PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers**
1177 Avenue of the Americas
New York, NY 10036
Telephone (646) 471-4000
Facsimile (646) 471-4100

August 18, 2003

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW, 9th Floor
Washington, DC 20006

Re: PCAOB Rulemaking Docket Matter No. 007, Release No. 2003-014

Dear Mr. Secretary,

PricewaterhouseCoopers appreciates the opportunity to comment on the Board's *Proposed Rule on Withdrawal from Registration*, as set forth in Release No. 2003-014, dated July 28, 2003 ("Release").[1] We support the efforts of the Public Company Accounting Oversight Board (the "Board") to restore investor confidence. We have reviewed the proposed rules of the Board and have a number of observations and proposals that we feel will help support the overall objectives of the Board. In connection with the rulemaking process, it is important to understand the impact of registration not only on the U.S. firm of PricewaterhouseCoopers LLP, but on each of our foreign member firms as well.

Foreign public accounting firms in particular may decide that the nature of the professional services that they provide no longer requires that they be registered. It is also possible that they may elect to cease these activities in light of the expense and other burdens of U.S. registration. Similarly, the regulator in a territory may reach an agreement of mutual recognition with the Board that would no longer require the firm to be registered with the Board. In any case, a firm should be able to accomplish withdrawal and relieve itself of the costs and burdens of registration as quickly and efficiently as possible. Particularly in light of the sensitivities surrounding regulation of non-U.S. accounting firms under Sarbanes-Oxley, the Board should not seek to continue its regulatory oversight over withdrawing firms any longer than is absolutely necessary.

---

[1] PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International, Ltd., each of which is a separate and independent legal entity.

In light of the foregoing considerations, we offer the following comments:

- Proposed Rule 2107(d) unduly prolongs the potential period in which withdrawing firms can remain subject to Board inspections and disciplinary actions. It allows the Board to delay withdrawal for up to two years after filing of the Form 1-WD withdrawal form if the Board believes withdrawal "would be inconsistent" with the Board's responsibilities under the Sarbanes-Oxley Act. The Board appears to believe that allowing a firm to voluntarily cease U.S. public company audit activities and withdraw from U.S. regulation altogether would be inappropriate if it prevented the Board from investigating and punishing the firm first. While we do not entirely agree with the logic of this position, we accept that in certain circumstances the Board may need to be able to commence or continue disciplinary proceedings against firms before they de-register. However, we think the Board should be able to make a determination whether to undertake such a proceeding in less than two years.

  - Accordingly, we recommend that the two-year maximum delay period be shortened to six months, unless the Board initiates an investigation or disciplinary proceedings within that period. The Board can easily complete any inspection it believes appropriate, and should be able to determine whether or not there is any need for further investigative or disciplinary action, within that period.

  - The Board should also provide a place in Form 1-WD for a firm to explain its reasons for withdrawing and why the Board should not delay such withdrawal. In the case of foreign firms, it is likely that the reasons for withdrawal will relate to the burden and expense of registration and not avoidance of any investigation or disciplinary action. This would enable the Board to make the threshold determination whether to delay more quickly.

  - Proposed Rule 2107(c)(2)(iii) should be revised to provide that regular inspections are suspended from the date of filing of the Form 1-WD. Such inspections would seem to be unnecessary because, by definition, the withdrawing firm will have ceased issuing SEC issuer audit reports or playing a substantial role in connection with audits of SEC issuers. Accordingly, such inspections would provide little benefit to investors or the public, yet would involve substantial cost and time burdens on the firm.[2]

[2] We note that the Board's release regarding proposed inspection rules indicates that the inspection rules as applied to foreign public accounting firms could be subject to adjustment based on dialogues with the Board's foreign counterparts. (PCAOB Release No. 2003-013, at 10.) Similarly, the Board should take

- Withdrawal should not be delayed based on matters relating to "associated persons" of the withdrawing firm, where the associated person is itself another registered accounting firm or is primarily associated with a registered accounting firm. There is no reason to reserve the right to investigate or discipline such associated persons as a condition to withdrawal of another firm. Rules 2107(d) and (e) should be modified to carve out such associated persons.

- In Form 1-WD, Part II, the withdrawing firm should be permitted to incorporate by reference information regarding pending proceedings contained in its registration application or in its annual report. The Form should only require the withdrawing firm to report new matters or update previously provided information. Furthermore, the type of information requested in Item 2.1 of Form 1-WD should be parallel to the information provided Items 5.1 and 5.2 in Form 1 at the time of registration. If a withdrawing firm provides the same information as is required in Items 5.1 and 5.2 of Form 1, the Board would be able to determine what proceedings were new; the rules, laws or standards that such proceedings related to and the relevant parties. It seems overly burdensome to require information in the request to withdraw that is not required in the registration process.

- Specifically, proposed Items 2.1.c., 2.1.d. and 2.1.e. should not be included in Form 1-WD, as the type of information requested therein is not required to be provided in Form 1 for registration. However, should the Board still include these items, they should clarify them as follows:

  - Item 2.1.c. should only require the reporting of when the firm was officially notified (through service or other means) of the proceedings. It may not be possible to accurately determine when the firm or a partner or officer of the firm first became aware of the proceeding.

  - Item 2.1.d. should be clarified. It is unclear whether the Board is requesting a short answer (i.e. that the case is pending, stayed, or has been adjudicated) or whether the Board is requesting a more detailed explanation.

  - Item 2.1.e. should be clarified. It is currently unclear whether the Board is requesting a recital of the alleged facts of the case or only a general description of the case.

- Also in Part II of Form 1-WD, the withdrawing firm should be required to provide legal proceeding information only about itself, not its associated persons. A firm would have to conduct a current survey of all associated persons in order to satisfy

---

into account the potential impact on foreign firms of ongoing inspection requirements even after they have filed a notice of withdrawal.

this requirement. This can be time-consuming and expensive. As noted above, it is likely that many foreign firms (or even small domestic firms) will seek to withdraw in order to eliminate the costs and burdens of registration. The Board should not impose undue additional costs on them in order for them to avail themselves of this option.

- As suggested above, even if the Board elects to require associated person information, it should exclude associated persons that are themselves registered accounting firms or primarily associated with another registered accounting firm.

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