

SIMON®

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December 15, 2011

Office of the Secretary, PCAOB
1666 K Street, N.W.,
Washington, DC 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 37

Dear Sir/Madam:

Simon Property Group (Simon) welcomes this opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (PCAOB or the Board) on PCAOB Rulemaking Docket Matter No. 37, Concept Release on Auditor Independence and Audit Firm Rotation (the Concept Release).

Simon is an S&P 500 company and the largest real estate company in the U.S. The Company currently owns or has an interest in 391 retail real estate properties comprising 261 million square feet of gross leasable area in North America, Europe and Asia. Simon is headquartered in Indianapolis, Indiana and employs more than 5,000 people worldwide. The Company has a total equity market capitalization of over \$40 billion and its common stock is publicly traded on the NYSE under the symbol SPG.

Simon is supportive of the Board's commitment to enhancing auditor independence, objectivity and professional skepticism as these traits are a fundamental tenant of and contribute to the efficiency and effectiveness of our capital markets. However, as expanded on below, we do not support nor do we believe the concept of mandatory audit firm rotation is a means to enhance independence. The Board, in its Concept Release, recognizes that a change "would risk significant cost and disruption." Further, the Board recognizes that studies have shown that audit quality may suffer in the early years of an engagement and that "rotation could exacerbate this phenomenon." Simon believes these consequences would actually be contrary to the intended result of the Board which is higher quality, more effective audits. Further, in the Board Members' comments at the August 16, 2011 PCAOB Open Board Meeting, serious concerns were raised including:

- whether a lack of independence and objectivity actually were the cause of audit failures,
- the potential for a significant decline in audit quality especially in the early years of an auditor change,
- the lack of available audit firms to choose from, and
- the significant cost to the preparer and audit firms.

PCAOB Review Results

The Concept Release notes that the Board's inspectors have reviewed portions of more than 2,800 audit engagements over the last eight years and that these reviews have discovered several hundred cases of "audit failures." Further, the Board notes that these audit failures did not necessarily lead to financial statements which were materially misstated and that the failure involved the audit firm's lack of sufficient audit evidence to support their opinion.

It is clear that the Board's focus on audit reform has had a significant impact on the reliability of financial reporting. However, we have not seen evidence of significant audit failures leading to restatements through the inspections results made available by the Board or through news media. As such, to further enact regulation around mandatory audit rotation when the underlying data does not show these audit failures have lead to widespread financial statement misstatements is not logical.

Further, inspection results indicating audit failure do not necessarily indicate a lack of objectivity. Audit breakdowns occur as a result of several factors including lack of industry expertise, lack of supervision, lack of technical competence, insufficient training, fee and staffing pressures and PCAOB disagreement with a particular firm's audit methodology. None of these factors would be alleviated by mandatory audit firm rotation. In fact, we believe the factors above would likely become more of an issue as a result of mandatory rotation.

Sufficiency of Options

Our primary concern is that the number of audit firms today having the ability, resources, global reach and financial standing is not sufficient to provide companies, such as Simon, with options should they be required to rotate audit firms. Larger registrants would be forced to choose among the remaining three Big 4 firms as its next auditor.

In addition to the lack of options, additional factors would further limit which firms are available such as:

- Independence considerations which may preclude the use of one or more of the other Big 4 firms due to that firm providing disallowed services which may bridge from period to period encompassing the date of required rotation.
- The location and size of the local market and the number of firms operating in the market along with the relative size and resource pool of firms within the market; This could be particularly important for companies such as Simon located in middle market cities.
- Firm strength of practice and industry expertise.
- Which firm currently audits a company's significant competitors.

As such, there could be very limited options within a market should a rotation be mandated. This would effectively negate any decision making with respect to auditor selection at that point in the Registrant's reporting cycle.

Cost

The cost of mandatory rotation would be prohibitive from both a preparer and auditor standpoint and would not outweigh the potential benefits. As noted above, we have not seen evidence that audit failures have lead to a significant number of restatements and thus, it can be inferred, any further cost as a result of audit firm rotation would consequently have an unfavorable impact on an investor's return.

Audit fees would likely significantly increase in the first few years of an audit rotation as audit effort increases while firms become familiar with the Company's industry, its accounting processes and procedures and develop working relationships with management and the Audit Committee. In addition, the demands on company resources in order to familiarize its new accountants with their business would increase the need for company resources and take management and other employee resources away from value generating activities to the detriment of its shareholders.

Conversely, as some argue, if fees did not increase (as a result of extremely competitive bidding from the relatively few available firms), the auditor would be forced to make decisions that may alter the quality of an audit in order to maintain a profitable engagement such as decreasing the number of hours spent on the audit or reducing the number of supervisory hours spent by senior engagement leaders. Any decrease in audit effort in the early years would clearly impact audit quality as in the early years of a new engagement, there is a steep learning to be overcome, which requires an investment of hours to ensure audit quality. Further, audit firms would have significant disruption in staffing needs as large clients changed auditors within a particular market, causing further strain on resource management and expenses including travel, relocation and training. These costs would ultimately impact audit quality as engagement's attempt to remain profitable or would be passed through to companies and ultimately its shareholders.

Suggestions

In summary, we do not believe mandatory audit rotation is a workable solution (given the cost and risk) to a problem which is perceived to exist and which may or may not, in part, contribute to audit failures. Audit failures derived from areas that require significant technical expertise, areas which require significant judgment and estimates or those which fall into "blocking and tackling" would appear to have differing solutions by their very nature. The PCAOB should continue to study the root cause of audit failures and publish data on those findings to the filing community in order to provide for a more informed discussion based on empirical data gathered to date which would focus more on root causes behind audit failures. Also, this would allow for perspective as to the size and the scope of findings to date which would drive the scope and appropriateness of any contemplated response.

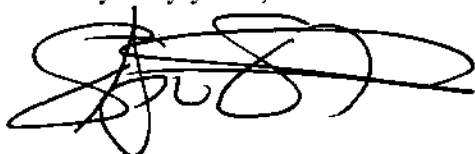
We believe the PCAOB should continue to focus on avenues to increase audit quality which would not have the widespread market disruption and unintended consequences we believe mandatory audit firm rotation would cause. Among these suggestions, we believe the PCAOB should:

- Study of the consequences of those countries which have enacted mandatory audit firm rotation.

- Continue to issue audit standards designed to further improve audit quality and transparency.
- Study selective mandatory rotation based on inspection results which can be clearly linked to independence and objectivity and which resulted in misleading financial statements.
- Increase the breadth of its inspection programs to focus further on areas such as training, industry expertise and supervision with a focus on identifying systemic issues within an audit firm's culture.
- Provide further disincentive to audit firms by publicizing additional information on inspection results (such as the engagement partner name and the audit firm response).
- Require specific and more comprehensive disclosures to the Audit Committee on the results of the firm's PCAOB inspections with respect to all of its clients and particularly with respect to that specific engagement (should it be selected).

Simon appreciates the opportunity to comment. We encourage the Board to work diligently to continue to ensure audit quality while at the same time balancing the costs and benefits of further rulemaking and minimizing adverse implications of its efforts.

Very truly yours,



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