alliance. That point, however, does not render the item's reference unclear, it merely means that there may be circumstances in which joint audits are conducted other than through arrangements described in Item 5.2.a.2, and which therefore fall outside the scope of the reporting requirement.

C. New Relationships

Some commenters suggested that the requirement to publicly report a new employment or partnership relationship with a previously sanctioned individual could have the unintended consequence of making a firm reluctant to take on the individual. Commenters suggested that the Board should therefore consider not requiring such

disclosure regarding individuals who are not applying for senior-level positions, are not being hired to work on issuer audits, or who were subject to relatively minor sanctions. They also suggested that the proposed disclosure would be duplicative of prior public notice of the sanction, which one commenter said would be "unfair." That commenter also noted that broad application of the requirement might dissuade individuals who become involved in PCAOB or Commission investigations or proceedings from settling with regulators in light of the potential collateral consequences.

The Board takes seriously the concern about imposing requirements that might unfairly affect employment and contractual opportunities. As described in Section II above, the Board has eliminated one entire category of reportable relationships that was included in the proposal (relationships with individuals who were not personally sanctioned but were with another firm at the time of conduct for which the firm was sanctioned), and has also narrowed the remaining requirements so that the obligation to report is only triggered if the individual provides at least ten hours of audit services for any issuer in the reporting period. The Board is not persuaded, however, that any further narrowing is appropriate. As for the concerns expressed by commenters about publication, the publication of a Form 2 or Form 3 will not involve making public anything about the individual, his or her past conduct, or the sanction, that is not already public. The report would simply alert the Board that that person has joined the particular firm. The Board also does not share the view that this reporting requirement would create any greater disincentive to settlements than the public notice disincentives that already exist.

D. Administrative and Disciplinary Proceedings

A commenter suggested that the Board clarify that the references in Form 3 to "administrative or disciplinary proceedings" are to proceedings brought by governmental agencies, and not by, for example, nonpublic membership organizations. The commenter, however, is mistaken. As is true in Form 1, and as is described in a note to Item 3.1 on Form 3, "Administrative or disciplinary proceeding" does include proceedings brought by professional associations or bodies.

E. Bankruptcy

One commenter expressed concern that the bankruptcy reporting threshold was too low, in that it would require the reporting of both voluntary and involuntary bankruptcy petitions. The commenter suggested changing the phrase "has become the subject of a petition filed in a bankruptcy court" to read 'has become the subject of an

order for relief from creditors entered by a bankruptcy court," in order to focus the disclosure requirement on situations in which the firm is actually dealing with an insolvency issue rather than simple creditor disputes. In this context, however, the Board believes it is preferable to err on the side of a threshold that may be low rather than a threshold that risks being too high. The Board also notes that, in the broker-dealer context, Form BD requires prompt updating if the broker-dealer is the "subject of a bankruptcy petition," which is comparable wording to that in the Form 3 requirement.

F. Confidential Treatment

One commenter suggested that the Board consider offering affirmative guidance as to categories for which confidential treatment will ordinarily be granted (e.g., information relating to pending litigation and disclosures of a firm's relationship with persons or entities that have been subject to Board or Commission sanction). The Act requires the Board to disclose information that is reported unless it is protected from disclosure by applicable law or is proprietary. Applicable law is subject to change and the issue of whether particular information is proprietary is fact-specific. Without ruling out the possibility of some limited degree of guidance on this point in the future, the Board is not attempting to provide any such guidance at this time.

G. Non-U.S. Firms and Rule 2207

Commenters suggested, in various ways, that the Board modify the provisions concerning the affirmation of consent to cooperate with the Board by adding language such as "to the extent permitted by any applicable law," or otherwise indicating a willingness to accept "qualified consents" from non-U.S. firms that believe they face non-U.S. legal obstacles to providing the required unqualified consents. The Board believes, however, that it is sufficient to allow non-U.S. firms to withhold the affirmation if they assert that a legal conflict prevents them from providing it (and they comply with proposed Rule 2207). The Board has consistently maintained that, although it will seek to work cooperatively with and through non-U.S. regulators, and although it is willing to accommodate a non-U.S. firm's reluctance (rooted in an asserted conflict of law) to provide the required written consent to cooperate, each firm ultimately has an obligation to cooperate with the Board to the extent that the Board requires cooperation. The Board does not view this statutory obligation as limited or qualified by non-U.S. legal restrictions. The Board's acceptance of a qualified consent could lead a firm to believe, mistakenly, that the Board accepts that the firm's statutory obligation is qualified.

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Separately, some commenters, while acknowledging the Board's indication that Rule 2207(e) would be a rarely invoked last resort, expressed concern that the rule allows the Board to put a firm in the position of having to choose between breaching local law or breaching the Board's rules. These comments amount to suggestions that the Board should, by rule, forfeit a degree of its statutory authority under U.S. law to require registered firms to provide information. The Board declines to do so, but emphasizes its continued commitment to a cooperative approach and reiterates its hope and expectation that Rule 2207(e) will be invoked rarely, if ever.

One commenter expressed a view that Rule 2207's requirements, related to withholding information because of a legal conflict, are substantially more onerous than the Rule 2105 requirements that apply in the registration context. Although not entirely clear, part of that comment seems focused on Rule 2207(c)(1), which requires a firm to have in its possession a version of the form that includes the information that the firm would be required to report in the absence of a legal conflict.

This requirement imposes no greater burden on a non-U.S. firm than on a U.S. firm that actually reports the information. The opportunity to assert a legal conflict is an accommodation in light of the possibility that a firm may believe that it is stuck between competing legal requirements. But a firm should not assume that its mere assertion of a conflict is the end of the matter, and there is no reason to provide that a firm need not even have assembled the information, in the form in which any other firm would have to assemble it, before asserting that non-U.S. law precludes it from disclosing the particular information it is withholding.

H. Reliance on Non-U.S. Reporting Requirements

Commenters suggested that the Board establish a rule allowing the Board to place reliance on information collected and provided by non-U.S. oversight bodies, in order to reduce administrative work for firms, reduce duplication of information, and facilitate oversight bodies' understanding of conflicting legal provisions. Without prejudging anything about possible future carve-outs to avoid duplication of particular non-U.S. reporting requirements, there does not appear to the Board to be any reason, at this time, to subject non-U.S. firms to any different PCAOB reporting requirements than those imposed on U.S. firms.

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On the 10th day of June, in the year 2008, the foregoing was, in accordance with the bylaws of the Public Company Accounting Oversight Board,

ADOPTED BY THE BOARD.

/s/ J. Gordon Seymour

J. Gordon Seymour
Secretary

June 10, 2008

APPENDICES –

Rules on Periodic Reporting by Registered Public Accounting Firms
Amendments to PCAOB Rules 1001, 2107, 2300, 4000, and 4003
Form 2 Instructions
Form 3 Instructions

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Appendix – Rules and Forms Related to Reporting

SECTION 2. REGISTRATION AND REPORTING
Part 2 – Reporting

2200. Annual Report

Each registered public accounting firm must file with the Board an annual report on Form 2 by following the instructions to that form. Unless directed otherwise by the Board, the registered public accounting firm must file such annual report and exhibits thereto electronically with the Board through the Board's Web-based system.

2201. Time for Filing of Annual Report

Each registered public accounting firm must file the annual report on Form 2 no later than June 30 of each year, provided, however, that a registered public accounting firm that has its application for registration approved by the Board in the period between and including April 1 and June 30 of any year shall not be required to file an annual report in that year.

Note: Pursuant to Rule 1002, in any year in which the filing deadline falls on a Saturday, Sunday, or federal legal holiday, the deadline for filing the annual report shall be the next day that is not a Saturday, Sunday, or federal legal holiday.

2202. Annual Fee

Each registered public accounting firm must pay an annual fee to the Board on or before July 31 of any year in which the firm is required to file an annual report on Form 2. The Board will, from time to time, announce the current annual fee. No portion of the annual fee is refundable.

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2203. Special Reports

(a) A registered public accounting firm must file a special report on Form 3 to report information to the Board as follows –

(1) Upon the occurrence, on or after **[insert effective date of this rule]**, of any event specified in Form 3, a registered public accounting firm must report the event in a special report filed no later than thirty days after the occurrence of the event;

(2) No later than thirty days after receiving notice of Board approval of its application for registration, a registered public accounting firm that becomes registered after **[insert effective date of this rule]** must file a special report to report any event specified in Form 3 that occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before the date that the Board approved the firm's registration; and

(3) No later than **[insert date thirty days after the effective date of this rule]**, a registered public accounting firm that is registered as of **[insert effective date of this rule]**, must file a special report to report, to the extent applicable to the firm, certain information described in General Instruction 4 to Form 3 and current as of **[insert effective date of this rule]**.

(b) A registered public accounting firm required to file a special report shall do so by filing with the Board a special report on Form 3 in accordance with the instructions to that form. Unless directed otherwise by the Board, a registered public accounting firm must file such special report and exhibits thereto electronically with the Board through the Board's Web-based system.

2204. Signatures

Each signatory to a report on Form 2 or Form 3 shall manually sign a signature page or other document authenticating, acknowledging or otherwise adopting his or her signature that appears in typed form within the electronic submission. Such document shall be executed before or at the time the electronic submission is made and shall be

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retained by the filer for a period of seven years. Upon request, an electronic filer shall provide to the Board or its staff a copy of all documents retained pursuant to this Rule.

2205. Amendments

Amendments to a filed report on Form 2 or Form 3 shall be made by filing an amended report on Form 2 or Form 3 in accordance with the instructions to those forms concerning amendments. Amendments shall not be filed to update information in a report that was correct at the time the report was filed, but only to correct information that was incorrect at the time the report was filed or to provide information that was omitted from the report and was required to be provided at the time the report was filed.

2206. Date of Filing

(a) An annual report shall be deemed to be filed on the date on which the registered public accounting firm submits a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

(b) A special report on Form 3 shall be deemed to be filed on the date that the registered public accounting firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

2207. Assertions of Conflicts with Non-U.S. Laws

If, in a report on Form 2 or Form 3, a foreign registered public accounting firm omits any information or affirmation required by the instructions to the relevant form on the ground that it cannot provide such information or affirmation on the form filed with the Board without violating non-U.S. law, the foreign registered public accounting firm shall –

(a) In accordance with the instructions to the form –

(1) Indicate that it has omitted required information or affirmations on the ground that it cannot provide such information or affirmations on the form filed with the Board without violating non-U.S. law;

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(2) Identify all Items on the form with respect to which it has withheld any required information or affirmation on that ground; and

(3) Represent that, with respect to all such omitted information or affirmations, the foreign registered public accounting firm has satisfied the requirements of paragraph (b) of this Rule and has in its possession the materials required by paragraph (c) of this Rule;

(b) Before filing the form with the Board, make reasonable, good faith efforts, where not prohibited by law, to seek any consents or waivers that would be sufficient to allow it to provide the required information or affirmation on the form filed with the Board without violating non-U.S. law;

(c) Have in its possession, before the date on which the foreign registered public accounting firm files the form with the Board and for a period of seven years thereafter –

(1) An electronic version of the form that includes all information required by the instructions to the form (including certification and signature) and a manually signed signature page or other document that would satisfy the requirement of Rule 2204 if that version of the form were filed with the Board;

(2) A copy of the provisions of non-U.S. law that the foreign registered public accounting firm asserts prohibit it from providing the required information or affirmations on the form filed with the Board, and an English translation of any such provisions that are not in English;

(3) A legal opinion, in English, addressed to the foreign registered public accounting firm and that the foreign registered public accounting firm has reason to believe is current with respect to the relevant point of law, that the firm cannot provide the omitted information or affirmation on the form filed with the Board without violating non-U.S. law;

(4) A written representation, in English, that the Firm has made reasonable efforts, and a written description of those efforts, to obtain consents or waivers that would be sufficient to allow it to provide the

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required information or affirmation on the form filed with the Board, manually signed by the same person whose signature appears in the certification portion of the form, and indicating that the signer has reviewed the description and that the description is, based on the signer's knowledge, accurate and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made not misleading, and dated –

(i) for Form 2, after the end of the reporting period and no later than the date of the Form 2 filing; and

(ii) for Form 3, after the date of the reportable event and no later than the date of the Form 3 filing;

(d) Not later than the fourteenth day after any request by the Board or by the Director of the Division of Registration and Inspections for any of the documents described in subparagraphs (2) – (4) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including, as an exhibit to the amended report, the requested documents; and

(e) Not later than the fourteenth day after any request by the Board for any of the information included in the document described in subparagraph (1) of paragraph (c) of this Rule, file an amended report on Form 2 or Form 3 including the requested information.

Note: Rule 2207(c)(1) does not require that the version of the form maintained by the firm include any affirmation required by Part IX of Form 2. If the firm withholds any such affirmation, however, the asserted legal conflict must be addressed in accordance with subparagraphs (2) – (4) of Rule 2207(c).

Note: Rule 2207(c)(1) does not require a firm to include on the form maintained by the firm any information (1) that the firm does not possess, and (2) as to which the firm asserts that the firm would violate non-U.S. law by requiring another person to provide the information to the firm. The asserted legal conflict that prevents the firm from requiring another person to provide the information to the firm, however, must be addressed in accordance with subparagraphs (2) - (4) of Rule 2207(c).

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Note: The "reasonable efforts" element of Rule 2207(c)(4) does not require a firm to renew efforts to seek consents or waivers from parties who have previously declined to provide consents or waivers with respect to disclosure of similar types of information and does not require a firm to seek consents or waivers from parties other than firm personnel and firm clients.

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AMENDMENTS TO RULES 1001, 2107, 2300, 4000, AND 4003

SECTION 1. GENERAL PROVISIONS

Rule 1001. Definitions of Terms Employed in Rules. *[Amended Rule – deletions indicated by strike-throughs]*

All provisions unchanged except for the following:

(a)(vii) Audit Services

The term "audit services" means –

~~(1) subject to paragraph (a)(vii)(2) of this Rule, professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports.~~

~~(2) effective after December 15, 2003,~~ professional services rendered for the audit of an issuer's annual financial statements, and (if applicable) for the reviews of an issuer's financial statements included in the issuer's quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(n)(ii) Non-Audit Services

The term "non-audit services" means **–**

~~(1) subject to paragraph (n)(ii)(2) of this Rule, services related to financial information systems design and implementation as defined in Rule 2-01(c)(4)(ii) of Regulation S-X, 17 C.F.R. 2-01(c)(4)(ii), and all other services, other than audit services or other accounting services.~~

~~(2) effective after December 15, 2003,~~ all ~~other~~ services other than audit services, other accounting services, and tax services.

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(o)(i) Other Accounting Services

The term "other accounting services" means –

~~(1) subject to paragraph (o)(i)(2) of this Rule, services that are normally provided by the public accounting firm that audits the issuer's financial statements in connection with statutory and regulatory filings or engagements and assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.~~

~~(2) effective after December 15, 2003,~~ assurance and related services that are reasonably related to the performance of the audit or review of the issuer's financial statements, other than audit services.

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SECTION 2. REGISTRATION AND REPORTING

Rule 2107. Withdrawal from Registration *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) and **(b)** unchanged

(c) Effect of Filing

~~(1)~~ Beginning on the date of Board receipt of a completed Form 1-WD, ~~the firm that filed the Form 1-WD shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period, unless it first withdraws its Form 1-WD.~~

~~(2) Beginning on the fifth day following the Board's receipt of a completed Form 1-WD,~~ and continuing for as long as the Form 1-WD is pending –

~~(i) the firm may satisfy the annual reporting requirement by submitting a report stating that a completed Form 1-WD has been filed and is pending;~~

(1) the firm shall not engage in the preparation or issuance of, or play a substantial role in the preparation or furnishing of, an audit report, other than to issue a consent to the use of an audit report for a prior period;

(2~~i~~) the firm's obligation to file annual reports on Form 2, and special reports on Form 3 shall be suspended;

~~(ii) any annual fee assessed shall be zero;~~

(3~~iii~~) the Board shall have the discretion to forego any regular inspection that would otherwise commence pursuant to Rule 4003(a) or Rule 4003(b); and

(4~~iv~~) the firm's registration status shall be designated as "registered – withdrawal request pending," and the firm shall not publicly

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represent its registration status without specifying it as "registered – withdrawal request pending."

(d) and **(e)** unchanged.

(f) Withdrawal of Form 1-WD

A registered public accounting firm that has submitted a Form 1-WD may withdraw the form at any time by filing with the Board a written notice of intent to withdraw the Form 1-WD along with any annual fee ~~and~~, annual report, and special report that the firm would have been required to submit during the period that the Form 1-WD was pending if not for the provisions of paragraph (c)(2).

(g) unchanged

* * * *

Rule 2300. Public Availability of Information Submitted to the Board; Confidential Treatment Requests. *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) Except as provided in paragraph (b) below –

(1) an application for registration will be publicly available as soon as practicable after the Board approves or disapproves such application; and

(2) all other forms filed pursuant to Part 1 or Part 2 of this Section of the Rules of the Board, and any amendments thereto, will be publicly available as soon as practicable after filing, except to the extent otherwise specified in the Board's rules or the instructions to the form.

(b) Confidential Treatment Requests.

(1) A public accounting firm may request confidential treatment of any information submitted to the Board in connection with its application for registration on Form 1, and may request confidential treatment of information on other forms filed pursuant to Part 1 or Part 2 of this Section

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of the Rules of the Board to the extent specified in the instructions to the form, provided that the information as to which confidential treatment is requested –

(~~1~~i) has not otherwise been publicly disclosed, and

(~~2~~ii) either (A~~i~~) contains information reasonably identified by the public accounting firm as proprietary information, or (B~~ii~~) is protected from public disclosure by applicable laws related to the confidentiality of proprietary, personal, or other information.

(2) Failure to provide an exhibit that complies with the requirements of paragraph (c)(2) of this Rule constitutes sufficient grounds for denial of any request for confidential treatment.

(c) Application Procedures.

To request confidential treatment of information for which such requests are permitted by paragraph (b)(1) of this Rule~~submitted to the Board in connection with an application for registration~~, the ~~applicant~~ requestor must –

(1) identify, in accordance with the instructions ~~on Form 1~~ to the form, the information that it desires to keep confidential; and

(2) include as an exhibit to ~~Form 1 a detailed explanation as to why, based on the facts and circumstances of the particular case, the information meets the requirements of paragraph (b) of this Rule.~~the form a representation that, to the requestor's knowledge, the information for which confidential treatment is requested has not otherwise been publicly disclosed and –

(i) a detailed explanation of the grounds on which the information is considered proprietary; or

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(ii) a detailed explanation of the basis for asserting that the information is protected by law from public disclosure and a copy of the specific provision of law that the requestor claims protects the information from public disclosure.

(d) and **(e)** unchanged

(f) Unless the ~~applicant~~ requestor requests otherwise, the exhibit containing an explanation supporting a confidential treatment request will be afforded confidential treatment without the need for a request for confidential treatment.

(g) Information as to which the Board grants confidential treatment under this ~~r~~Rule will not be made available to the public by the Board. The granting of confidential treatment will not, however, limit the ability of the Board (1) to provide the information as to which confidential treatment was granted to the Commission, or (2) to comply with any subpoena validly issued by a court or other body of competent jurisdiction. In the event the Board receives such a subpoena, the Board will notify the ~~applicant~~ public accounting firm of such subpoena, to the extent permitted by law, to allow the ~~applicant~~ public accounting firm the opportunity to object to such subpoena.

(h) unchanged

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SECTION 4. INSPECTIONS

Rule 4000. General *[Amended Rule – additions to existing rule indicated by underlining]*

(a) Every registered public accounting firm shall be subject to all such regular and special inspections as the Board may from time-to-time conduct in order to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the Board's rules, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers.

(b) In furtherance of the Board's inspection process, the Board may at any time request that a registered public accounting firm provide to the Board additional information or documents relating to information provided by the firm in any report filed pursuant to Section 2 of these Rules, or relating to information that has otherwise come to the Board's attention. Any request for information or documents made pursuant to this Rule, and any information or documents provided in response to such a request, shall be considered to be in connection with the next regular or special inspection of the registered public accounting firm.

(c) Inspection steps and procedures shall be performed by the staff of the Division of Registration and Inspections, and by such other persons as the Board may authorize to participate in particular inspections or categories of inspections.

*** * * ***

Rule 4003. Frequency of Inspections *[Amended Rule – additions to existing rule indicated by underlining, deletions indicated by strike-throughs]*

(a) and (b) unchanged.

(c) With respect to a registered public accounting firm that has filed a completed Form 1-WD under Rule 2107, the Board shall have the discretion to forego any regular inspection that would otherwise commence during the period beginning on the ~~fifth day following the filing of the~~ date of Board receipt of a completed Form 1-WD and

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continuing until the firm's registration is deemed withdrawn or the firm withdraws the Form 1-WD.

(d) unchanged

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FORM 2 – ANNUAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. A *registered public accounting firm* must use this Form to file with the *Board* the annual report required by Section 102(d) of the *Act* and Rule 2200 and to file any amendments to an annual report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When Report is Considered Filed. Annual reports on this Form are required to be filed each year on or before June 30, subject to the qualification in Rule 2201 concerning any firm that has its application for registration approved by the *Board* in the period between and including April 1 and June 30. An annual report is considered filed when the Firm has submitted to the *Board* a Form 2 in accordance with Rule 2200 that includes the signed certification required in Part X of Form 2.

4. Period Covered by this Report. Annual reports on this Form shall cover a 12-month period from April 1 to March 31, subject to the qualification in Part VIII of Form 2 relating to the first annual report filed by a firm that becomes registered after **[insert effective date of Rule 2201]**. In the instructions to this Form, this is the period referred to as the "reporting period."

5. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 2 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be provided at the time the Form was filed. When filing a Form 2 to amend an earlier filed Form 2, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 2 all information, affirmations, and certifications that were required to be included in the original Form 2. The Firm may access the originally filed Form 2 through the *Board*'s Web-based

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system and make the appropriate amendments without needing to re-enter all other information.

Note: The *Board* will designate an amendment to an annual report as a report on "Form 2/A."

6. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

7. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Part VI, Part VII, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. *Foreign registered public accounting firm*s may also request confidential treatment for Item 3.2 and Exhibit 3.2, though U.S. firms may not do so. If the Firm requests confidential treatment, it must identify the information in Part VI, Part VII, or Exhibit 99.3 (or, for a *foreign registered public accounting firm*, Item 3.2 and Exhibit 3.2) that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

8. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information and affirmations required by this Form if the Firm could not provide such information or affirmations without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information and affirmations on that basis from any Part of the Form other than Parts I, II, and X and Items 3.1.a, 3.1.b, 3.1.d, and 4.1. If the firm withholds responsive information or affirmations, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has

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withheld responsive information or a required affirmation. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information or a required affirmation.

9. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

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PART I – IDENTITY OF THE FIRM AND CONTACT PERSONS

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

Item 1.1 Name of the Firm

a. State the legal name of the Firm.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*, or issued any *audit report* during the reporting period.

c. If the Firm's legal name at the beginning of the reporting period was different than the name provided under Item 1.1.a, state that legal name and any other legal name the Firm had during the reporting period. Include the legal name of any *registered public accounting firm* that merged into, or was acquired by, the Firm during the reporting period.

Item 1.2 Contact Information of the Firm

a. State the physical address (and, if different, mailing address) of the Firm's headquarters office.

b. State the telephone number and facsimile number of the Firm's headquarters office. If available, state the Website address of the Firm.

Item 1.3 Primary Contact with the *Board*

State the name, business title, physical business address (and, if different, business mailing address), business telephone number, business facsimile number, and business e-mail address of a partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board,* including for purposes of the annual report filed on this Form and any special reports filed on Form 3.

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PART II – GENERAL INFORMATION CONCERNING THIS REPORT

Item 2.1 Reporting Period

State the reporting period covered by this report.

> Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, the special instruction at the beginning of Part VIII concerning the first annual report filed by certain firms.

Item 2.2 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period.

PART III – GENERAL INFORMATION CONCERNING THE FIRM

Item 3.1 The Firm's Practice Related to the Registration Requirement

a. Indicate whether the Firm issued any *audit report* with respect to an *issuer* during the reporting period.

b. In the event of an affirmative response to Item 3.1.a, indicate whether the *issuers* with respect to which the Firm issued *audit reports* during the reporting period were limited to employee benefit plans that file reports with the *Commission* on Form 11-K.

c. In the event of a negative response to Item 3.1.a, indicate whether the Firm *played a substantial role in the preparation or furnishing of an audit report* with respect to an *issuer* during the reporting period.

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d. In the event of a negative response to both Items 3.1.a and 3.1.c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a non-*issuer* broker-dealer in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed.

Item 3.2 Fees Billed to *Issuer Audit* Clients

a. Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (which may be rounded, but no less specifically than to the nearest five percent) attributable to fees billed to *issuer audit* clients for–

1. *Audit services*;

2. *Other accounting services;*

3. *Tax services;* and

4. *Non-audit services*.

b. Indicate, by checking the appropriate box, which of the following two methods the Firm used to calculate the percentages reported in Item 3.2.a –

1. The Firm used as a denominator the total fees billed to all clients for services rendered during the reporting period and used as numerators (for each of the four categories) total fees billed to *issuer audit* clients for the relevant services rendered during the reporting period.

2. The Firm used as a denominator the total fees billed to all clients in the Firm's fiscal year that ended during the reporting period and used as numerators (for each of the four categories) total *issuer audit* client fees as determined by reference to the fee amounts disclosed to the *Commission* by those clients for each client's fiscal year that ended during the reporting period (including, for clients who have not made the required *Commission* filings, the fee amounts required to be disclosed).

c. If the Firm has used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using the specific data, check this box and attach Exhibit 3.2 briefly describing the reasons for doing so and the methodology used in making those estimates.

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Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in *Board Rules* 1001(i)(iii) (*issuer*), 1001(a)(v) (*audit*), 1001(a)(vii) (*audit services*), 1001(o)(i) (*other accounting services*), 1001(t)(i) (*tax services*), and 1001(n)(ii) (*non-audit services*). The definitions of the four categories of services correspond to the *Commission*'s descriptions of the services for which an *issuer* must disclose fees paid to its auditor. Compare the descriptions of services in Item 9(e) of *Commission* Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the *Board*'s definitions of *Audit Services*, *Other Accounting Services, Tax Services*, and *Non-Audit Services*.

PART IV – *AUDIT* CLIENTS AND *AUDIT REPORTS*

Item 4.1 *Audit Reports* Issued by the Firm

a. Provide the following information concerning each *issuer* for which the Firm issued any *audit report*(s) during the reporting period –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any; and

3. The date(s) of the *audit report*(s).

b. If the Firm identified any *issuer*s in response to Item 4.1.a., indicate, by checking the box corresponding to the appropriate range set out below, the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period. If the Firm checks the box indicating that the number is in the range of 1-9, provide the exact number.

1-9
10-25
26-50
51-100
101-200
More than 200

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Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001(a)(vi) of the *Board's Rules*, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(iii). Careful attention should also be paid to the definition of *issuer*. The Firm should not, for example, overlook the fact that investment companies may be issuers, or that employee benefit plans that file reports on *Commission* Form 11-K are *issuers*.

Note: In responding to Item 4.1, do not list any *issuer* more than once. For each *issuer,* provide in Item 4.1.a.3 the *audit report* dates (as described in AU 530, Dating of the Independent Auditor's Report) of all such *audit reports* for that *issuer*, including each date of any dual-dated *audit report*.

Note: In responding to Item 4.1.a.3, it is not necessary to provide the date of any consent to an *issuer*'s use of an *audit report* previously issued for that *issuer*, except that, if such consents constitute the only instances of the Firm issuing *audit reports* for a particular *issuer* during the reporting period, the Firm should include that *issuer* in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

Item 4.2 *Audit Reports* With Respect to Which the Firm *Played a Substantial Role* during the Reporting Period

a. If no *issuer*s are identified in response to Item 4.1.a, but the Firm *played a substantial role in the preparation or furnishing of an audit report* that was issued during the reporting period, provide the following information concerning each *issuer* with respect to which the Firm did so –

1. The *issuer's* name;

2. The *issuer's* CIK number, if any;

3. The name of the *registered public accounting firm* that issued the *audit report*(s);

4. The end date(s) of the fiscal period(s) covered by the financial statements that were the subject of the *audit report*(s); and

5. A description of the substantial role played by the Firm with respect to the *audit report*(s).

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Note: If the Firm identifies any *issuer* in response to Item 4.1, the Firm need not respond to Item 4.2.

Note: In responding to Item 4.2, do not list any *issuer* more than once.

PART V – OFFICES AND AFFILIATIONS

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

Item 5.1 Firm's Offices

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Item 5.2 *Audit*-related Memberships, Affiliations, or Similar Arrangements

a. State whether the Firm has any:

1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes *audit* procedures or manuals or related materials, or the use of a name in connection with the provision of *audit services* or accounting services;

2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells *audit services* or through which joint *audit*s are conducted; or

3. Arrangement, whether by contract or otherwise, with another entity through or from which the Firm employs or leases personnel to perform *audit services*.

b. If the Firm provides an affirmative response to Item 5.2.a, identify, by name and address, the entity with which the Firm has each such relationship, and provide a brief description of each such relationship.

Note: Item 5.2.b does not require information concerning every other entity that is

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part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.

PART VI – PERSONNEL

In Part VI, the Firm should provide information that is current as of the last day of the reporting period.

Item 6.1 Number of Firm Personnel

Provide the following numerical totals –

a. Total number of the Firm's *accountants*;

b. Total number of the Firm's certified public accountants (include in this number all *accountants* employed by the Firm with comparable licenses from non-U.S. jurisdictions); and

c. Total number of the Firm's personnel.

PART VII – CERTAIN RELATIONSHIPS

Item 7.1 Individuals with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.1 of Form 3, and only if the Firm has not previously identified the individual and the sanction or *Commission* order on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm has any employee, partner, shareholder, principal, member, or owner who was the subject of a *Board* disciplinary sanction or a *Commission* order under Rule 102(e) of the *Commission's* Rules of Practice, entered within the five years preceding the end of the reporting period and without that sanction or order having been vacated on review or appeal, and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

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b. If the Firm provides an affirmative response to Item 7.1.a, provide –

1. The name of each such individual;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

Item 7.2 Entities with Certain Disciplinary or Other Histories

a. Other than a relationship required to be reported in Item 4.2 of Form 3, and only if the Firm has not previously reported the information on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm was owned or partly owned by an entity that was the subject of (a) a *Board* disciplinary sanction entered within the five years preceding the end of the reporting period, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice entered within the five years preceding the end of the reporting period, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the *Commission*.

b. If the Firm provides an affirmative response to Item 7.2.a, provide –

1. The name of each such entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship; and

4. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

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Item 7.3 Certain Arrangements to Receive Consulting or Other Professional Services

a. Other than a relationship required to be reported in Item 4.3 of Form 3, state whether the Firm received, or entered into a contractual or other arrangement to receive, from any individual or entity meeting the criteria described in Items 7.1.a. or 7.2.a, consulting or other professional services related to the Firm's *audit* practice or related to services the Firm provides to *issuer audit* clients.

b. If the Firm provides an affirmative response to Item 7.3.a, provide –

1. The name of each such individual or entity;

2. A description of the nature of the relationship;

3. The date that the Firm entered into the relationship;

4. A description of the services provided or to be provided to the Firm by the individual or entity; and

5. The date of the relevant order and an indication whether it was a *Board* order or a *Commission* order.

PART VIII – ACQUISITION OF ANOTHER *PUBLIC ACCOUNTING FIRM* OR SUBSTANTIAL PORTIONS OF ANOTHER *PUBLIC ACCOUNTING FIRM*'S PERSONNEL

> **If the Firm became registered on or after [effective date of Rule 2201], the first annual report that the Firm files must provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.**

Item 8.1 Acquisition of Another *Public Accounting Firm* or Substantial Portions of Another *Public Accounting Firm*'s Personnel

a. State whether the Firm acquired another *public accounting firm*.

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b. If the Firm provides an affirmative response to Item 8.1.a, provide the name(s) of the *public accounting firm*(s) that the Firm acquired.

c. State whether the Firm, without acquiring another *public accounting firm*, took on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who, as of the beginning of the reporting period, were the partners, shareholders, principals, members, or owners of another *public accounting firm*.

d. If the Firm provides an affirmative response to Item 8.1.c, provide the name of the other *public accounting firm* and the number of the other *public accounting firm*'s former partners, shareholders, principals, members, owners, and *accountant*s that joined the Firm.

PART IX – AFFIRMATION OF CONSENT

Item 9.1 Affirmation of Understanding of, and Compliance with, Consent Requirements

Whether or not the Firm, in applying for registration with the *Board*, provided the signed statement required by Item 8.1 of Form 1, affirm that –

a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002;

b. The Firm has secured from each of its *associated persons*, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the *associated person* consents to cooperate in and comply with any request for testimony or the production of documents made by the *Board* in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the *associated person* understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm; and

c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1.a, and the securing and enforcing of consents from its *associated persons* as described in Item 9.1.b, is a condition to the continuing effectiveness of the registration of the Firm with the *Board*.

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Note 1: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *registered public accounting firm.*

Note 2: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any *associated person* that is a *foreign public accounting firm* in circumstances where that *associated person* asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the *associated person's* assertion about non-U.S. law that would be sufficient to satisfy the requirements of subparagraphs (2) through (4) of Rule 2207(c) if that *associated person* were a *registered public accounting firm* filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1.b does not relieve the Firm of its obligation to enforce cooperation and compliance with *Board* demands by any such *associated person* as a condition of continued association with the Firm.

Note 3: If the Firm is a *foreign registered public accounting firm*, the affirmations in Item 9.1 that relate to *associated persons* shall be understood to encompass every *accountant* who is a proprietor, partner, principal, shareholder, officer, or *audit* manager of the Firm and who provided at least ten hours of *audit services* for any *issuer* during the reporting period.

PART X – CERTIFICATION OF THE FIRM

Item 10.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm*;*

b. the signer has reviewed this Form;

c. based on the signer's knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred before the end of the reporting period and for which

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a special report on Form 3 is required under the *Board*'s *rules*;

d. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

e. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, or

2. based on the signer's knowledge –

(A) the Firm is a *foreign registered public accounting firm and* has not failed to include in this Form any information or affirmation that is required by the instructions to this Form except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 2 without violating non-U.S. law;

(B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information or affirmation.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

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PART XI – EXHIBITS

To the extent applicable under the foregoing instructions or the *Board's rules*, each annual report must be accompanied by the following exhibits:

Exhibit 3.2 Description of Methodology Used to Estimate Components of Calculation in Item 3.2 and Reasons for Using Estimates

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)–(4) – *Submit Only as an Exhibit to an Amended Form 2 in Response to a Request Made Pursuant to Rule 2207(d)*

PCAOB
Public Company Accounting Oversight Board

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FORM 3 – SPECIAL REPORT FORM

GENERAL INSTRUCTIONS

1. Submission of this Report. Effective **[insert effective date of Rule 2203],** a *registered public accounting firm* must use this Form to file special reports with the *Board* pursuant to Section 102(d) of the *Act* and Rule 2203 and to file any amendments to a special report. Unless otherwise directed by the *Board*, the Firm must file this Form, and all exhibits to this Form, electronically with the *Board* through the *Board's* Web-based system.

2. Defined Terms. The definitions in the *Board's rules* apply to this Form. Italicized terms in the instructions to this Form are defined in the *Board's rules*. In addition, as used in the instructions to this Form, the term "the Firm" means the *registered public accounting firm* that is filing this Form with the *Board*.

3. When this Report is Required and When It is Considered Filed. Upon the occurrence of any event specified in Part II of this Form, the Firm must report the event on this Form by following the instructions to this Form. With respect to events that occur on or after **[insert effective date of Rule 2203]** and while the Firm is registered, the Firm must file the Form no later than thirty days after the occurrence of the event reported. Certain additional requirements apply, but they vary depending on whether a firm was registered as of **[insert effective date of Rule 2203]**. A firm that becomes registered after **[insert effective date of Rule 2203]**, must, within thirty days of receiving notice of *Board* approval of its registration application, file this Form to report any reportable events that occurred in a specified period before approval of the firm's application for registration. See Rule 2203(a)(2). A firm that was registered as of **[insert effective date of Rule 2203]**, must, by **[insert date 30 days after effective date of Rule 2203]**, file this Form to report certain additional information that is current as of **[insert effective date of Rule 2203]**. See Rule 2203(a)(3) and General Instruction No. 4 below. A special report shall be deemed to be filed on the date that the Firm submits a Form 3 in accordance with Rule 2203 that includes the signed certification required in Part VIII of Form 3.

4. Required Filing to Bring Current Certain Information for Firms Registered as of **[insert effective date of Rule 2203]**. If the Firm is registered as of **[insert effective date of Rule 2203]**, the Firm must file a special report on this Form no

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later than **[insert date 30 days after effective date of Rule 2203]**, to report the information specified below, to the extent that it has not been reported on the Firm's Form 1 filing. The Firm must make this Form 3 filing to report the following information even if the Firm has previously informally disclosed the information to the *Board* or its staff–

a. Information responsive to Items 2.4 through 2.9 and Item 4.1 if (1) the proceeding is pending as of **[insert effective date of Rule 2203],** and (2) the defendants or respondents as of that date include either the Firm or a person who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of that date;

b. Information responsive to Items 2.10 and 4.2 if (1) the conclusion of a proceeding as to any party specified there occurred after the date used by the firm for purposes of General Instruction 9 to Form 1 and before **[insert effective date of Rule 2203],** and (2) the proceeding resulted in any conviction of, judgment against, imposition of any liability or sanction on, or *Commission* Rule 102(e) order against the Firm or any person who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm as of **[insert effective date of Rule 2203]**;

c. Information responsive to Items 2.11 and 4.3 if the Firm is the subject of a petition or proceeding described there as of **[insert effective date of Rule 2203]**;

d. Information responsive to Items 2.12 through 2.14 and Part V if (1) the relationship commenced after the date used by the firm for purposes of General Instruction 9 to Form 1, (2) the specified disciplinary sanction or *Commission* Rule 102(e) order continued to be in effect as of **[insert effective date of Rule 2203]**, and (3) the specified relationship continues to exist as of [**insert effective date of Rule 2203]**;

e. Information responsive to Items 2.15 and 6.1 if (1) the loss of authorization relates to a jurisdiction or authority identified in Item 1.7 of the Firm's Form 1 and, (2) as of **[insert effective date of Rule 2203]**, the Firm continues to lack the specified authorization in that jurisdiction;

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f. Information responsive to Items 2.16 and 6.2 if the license or certification is in effect as of **[insert effective date of Rule 2203]**; and

g. Information responsive to Items 2.17 and 2.18 and Part VII that is current as of **[insert effective date of Rule 2203]** to the extent that it differs from the corresponding information provided on the Firm's Form 1.

5. Completing the Form. A firm filing this Form must always complete Parts I, II, and VIII of this Form. Parts III through VII should be completed to the extent applicable, as described more fully in the instructions to Part II of the Form.

6. Amendments to this Report. Amendments shall not be filed to update information in a filed Form 3 that was correct at the time the Form was filed, but only to correct information that was incorrect at the time the Form was filed or to provide information that was omitted from the Form and was required to be provided at the time the Form was filed. When filing a Form 3 to amend an earlier filed Form 3, the Firm must supply not only the corrected or supplemental information, but must include in the amended Form 3 all information, affirmations, and certifications that were required to be included in the original Form 3. The Firm may access the originally filed Form 3 through the *Board*'s Web-based system and make the appropriate amendments without needing to re-enter all other information.

Note: The *Board* will designate an amendment to a special report as a report on "Form 3/A."

7. *Rules* Governing this Report. In addition to these instructions, the *rules* contained in Part 2 of Section 2 of the *Board's rules* govern this Form. Please read these *rules* and the instructions carefully before completing this Form.

8. Requests for Confidential Treatment. The Firm may, by marking the Form in accordance with the instructions provided, request confidential treatment of any information submitted in Item 3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 of this Form that has not otherwise been publicly disclosed and that either contains information reasonably identified by the Firm as proprietary information or that is protected from public disclosure by applicable laws related to confidentiality of proprietary, personal, or other information. See Rule 2300. If the Firm requests confidential treatment, it must identify the information in Item

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3.1.c, Part IV, Part V, Item 6.1.d, Item 7.1.d, or Exhibit 99.3 that it desires to keep confidential, and include, as Exhibit 99.1 to this Form, an exhibit that complies with the requirements of Rule 2300(c)(2). The *Board* will determine whether to grant confidential treatment requests on a case-by-case basis. If the Firm fails to include Exhibit 99.1, or includes an Exhibit 99.1 that fails to comply with Rule 2300(c)(2), the request for confidential treatment may be denied solely on the basis of that failure.

9. Assertions of Conflicts with Non-U.S. Law. If the Firm is a *foreign registered public accounting firm*, the Firm may, unless otherwise directed by the *Board* pursuant to Rule 2207(e), decline to provide certain information required by this Form if the Firm could not provide such information without violating non-U.S. law and the Firm proceeds in accordance with Rule 2207. The Firm may withhold responsive information on that basis from any Part of the Form other than Parts I, II, and VIII, and Items 7.1.a, 7.1.b, 7.1.c, and 7.2. If the firm withholds responsive information, the Firm must indicate, in accordance with the instructions in the relevant Part of the Form, the particular Items with respect to which the Firm has withheld responsive information. The Firm may not use the Form to make any general assertion that a particular requirement may conflict with non-U.S. law, but only to indicate that, on the basis of an asserted conflict, the Firm has in fact withheld from this Form required information.

10. Language. Information submitted as part of this Form, including any exhibit to this Form, must be in the English language.

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PART I – IDENTITY OF THE FIRM

Item 1.1 Name of Firm

a. State the legal name of the Firm.

Note: If the Firm is filing this Form 3 to report that the Firm's legal name has changed, the name entered in Item 1.1.a should be the Firm's legal name before the name change that is being reported. The Firm's new name should be included in the response to Item 1.1.c.

b. If different than its legal name, state the name or names under which the Firm issues *audit reports*.

c. If the Firm is filing this Form 3 to report that the Firm's legal name has changed, state the new legal name of the Firm.

PART II – REASON FOR FILING THIS REPORT

Indicate, by checking the relevant box(es) from among Items 2.1 through 2.18 below, the event(s) being reported on this Form. More than one event may be reported in the same Form 3 filing. For each event indicated below, proceed to the Parts and Items of this Form indicated parenthetically for the specific event being reported and provide the information therein described. Provide responses only to those Parts and Items of the Form specifically indicated for the event or events that the Firm identifies in this Part II as an event being reported on this Form. (For example, if the Form is being filed solely to report that the Firm has changed its name, check the box for Item 2.17 in this Part of the Form, and complete only Item 7.1 and Part VIII of the Form.) If the Firm is filing this Form to amend a previous filing, the Firm also should complete Item 2.19.

Note: In Items 2.4 through 2.11 and Item 2.15, the reportable event is described in terms of whether the Firm "has become aware" of certain facts. For these purposes, the Firm is deemed to have become aware of the relevant facts on the date that any partner, shareholder, principal, owner, or member of the Firm first becomes aware of the facts.

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Audit Reports

Item 2.1 The Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K. (Complete Item 3.1 and Part VIII.)

Item 2.2 The Firm has issued *audit reports* with respect to more than 100 *issuers* in a calendar year immediately following a calendar year in which the Firm did not issue *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Item 2.3 The Firm has issued *audit reports* with respect to 100 or fewer *issuers* in a completed calendar year immediately following a calendar year in which the Firm issued *audit reports* with respect to more than 100 *issuers*. (Complete Part VIII.)

Certain Legal Proceedings

Item 2.4 The Firm has become aware that the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.5 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting services* to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement authority. (Complete Item 4.1 and Part VIII.)

Item 2.6 The Firm has become aware that a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant in a criminal proceeding prosecuted by a governmental criminal law enforcement

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authority and is charged with fraud, embezzlement, forgery, extortion, bribery, obstruction of justice, perjury, or false statements; or charged with any crime arising out of alleged conduct relating to accounting, auditing, securities, banking, commodities, taxation, consumer protection, or insurance. (Complete Item 4.1 and Part VIII.)

Item 2.7 The Firm has become aware that, in a matter arising out of the Firm's conduct in the course of providing professional services for a client, the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.8 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing *audit services* or *other accounting services* to an *issuer*, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.9 The Firm has become aware that, in a matter arising out of his or her conduct in the course of providing professional services for a client, a partner, shareholder, principal, owner, member, or *audit* manager of the Firm who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recently completed fiscal year has become a defendant or respondent in a civil or alternative dispute resolution proceeding initiated by a governmental entity or in an administrative or disciplinary proceeding other than a *Board* disciplinary proceeding. (Complete Item 4.1 and Part VIII.)

Item 2.10 The Firm has become aware that a proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8, or 2.9 above has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise). (Complete Item 4.2 and Part VIII.)

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Item 2.11 The Firm has become aware that the Firm, or the parent or a subsidiary of the Firm, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary. (Complete Item 4.3 and Part VIII.)

Certain Relationships

Item 2.12 The Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission.* (Complete Item 5.1 and Part VIII.)

Item 2.13 The Firm has become owned or partly owned by an entity that is currently the subject of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*. (Complete Item 5.2 and Part VIII.)

Item 2.14 The Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above. (Complete Item 5.3 and Part VIII.)

Licenses and Certifications

Item 2.15 The Firm has become aware that its authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction. (Complete Item 6.1 and Part VIII.)

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Item 2.16 The Firm has obtained a license or certification authorizing the Firm to engage in the business of auditing or accounting and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in a license or certification number identified on a Form 1 or Form 3 previously filed by the Firm. (Complete Item 6.2 and Part VIII.)

Changes in the Firm or the Firm's *Board* Contact Person

Item 2.17 The Firm has changed its legal name while otherwise remaining the same legal entity that it was before the name change. (Complete Item 7.1 and Part VIII.)

Item 2.18 There has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or the Firm is designating a new person to serve as the primary contact. (Complete Item 7.2 and Part VIII.)

Amendment

Item 2.19 Amendments

If this is an amendment to a report previously filed with the *Board* –

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Item numbers of this Form (other than this Item 2.19) as to which the Firm's response has changed from that provided in the most recent Form 3 or amended Form 3 filed by the Firm with respect to the events reported on this Form.

PART III – WITHDRAWN *AUDIT REPORTS*

Item 3.1 Withdrawn *audit reports* and consents

If the Firm has withdrawn an *audit report* on financial statements, or withdrawn its consent to the use of its name in a report, document, or written communication

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containing an *issuer*'s financial statements, and the *issuer* has failed to comply with a *Commission* requirement to make a report concerning the matter pursuant to Item 4.02 of *Commission* Form 8-K*,* provide –

a. The *issuer*'s name and CIK number, if any;

b. The date(s) of the *audit report*(s) that the Firm has withdrawn, or to which the Firm's withdrawal of consent relates; and

c. A description of the reason(s) the Firm has withdrawn the *audit report*(s) or the consent.

> Note: The 30-day period in which the Firm must report the event does not begin to run unless and until the *issuer* fails to report on Form 8-K within the time required by the *Commission*'s rules. The Firm must then report the event on Form 3 within 30 days of the expiration of the required Form 8-K filing deadline, unless, within that 30-day period, the *issuer* reports on a late-filed Form 8-K.

PART IV – CERTAIN PROCEEDINGS

Item 4.1 Criminal, Governmental, Administrative, or Disciplinary Proceedings

If the Firm has indicated in this Form 3 that any of the events described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9 has occurred, provide the following information with respect to each such event –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding.

b. The name of the court, tribunal, or body in or before which the proceeding was filed.

c. An indication whether the Firm itself is a defendant or respondent in the proceeding and, if so, the statutes, rules, or legal duties that the firm is alleged to have violated, and a brief description of the firm's alleged conduct in violation of those statutes, rules, or legal duties.

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d. The names of every defendant or respondent who is a partner, shareholder, principal, owner, member, or *audit* manager of the Firm, or who was such either at the time the Firm received notice of the proceeding or at the time of the alleged conduct on which any claim or charge is based, and who provided at least ten hours of *audit services* for any *issuer* during the Firm's current fiscal year or its most recent fiscal year; and, as to each such defendant or respondent, the statutes, rules, or legal duties that he or she is alleged to have violated, and a brief description of his or her alleged conduct in violation of those statutes, rules, or legal duties.

e. The name of any client that was the recipient of the professional services to which any claim or charge in the proceeding relates.

> Note: For the purpose of this Part, administrative or disciplinary proceedings include those of the *Commission*; any other federal, *state*, or non-U.S. agency, board, or administrative or licensing authority; and any professional association or body. Investigations that have not resulted in the commencement of a proceeding need not be included.

Item 4.2 Concluded Criminal, Governmental, Administrative, or Disciplinary Proceedings

If any proceeding meeting the criteria described in Items 2.4, 2.5, 2.6, 2.7, 2.8 or 2.9, including any proceeding reported in Item 4.1, has been concluded as to the Firm or a partner, shareholder, principal, owner, member, or *audit* manager of the Firm (whether by dismissal, acceptance of pleas, through consents or settlement agreements, the entry of a final judgment, or otherwise), provide –

a. The name, filing date, and case or docket number of the proceeding, and the nature of the proceeding, *i.e.*, whether it is a criminal proceeding, a civil or alternative dispute resolution proceeding, or an administrative or disciplinary proceeding;

b. The name of the court, tribunal, or body in or before which the proceeding was filed; and

c. A brief description of the terms of the conclusion of the proceeding as to the Firm or partner, shareholder, principal, owner, member, or *audit* manager.

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Item 4.3 Bankruptcy or Receivership

If the Firm, or the parent or a subsidiary thereof, has become the subject of a petition filed in a bankruptcy court, or has otherwise become the subject of a proceeding in which a court or governmental agency (or, in a non-U.S. jurisdiction, a person or entity performing a comparable function) has assumed jurisdiction over substantially all of the assets or business of the Firm or its parent or a subsidiary, provide –

a. the name of the proceeding;

b. the name of the court or governmental body;

c. the date of the filing or of the assumption of jurisdiction; and

d. the identity of the receiver, fiscal agent or similar officer, if applicable, and the date of his or her appointment.

PART V – CERTAIN RELATIONSHIPS

Item 5.1 New Relationship with Person Subject to Bar or Suspension

If the Firm has taken on as an employee, partner, shareholder, principal, or member, or has otherwise become owned or partly owned by, a person who is currently the subject of (a) a *Board* disciplinary sanction suspending or barring the person from being an *associated person of a registered public accounting firm* or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission,* provide –

a. the name of the person;

b. the nature of the person's relationship with the Firm; and

c. the date on which the person's relationship with the Firm began.

Item 5.2 New Ownership Interest by Firm Subject to Bar or Suspension

If the Firm has become owned or partly owned by an entity that is currently the subject

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of (a) a *Board* disciplinary sanction suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a *Commission* order under Rule 102(e) of the *Commission*'s Rules of Practice suspending or denying the privilege of appearing or practicing before the *Commission*, provide –

a. the name of the entity that has obtained an ownership interest in the Firm;

b. the nature and extent of the ownership interest; and

c. the date on which the ownership interest was obtained.

Item 5.3 Certain Arrangements to Receive Consulting or Other Professional Services

If the Firm has entered into a contractual or other arrangement to receive consulting or other professional services from a person or entity meeting any of the criteria described in Items 2.12 or 2.13 above, provide –

a. the name of the person or entity;

b. the date that the Firm entered into the contract or other arrangement; and

c. a description of the services to be provided to the Firm by the person or entity.

PART VI – LICENSES AND CERTIFICATIONS

Item 6.1 Loss of, or Limitations Imposed on, Authorization to Engage in the Business of Auditing or Accounting

If the Firm's authorization to engage in the business of auditing or accounting in a particular jurisdiction has ceased to be effective or has become subject to conditions or contingencies other than conditions or contingencies imposed on all firms engaged in the business of auditing or accounting in the jurisdiction, provide –

a. the name of the *state*, agency, board or other authority that had issued the license or certification related to such authorization;

b. the number of the license or certification;

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c. the date that the authorization ceased to be effective or became subject to conditions or contingencies, and

d. a brief description of the reason(s) for such action, including a description of the conditions or contingencies, if any.

Item 6.2 New License or Certification

If the Firm has obtained any license or certification authorizing the Firm to engage in the business of auditing or accounting, and which has not been identified on any Form 1 or Form 3 previously filed by the Firm, or there has been a change in any license or certification number identified on a Form 1 or Form 3 previously filed by the Firm, provide –

a. the name of the issuing *state*, agency, board or other authority;

b. the number of the license or certification;

c. the date the license or certification took effect; and

d. if the license or certification replaces another license or certification issued by the same authority, the number of the replaced license or certification.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report on Form 4, rather than Form 3, any related license change that takes effect before the submission of the Form 4.

PART VII – CHANGES IN THE FIRM OR THE FIRM'S *BOARD* CONTACT PERSON

Item 7.1 Change in Name of Firm

If the Firm is reporting a change in its legal name –

a. State the new legal name of the Firm;

b. State the legal name of the Firm immediately preceding the new legal name;

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c. State the effective date of the name change;

d. Provide a brief description of the reason(s) for the change; and

e. Affirm, by checking the box corresponding to this Item, that, other than the name change, the Firm is the same legal entity that it was before the name change.

Note: If, other than the name change, the Firm is not the same legal entity that it was before the name change, whether because of a change in the Firm's legal form of organization or because of other transactions, the registration status of the predecessor firm does not automatically attach to the Firm, and the Firm cannot report the event as a name change. If the Firm cannot make the affirmation required by Item 7.1.e, the Firm cannot execute the certification in Part VIII as to Item 7.1, and this Form cannot be deemed filed under Rule 2206.

In that event, the Firm should consider whether, pursuant to the provisions of Rule 2108, the Firm can make the representations required in a Form 4 filing to enable the predecessor firm's registration to attach to the Firm. If the Firm cannot or does not file with the *Board* a Form 4 making all necessary representations, the predecessor firm's registration does not attach to the Firm. In those circumstances, the Firm may not lawfully prepare or issue an *audit report* without first filing an application for registration on Form 1 and having that application approved by the *Board*.

Note: If the Firm is filing a Form 4 to report a change in its form of organization, change in jurisdiction, or a business combination, the Firm should report any related name change on Form 4 and not on Form 3.

Item 7.2 Change in Contact Information

If there has been a change in the business mailing address, business telephone number, business facsimile number, or business e-mail address of the person most recently designated by the Firm (on Form 2, Form 3, or Form 4) as the Firm's primary contact with the *Board*, or if the Firm is designating a new person to serve as the primary contact, provide the name and current business mailing address, business telephone number, business facsimile number, and business e-mail of the partner or authorized officer of the Firm who will serve as the Firm's primary contact with the *Board*.

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PART VIII – CERTIFICATION OF THE FIRM

Item 8.1 Signature of Partner or Authorized Officer

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm. The signer must certify that –

a. the signer is authorized to sign this Form on behalf of the Firm*;*

b*.* the signer has reviewed this Form;

c. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

d. either –

1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, or

2. based on the signer's knowledge –

   (A) the Firm is a *foreign registered public accounting firm* and has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, with respect to the event or events being reported on this Form, except for information or affirmations that the Firm asserts it cannot provide to the *Board* on this Form 3 without violating non-U.S. law;

   (B) with respect to any such withheld information or affirmation, the Firm has made the efforts required by PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and

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(C) the Firm has indicated, in accordance with the instructions to this Form, each Item of this Form with respect to which the Firm has withheld any required information.

The signature must be accompanied by the signer's title, the capacity in which the signer signed the Form, the date of signature, and the signer's business mailing address, business telephone number, business facsimile number, and business e-mail address.

PART IX – EXHIBITS

To the extent applicable under the foregoing instructions, each special report must be accompanied by the following exhibits:

Exhibit 99.1 Request for Confidential Treatment

Exhibit 99.3 Materials Required by Rule 2207(c)(2)-(4) – *Submit Only as an Exhibit to an Amended Form 3 in Response to a Request Made Pursuant to Rule 2207(d)*