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July 20, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number PCAOB-2008-04

Dear Ms. Murphy:

We appreciate the opportunity to respond to SEC release No. 34-60107 published June 18, 2009, entitled *Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Annual and Special Reporting by Registered Public Accounting Firms* (the "Rules"). The Rules are also set forth with comments from the Public Company Accounting Oversight Board (the "Board") in the Board's June 10, 2008 release, *Rules on Periodic Reporting by Registered Public Accounting Firms*; Release No. 2008-004 (the "Release"). PricewaterhouseCoopers LLP is responding on behalf of the network member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity. "PwC" refers to these member firms collectively.

PwC commends the significant effort by the Board in developing a reporting framework intended to enhance oversight of the accounting profession, culminating in the Rules currently before the Commission. PwC supports the objectives of the Rules and believes that, in general, they reflect a conscientious and carefully considered effort by the Board to implement the requirements of the Sarbanes-Oxley Act.

Nonetheless, PwC believes that certain issues warrant the Commission's review at this stage of the process. We respectfully propose that the Commission urge the Board either to clarify the matters described below through commentary or interpretations accompanying the Rules or to amend the Rules, as the case may be. We believe our proposed modifications advance the goals of the Board's reporting framework.

In particular, PwC respectfully requests the Commission to address the following points, which are explained in more detail in the "Comments" section below:

- PwC is concerned that the Rules allow the Board to demand production of information by foreign registered public accounting firms, even in circumstances when the law of a firm's home jurisdiction prevents it from providing the information. Such laws may include professional obligations, including those that prohibit accountants from disclosing client confidential information. The Board should not attempt to compel foreign registered public accounting firms to breach the law of their home jurisdictions. Instead, the Rules should provide that the Board will first review the basis for the firm's position that a legal conflict exists, and then weigh the interests of the firm, the Board, the registered firm's issuer clients and their investors, and the firm's home jurisdiction with respect to the information sought in order to determine how to reach a resolution that would not necessitate such a breach. If no such resolution is reached, the Board (and the Commission, as necessary) should work with the firm and the firm's home country government to determine whether the Board can obtain the omitted information in such a way so as not to violate the applicable foreign law.

- PwC believes that the Rules' requirement in Item 4.1 of Form 2 to disclose in certain cases the date of consents to use audit reports is unnecessary. The Board should not require a firm to provide the date on which it consented to an issuer's use of an audit report that was previously issued, when such consent constitutes the only instance in which the firm issued an audit report to that issuer during the reporting period. This situation typically only occurs for a former client. The information would be of marginal utility to the Board, because in that situation another firm will have likely issued a more recent consent on a report, thereby providing the Board with more current information about the issuer. For this reason, the benefit that this additional information may provide to the Board does not outweigh the additional burdens of compliance.

- PwC is concerned that the Rules' attribution principle for determining "awareness" of reportable matters is overly broad and unworkable. The Rules should attribute awareness of the events described in Part II of Form 3 to a firm only when specified senior personnel learn of the triggering event. Alternatively, the Rules should provide a safe harbor from sanctions against a firm where the firm has established a sufficient quality control system and the violation of the Rules is inadvertent.

- PwC believes that the Board should not require, as it does under Items 2.1 and 3.1 of Form 3, that reporting firms monitor their clients with respect to whether disclosures on Form 8-K have been filed relating to withdrawn audit reports. Item 4.02 of Form 8-K includes detailed actions the issuer must take, including consultations with the auditors, and disclosures it must make, when its auditor withdraws an audit report, and therefore, there is no need for the Board to establish additional monitoring rules. Such monitoring would also be difficult as a practical matter and create an unnecessary and duplicative burden on the firm.

COMMENTS

A. The Commission should urge the Board to reconsider and amend the Rules so that the Board cannot attempt to compel a foreign firm to breach the laws of its home jurisdiction. Rather, the Commission should urge the Board to amend the Rules to provide that the Board will first review the basis for the firm's position that a legal conflict exists, and then weigh the interests of the firm, the Board, the firm's issuer clients and their investors, and the firm's home jurisdiction with respect to the information sought and the legal conflict in order to determine how to reach a resolution that would not necessitate such a breach. If no such resolution is reached, the Board (and the Commission, as necessary) should work with the firm and the firm's home country government to determine whether the Board can obtain the omitted information in such a way so as not to violate the applicable foreign law.

1. Rule 2207(e).

Rule 2207 would permit a foreign registered public accounting firm to omit information or an affirmation required by Form 2 or Form 3 on the grounds that it cannot provide such information or affirmation without violating non-U.S. law. Further, if the firm does omit such information, Rule 2207(c)(1) would require that it must, among other things, have in its possession all information required by the relevant form (including omitted information), before the date on which it files the form with the Board and for a period of seven years thereafter. The Rules make an exception, however, for information that the firm does not possess and for which it is barred from asking for by law. (See Board Rule 2207 Note.)

Although the foreign firm may omit such information, according to Rule 2207(e) the Board may nevertheless request the information collected under Rule 2207(c)(1) for any reason and the firm must provide it on an amended Form 2 or Form 3, without apparent regard for the legal impediments in the

firm's home jurisdiction. PwC agrees that "a firm should not assume that its mere assertion of a conflict is the end of the matter." (See Release, p. 42.) However, Rule 2207(e) by its terms gives the Board broad discretion which could put a foreign firm in an untenable situation where it must choose between breaching its reporting obligations under the Rules and violating its home jurisdiction's laws.

In the Release, the Board noted that Rule 2207(c)(1) was not meant to impose any greater burden on non-U.S. firms than U.S. firms that actually report the information. (See Release, p. 42.) However, if the Board is able to force a foreign firm to choose between violating U.S. law and breaching the law of its home jurisdiction, Rule 2207(e) does impose a much greater burden on foreign firms than on U.S. firms in complying with the Rules.

Rule 2207(e) places no limits on the Board's ability to require such information from the foreign firm, and does not require consideration of whether its value to the Board warrants the costs incurred by the firm's audit client, investors in that client, and the firm, including potentially the breach of the law of the firm's home jurisdiction. The Rules do not acknowledge these competing interests, but rather allow the Board to require the omitted information be produced despite the stated legal impediment and without any notice or other process. Furthermore, the Rule does not specify any factors that the Board will consider before it exercises its discretion. It is very possible that the unfettered discretion granted to the Board under this approach would produce arbitrary and unfair outcomes in terms of exactly what information the Board may demand in different circumstances. Although the Board has pledged to act cooperatively, PwC believes the Board should expand upon "its continued commitment to a cooperative approach" and its "hope and expectation that Rule 2207(e) will be invoked rarely, if ever." (See Release, pp. 41-42).

The Commission should urge the Board to reconsider and amend the Rules so that the Board cannot attempt to compel a foreign firm to breach the laws of its home jurisdiction. The Commission should urge the Board to amend the Rules to provide that the Board will (i) request and review the relevant documents provided pursuant to Rule 2207(d); (ii) notify the foreign firm and provide it an opportunity to respond if the Board disagrees in good faith and on reasonable grounds with the foreign firm's legal assessment as set forth in the documents provided under Rule 2207(d); and (iii) weigh the interests of the foreign firm, the Board, the firm's issuer clients and their investors and the firm's home jurisdiction with respect to the information sought and the legal conflict in order to determine how to reach a resolution that would not necessitate such a breach. If no such resolution is reached, the Board (and the Commission, as necessary) should work with the firm and the firm's home country government to determine whether the Board can obtain the omitted information in such a way so as not to violate the applicable foreign law.

2. Form 2, Item 9.1.

Item 9.1.b of Form 2 requires the reporting firm to affirm that it has secured from each of its associated persons a consent to cooperate in and comply with any request for testimony or the production of documents made by the Board. The firm must also enforce the provision as a condition of each person's continued employment by or association with the firm, and include in that affirmation language signifying that the associated person understands and agrees that such consent is a condition of continued employment or association. This requirement does not apply to firms registered with the Board. (See Item 9.1 Note1.)

Note 2 clarifies that Item 9.1.b does not require the reporting firm to secure consents of associated persons that are foreign public accounting firms in circumstances where such associated persons assert that non-U.S. law prohibits them from offering consent. Note 2 states that if a foreign public accounting firm makes such an assertion, the reporting firm must also possess in its files documents

relating to the foreign firm's assertion about non-U.S. law that would be sufficient to satisfy the requirements under Rule 2207(c)(2)-(4).

As with Rule 2207(e), Note 2 provides that the Board may nevertheless demand that the registered firm enforce cooperation and compliance with Board demands by any such "associated person" that is a foreign public accounting firm as a condition of its continued association with the firm, even when such compliance or cooperation would violate foreign law. For the same reasons set forth in Section A.1. above, this requirement raises potential issues of direct conflict with foreign law. Not only does it put a non-US firm in the position of potentially violating the law of its home jurisdiction if it complies with the demand for cooperation, the registered firm will likely have no practical means to enforce such cooperation if the local firm asserts that cooperation will violate local law. Accordingly, our proposed modifications to the Rules as described in Section A.1 should also be applied to any situations where the Board seeks to require that the registered firm enforce cooperation and compliance with Board demands by foreign accounting firms pursuant to Item 9.1, Note 2.

B. The Board should not require that the date of any consent to an issuer's use of an audit report previously issued for that issuer be provided, when such consent constitutes the only instance of the firm issuing audit reports for a particular issuer during the reporting period.

Item 4.1 of Form 2 would require registered firms to report the dates of audit reports. The third Note to this Item requires a registered firm to report the date(s) of any consent to an issuer's use of an audit report the firm previously issued to that issuer, if such consent constitutes the only instance of the firm issuing an audit report for that issuer during the reporting period. It is important to note that the date of the underlying audit report for which consent is provided would in most, if not all, cases have already been listed in response to Item 4.1 in a previous year's periodic reporting by the firm.

In the Release, the Board did not explain why it added an exception to its general rule that consents to use a previously-issued audit report need not be reported. This issue typically would arise when the company is a former client of the firm. Maintaining controls to report such information, particularly for former clients, adds another burdensome compliance obligation that outweighs any incremental benefit the information may provide for the Board's regulatory function, particularly when such former clients will likely appear on another registered firm's report during the current reporting year.

For this reason, the Commission should urge the Board to eliminate the requirement that a registered firm list audit reports where the firm's consent constitutes the only instance in which the firm issued an audit report for a particular issuer during the reporting period. Alternatively, in order to avoid the burdensome obligation of monitoring, the Commission should urge the Board to clarify in commentary or interpretations that this requirement does not apply to issuers that are former clients of the firm.

C. The Rules should attribute awareness of events described in Part II of Form 3 to a firm only when specified senior personnel learn of the triggering event, rather than when any partner, shareholder, principal, owner or member of the firm becomes aware of it. Alternatively, the Rules should provide for a safe harbor in situations where information is inadvertently not conveyed internally, but where the reporting firm has established appropriate controls and systems to encourage information to be communicated to appropriate compliance personnel.

Items 2.4 through 2.11 and 2.15 of Form 3 describe events that a firm must report to the Board within 30 days after the firm "has become aware" of certain facts. The Rules provide that a firm becomes aware of such events "on the date that any partner, shareholder, principal, owner or member of the firm first becomes aware of the facts." (See Note, Part II of Form 3.)

Given the size and scope of many registered public accounting firms, a very large number of persons will fall within the group of persons whose awareness might trigger a reporting obligation. Triggering the reporting requirement based on the awareness of any one of these people, especially if they are not part of senior management, is unworkable and unreasonable. The Commission should therefore urge the Board to amend the Rules to specify that a firm becomes "aware" of reportable events only when its chief executive officer, chief financial officer, chief legal officer or chief compliance officer (or their equivalents) become aware of such facts. Starting the 30-day period only when such personnel become aware of the facts would allow time for the firm's compliance personnel to investigate the matter.

Because the firms have an inherent self-interest in becoming aware of and dealing appropriately with such events, PwC believes that reporting firms would implement appropriate controls and procedures to provide reasonable assurance that reportable information of which a partner, shareholder, principal, owner or member of the firm becomes aware is reported to the persons in the organization responsible for compliance with the Rules. PwC submits that it would be unfair, however, to hold a reporting firm accountable where there is an inadvertent failure to timely report required information under the Rules, when the firm has established appropriate reporting systems and controls. We acknowledge that it may be appropriate to sanction a firm if there is a demonstrable pattern of inadvertent violations.

For these reasons, the Commission should urge the Board to either amend the Rules or issue commentary or interpretations accompanying the final Rules which clarify that a reporting firm will not be sanctioned for an inadvertent violation where it has established a quality control system to provide reasonable assurance that information required by this Item will be reported to the appropriate firm personnel. Such a quality control system and this safe harbor could be modeled after the quality controls prescribed in Rule 2-01(d) of Regulation S-X relating to inadvertent violations of a covered person's independence thereby affecting an accounting firm's independence.[1]

D. The Board should not require, as it does under Items 2.1 and 3.1 of Form 3, that reporting firms monitor their clients with respect to whether disclosures on Form 8-K have been filed relating to withdrawn audit reports.

Items 2.1 and 3.1 of Form 3 would require the reporting firm to disclose when the firm withdraws an audit report and the relevant audit client does not report that fact on Form 8-K, as the client is required to do under Commission rules. See Form 8-K, Item 4.02(b). PwC submits that compliance with the Commission's public reporting rules is an oversight function of the Commission and not the Board. It is both burdensome and duplicative to impose on a reporting firm an obligation to oversee its audit client's obligations under Commission rules. Item 4.02 of Form 8-K includes detailed actions the issuer must take, including consultations with the auditors, and disclosures it must make, when its auditor withdraws an audit report. It is unnecessary for the Board to adopt its own disclosure rules in addition to the Commission's existing requirements.

The Board omitted from the final Rules a proposed item relating to improper use of a firm's name. The Board stated that such a requirement might be "viewed as unnecessary in light of a registered firm's existing obligation" to follow Commission rules when the firm becomes aware of an illegal act.

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[1] Rule 2-01(d)(1)-(3) states that an accounting firm's independence will not be impaired solely because a covered person in the firm is not independent of an audit client provided the covered person was not aware of the circumstances giving rise to the lack of independence, the lack of independence was promptly corrected and a quality control system was in place to provide reasonable assurance that the firm and its employees do not lack independence. Rule 2-01(d)(4) of Regulation S-X states that a quality control system will not provide reasonable assurance relating to the inadvertent independence violations described elsewhere in Rule 2-01(d) unless specified criteria are met.

The Board noted comments that this reporting requirement would have been fundamentally about issuer conduct and thus "is more appropriately left to the Commission in the context of its disclosure framework," and the Board considered such comments in deciding to omit this requirement from the Rules. (See Release, p. 19.)

Similarly, the reporting obligations contained in Items 2.1 and 3.1 place on the registered firm an obligation that concerns issuer conduct and for which the issuer already has its own reporting obligation under Commission rules. Requiring the reporting firm to begin monitoring such reports would unnecessarily expand the firm's obligations, impose new compliance burdens and extend the Board's regulatory oversight into an area properly reserved for the Commission. This rule would require the firm to implement additional controls and procedures to help ensure the requirements are met. At the same time, there is little evidence that failure by issuers to comply with their obligations under Item 4.02(b) is a significant problem that requires additional regulation; indeed, Item 4.02(b) disclosures are relatively infrequent as opposed to disclosures by issuers under Item 4.02(a) about non-reliance on financial statements, and the instances of issuers failing to comply with Item 4.02(b) will be even more limited. Therefore, the Commission should urge the Board to amend the Rules to remove this reporting requirement.

We hope that our commentary will be helpful to the Commission and its staff. We will be pleased to discuss any of our comments or answer any questions that the SEC staff or the Commission may have. Please contact Vincent Colman at (973) 236-5390 or Ryan Burdeno at (973) 236-4710 regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP