Maxim Integrated Products
120 San Gabriel Drive
Sunnyvale, California 94086
(408) 737-7600

MAXIM

DEC 16 2011

December 14, 2011

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803

Attention: Mr. J. Gordon Seymour

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Mr. Secretary,

We represent Maxim Integrated Products, Inc. ("Maxim") Maxim is headquartered in Sunnyvale, CA. and designs, develops, manufactures and markets a broad range of linear and mixed-signal integrated circuits for a large number of customers in diverse geographical locations. Maxim is traded on the NASDAQ Global Select Market and has a market capitalization of approximately $7.5 billion as of November 30, 2011.

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board's Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards ("Rulemaking Docket No. 037" or "Docket").

For the purpose of this letter, we wanted to focus on the following questions identified by the PCAOB ("Board"):

General Questions:

- **The Board is interested in comments on whether mandatory auditor rotation would significantly enhance auditors' objectivity, ability and willingness to resist management pressure. Does payment by the audit client – inherent in the framework established by Congress in 1933 – inevitably create, in the words of the European commission, "a distortion" within the system"?**
- **Is it possible that the distortion noted above is amplified when auditors know at the outset of any new engagement that the stream of audit fees they could receive from a new client is unlimited?**
- **If mandatory rotation would not eliminate the distortion – the company under audit would still be paying the fee – could rotation dramatically reduce it? A firm knows at the outset that it is going to "lose the client" eventually, no matter what it does, might have much less reason to compromise its**

independence,risking the firm's own reputation and potentially its continued viability, in order to preserve the relationship.

We will like to add our comments on two of the above issues raised by the Board:

- Mandatory rotation of auditors
- The Board's continuous focus on enhancing auditor independence, objectivity and professional skepticism

Mandatory Audit Rotation

We believe that mandatory auditor rotation will not enhance auditors' independence. As acknowledged throughout the Docket, since the 1978 Cohen Commission report, 1994 SEC Staff report and the results of the Board's inspections since 2002, no conclusive evidence or correlation was established linking audit failures to the audit firm's desire to retain the audit client.

We believe is it presumptuous to assume that the audit fees that audit firms could receive from a new client is unlimited considering the current competitive economic environment. Due to the absence of proof to the contrary, we disagree that the "unlimited source of income" assumption is the main cause of auditors' lack of objectivity or professional skepticism that contributed to the audit failures noted by the Board.

There may be other factors that can contribute to audit failures. These include, but are not limited to, auditors':

- Unfamiliarity – lack of knowledge or expertise in the company specific issues or overall industry trends and practices
- Insufficient time allocation – Failure to spend a reasonable amount of time in the engagement to ensure adherence to standards and in depth understanding of the company's business and factors and risks affecting the financial results
- Insufficient training or lack of capability by assigned auditor personnel

Furthermore, as discussed in the Docket, Cohen Commission reported that in its "study of cases of substandard performance by auditors, several of the problem cases were first- or second-year audits," and that "(w)hile not conclusive, this indicates a higher risk of audit failure associated with new audit clients. The Docket does not mention any recent study that resulted in a different conclusion than the Cohen Commission observation.Audits conducted in the first year audit are very burdensome and costly. The auditor requires a significant time investment in order to become familiar with the company's business and financial close and reporting processes. The time investment is typically recouped with more efficient future audits as the auditor gains an increased knowledge of the client's business. With mandatory rotation, this increased cost would most likely need to be recouped from the client directly. First year audits are also very burdensome to the client in terms of support needed to get the auditor all the data and information needed to become knowledgeable of the client's business.

Due to the increase in audit cost associated with mandatory rotation without assurance of any additional benefit and the increased burden on clients, we oppose the proposal to impose mandatory rotation of auditors.

<u>Continuous Focus on Enhancing Auditor Independence, Objectivity and Professional Skepticism</u>

We do support the Board's focus on continuously enhancing auditor independence, objectivity and professional skepticism in addition to the significant provisions introduced by the Sarbanes-Oxley Act ("the Act") designed to bolster the auditor's independence from the company under audit such as:

- Audit committees oversight in hiring the auditor
- Prohibiting specific non-audit services
- Requiring partner rotation

The above changes are organizational and institutional in nature and we recommend that additional measures to ensure that independence is exercised should be directed towards creating accountability on each individual engagement partner and senior manager. Any audit firm can create and continuously strengthen its systems, policies and procedures to enforce compliance with independence-in-appearance requirements but independence-in-fact lies in each and every auditor and actions should be taken to ensure that not meeting that individual standard will result in personal loss or liability.
In summary, we believe that mandatory auditor rotation would significantly increase the costs of the annual audit of the Company with no commensurate benefit. We recommend that the Board focus on improving the existing framework of audit committee/auditor relationship through process and disclosure which we believe can significantly improve the independent evaluation of the Company and provide a higher quality audit examination.

Very truly yours,

Joseph R. Bronson *
Principal & CEO of the Bronson Group, LLC.
Director and Chairman of the Audit Committee, Maxim Integrated Products, Inc.

ON behalf of Bruce E. Kiddoo
Bruce E. Kiddoo
Senior Vice President & Chief Financial Officer
Maxim Integrated Products, Inc

**See following page for signature of Joseph R. Bronson* rotation, this increased cost would most likely need to be recouped from the client directly. First year audits are also very burdensome to the client in terms of support needed to get the auditor all the data and information needed to become knowledgeable of the client's business.

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ON BEHALF OF BRUCE E. KIDDOO
Bruce E. Kiddoo
Senior Vice President & Chief Financial Officer
Maxim Integrated Products, Inc