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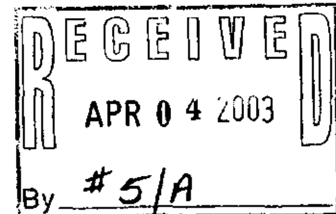

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

PCAOB Rulemaking Docket Matter No. 002

Dear Sir:

Alcon, Inc. appreciates the opportunity to comment on the PCAOB's Rulemaking Docket Matter No. 002, *Proposed Accounting Support Fee.* Since one of the objectives of the PCAOB is to provide confidence in the U.S. investment markets, we agree that the equity market capitalization set forth in the proposed rule should include only those equity securities traded in the United States. We also share the PCAOB's position that the overarching principles for allocating the accounting support fee are:

1. Generally, the accounting support fee must be allocated in a manner that reflects the proportionate sizes of the issuers, and
2. Within that framework, the accounting support fee must be allocated in an equitable manner.

However, we suggest some changes in the methodology of the proposed rule to conform more closely to these principles.

First, we believe the universe of companies bearing the accounting support fee has been too narrowly defined. The proposed rule exempts from the accounting support fee all issuers with less than $25 million U.S. equity market capitalization, investment companies with less than $250 million U.S. equity market capitalization, and all issuers whose only publicly traded securities are debt securities.

Equitably, **all** issuers should bear some proportion of the cost of the PCAOB because their investors also are expected to benefit from the PCAOB's operations. The debt investor is likely to be as concerned with the reliability of financial information as the shareholder is. An issuer that has only registered debt securities does not necessarily present less audit and internal control risk than an issuer with registered equity securities does. The issuers with the proposed exemptions benefit significantly from the registration of the auditing firms, the monitoring of the audit profession and the guidance provided by the standard-setting body. Hence all issuers should bear some proportionate

share of the costs, even if only a flat minimum fee is established as a base rate for all issuers.

Second, we believe that the perceived reduced risk to investors for registered investment companies is not ten times less than compared to other companies. While we may accept that a lesser degree of risk may exist for registered investment companies, the inherent base-levels of audit risk and internal control risk that are present in investment management issuers should not be 10% or less of the average risks in all other issuers. The PCAOB's release presenting the proposed rule offered no empirical studies to support this allocation, which we believe unduly favors registered investment companies. We believe that more study should be performed to more fairly allocate the costs between registered investment companies and other issuers. Why should the reduced rate for investment management companies not be 20%, 25% or even 33%? Based upon the common inherent audit and internal control risks of all issuers, we believe that any of these percentages would be more representative than the currently proposed 10% rate.

Third, we believe the allocation formula should be expanded to include issuers that have only registered debt securities. We do not believe that a privately held issuer with minimal equity and publicly issued debt of $0.5 billion is considered inherently less risky than an issuer with a $0.5 billion combination of both registered debt and equity securities. Consequently, both issuers should bear the cost of the PCAOB.

We believe that the numerator and denominator of the allocation fraction should include the outstanding face value of the registered debt securities, in addition to the average, monthly U.S. equity market capitalization. This formula change would permit the accounting support fee to be shared by a larger, more representative universe of issuers, including those with only debt securities.

Fourth, the proposal is not clear about allocations of costs to registered preferred equity securities. Based on past positions of the Securities and Exchange Commission and the wording of the proposed rule, we interpret that preferred equity securities will be treated as debt instruments for purposes of this rule. Issuers of all registered securities who benefit from a confident marketplace should be allocated a portion of the accounting support fee. Therefore, registered preferred equity securities should be included in the allocations based on quoted market prices or, in the absence of quoted market prices, based on their outstanding face values.

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Again, we appreciate the opportunity to comment on this proposed rule. If you have any questions concerning our comments, please contact me.

Very truly yours,

Alcon, Inc.

Jeff Stratton
Director, Group Accounting & Reporting