

**Statement of Chairman Olson  
On the Proposed Amendment to Rule 3523 and a Proposed Ethics  
And Independence Rule Concerning Communication with Audit Committees  
July 24, 2007**

A motion has been made and seconded, so the question before the Board is whether to issue for public comment a release concerning a proposed ethics and independence rule on communication with audit committees, and a proposed amendment to Rule 3523 (Tax Services for Persons in Financial Reporting Oversight Roles); and to further adjust the implementation schedule for Rule 3523.

Before I ask my fellow Board members for their comments, I want to thank Tom Ray, Greg Scates, Bella Rivshin, and other staff involved for their hard work in developing the proposals that we are considering today.

Proposed Amendment Rule 3523

First, as staff has just described in detail, we are considering staff's recommendation to propose an amendment to Rule 3523, and to adjust the implementation schedule for that rule to allow time for the Board to consider comments on the proposed amendment. The proposed amendment is based on comments received on the Board's concept release issued earlier this year.

Second, the Board also will consider in a moment staff's recommendation to propose a new ethics and independence rule that would supersede the Board's interim independence requirement, Independence Standards Board Standard No. 1, regarding Independence Discussions with Audit Committees.

With regard to the proposed amendment to Rule 3523, the Board solicited comment on the effects on independence of providing tax services to a person covered by Rule 3523 during the portion of the audit period that precedes the professional engagement period, as well as any other practical consequences of applying the rule to that time period. Most comments recommended excluding that period and thought that independence is not affected by providing services during that period.

I concur with staff's observation that it is not necessary to restrict the provision of tax services during the portion of the audit period that precedes the professional engagement period to preserve independence. Accordingly, I support staff's proposal, which takes the approach outlined in the Board's concept release.

This change, importantly, would not alter the rest of Rule 3523; it would maintain auditor independence by preventing a firm from continuing to provide tax services to persons covered by Rule 3523 once the professional engagement period has commenced.

Moreover, it is important to note that if following the comment period, the Board moves to amend the rule as proposed, auditors would still be responsible for considering the relevant facts and circumstances of a specific tax engagement and determining whether their independence is impaired under the SEC's general standard of independence.

My colleagues and I on the Board welcome public comment on this proposed amendment.

Proposed Rule 3526 (Ethics and Independence Rule on Communication with Audit Committees):

As staff has just outlined, the Board has been asked to consider proposing a rule that builds on the communication requirement in ISB No. 1. That standard, which is part of the Board's interim independence standards, requires, among other things, a firm to disclose annually to the audit committee all relationships between the auditor and its

related entities and the company and its related entities that may reasonably be thought to bear on independence.

The Sarbanes-Oxley Act enhanced the audit committee's role in hiring and overseeing the auditor. The rule that we are considering proposing today would improve on ISB No. 1, by requiring communications about independence before a firm becomes the issuer's auditor of record. Proposed Rule 3526, similar to ISB No. 1, would also require the auditor to communicate any relationships that may reasonably be thought to bear on independence on an annual basis after being retained as the auditor of record.

The communication required by the proposed rule should provide the audit committee with sufficient and timely information to understand how a particular relationship may affect independence and to foster a robust discussion. In my view, the proposed rule will help audit committees make more informed decisions when hiring their auditors. For this reason, I support the staff's proposal and encourage public comment on it.

The Board is seeking comments on all aspects of the amendment and proposed rule, and I encourage stakeholders to consider the proposals and provide comments.

I will now turn to my fellow Board Members for any discussion.