

**Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington DC, 20006-2803**

**COMMENTS WITH REGARD TO RULEMAKING DOCKET MATTER N° 001  
BY RSM SALUSTRO REYDEL, FRENCH MEMBER OF RSM INTERNATIONAL**

Dear Mr. Secretary,

We, hereby, submit to the Public Company Accounting Oversight Board (“the Board”) our comments with regard to questions raised by the Board in its Release N° 2003-1 and Rulemaking Docket Matter N°1 issued on March 7, 2003 in connection with the implementation of the Sarbanes Oxley Act.

Those comments are designed to emphasize certain specificities of the French oversight system of the accounting profession as well as certain matters specific to RSM Salustro Reydel, as an audit firm already accredited to work before the SEC and member of but not associated to an International network.

**General Overview of the commentator**

RSM Salustro Reydel (“the Company”) has been formed in 1991 on the merger of two audits French firms that had been in public accounting respectively since 1952 and 1964. The Company is a core member of RSM International (“RSMi”), the 6<sup>th</sup> largest accounting network worldwide. Our Chairman and Managing Director chaired until very recently the RSMi Transnational Assurances Services Executive Committee, responsible for developing, harmonizing and monitoring implementations of quality assurance systems and procedures within RSMi and is currently the representative of RSMi to the Transnational Auditors Committee within the Forum of Firm organized by IFAC.

The Company has been qualified to appear and practice as an independent auditor before the Securities and Exchange Commission (“SEC”) since January 2000. From that time on, the Company has been jointly signing the financial statements of three leading French companies listed on the New York Stock Exchange, France Télécom, Vivendi Environnement and Vivendi Universal.

In performing these engagements and prior to any filing with the SEC which contains the Company’s audit report that filing has been reviewed in accordance with the requirements of the American Institute of Certified Accountants (“AICPA”) SEC Practice Section (“SECPS”) Appendix K to its satisfaction by McGladrey&Pullen, LLP, the American founding member of RSMi.

**Question 1 - Is it feasible for foreign public accounting firms to register within 180 days of the date of the Commission's determination that the Board is capable of operating? Should foreign public accounting firms be afforded some longer period (e.g. an additional 90 days) within which to register?**

Notwithstanding legal issues (more specifically addressed in our comment to question #4), the Company would like to point out to the Board the following difficulties it might enter into to produce the required information to register with the Board and which, in its views, could require a longer period of time:

- (i) With regard to breakdown of historical revenue information by type of engagements performed as set forth in Part III of Appendix 2 – Proposed Form 1 of Release N° 2003-1, the Board should be aware that:
  - a) The Company does not track its revenue for non-US listed clients according to the Form F1 required presentation. This information on a historical basis may be extremely difficult and time consuming to assemble as
    - historically, the Company has never monitored as such its revenues,
    - the information is disseminated around the world and has never been isolated before neither in our own accounting records nor in any of our subsidiaries' accounting records,
  - b) In any cases, in order to comply with the Board requirements, the Company will have to implement in its French offices, its French and foreign subsidiaries a new revenue tracking system for all clients,

Additionally, for the purpose of providing this information to the Board, the Company is seeking clarification from the Board as to whether or not that information has to be provided using French generally accepted accounting principles (“GAAP”) which our current reporting GAAP or in US GAAP and in local currency or in US dollar.

- (ii) With regard to any matters involving individuals employed by the Company within the general framework of the French social laws, the Company's may not be in a position to obtain consents to all requirements of the Board prior to employees seeking independent legal advice. Specifically requirements set forth in Part VIII item 8.1 b. of Appendix 2 – Proposed Form 1 of Release N° 2003-1 might require modification of all employees working contracts as well as individual consents to those changes.
- (iii) In addition, the requirement set forth in Part IX of Appendix 2 – Proposed Form 1 of Release N° 2003-1, may require setting up new internal procedures which for entities certified ISO 9001 like the Company and it is not clear to the Company whether or not these new procedures will have to be compliant with the ISO standards therefore requiring to be reviewed and approved by ISO reviewer.

- (iv) The Company believes that the information that would have to be disclosed and made public with regard to criminal, civil, governmental, administrative, disciplinary or other proceedings as set forth in Part V of Appendix 2 – Proposed Form 1 of Release N° 2003-1 within the last ten, five or one year depending on the nature of the action is a long and expensive process. With regard to disciplinary actions, professional sanctions and arbitration, as these procedures are not of public knowledge in France, disclosure to the Board may require formal approval from all parties involved, which in the views of the Company should slow down the process.
- (v) The Board should be aware that criminal records are not of public knowledge in France. As a consequence, disclosure to the Board should only be possible once individuals consents have been collected.

Consequently, for all the above reasons and without taking into consideration all other changes required by the provisions of the Sarbanes Oxley Act (e.g., Sections 208, 301, 302, 401, 404, 406 and 802) which, by themselves will require dedication of significant Management's time and resources, the Company's considers that it is unlikely that this could be reliably achieved within a period of 180 days and that the Board should consider allowing significantly more time to foreign accounting firms.

**Question 2 - Are there any portions of Form 1 that are inapplicable, or that should be modified, in the case of non-U.S. applicants?**

The Company would like to let the Board know about some specificities that the Company may enter into in order to provide the information required by the Board for registration:

- (i) The financial statements of the Company are prepared in accordance with French GAAP using the Euro as its reporting and functional currency. To convert any historical information to US GAAP (if required) and US dollar (as indicated in Appendix 2 – Proposed Form F1 General Instructions (6)) may not be relevant for the purpose of the Board. Consequently, the Board should consider allowing non affiliated foreign audit firms to report in local GAAP and local reporting currency for the purpose of fulfilling the requirements set forth in Form 1.
- (ii) With regard to matters involving individuals employed by the Company, requirements set forth in Part VIII item 8.1 b. of Appendix 2 – Proposed Form 1 of Release N° 2003-1 may contravene French as well as local social laws (for subsidiaries located outside France).
- (iii) In addition, the Company considers that matters addressed in comments to question # 4 (see below) related to confidentiality, testimony and personal data

are relevant information to be considered by the Board regarding comments to question # 2.

**Question 3 - In addition to the information required by Form 1, is there any additional information that should be sought from non-U.S. applicants?**

French oversight and monitoring processes, together with investigation and disciplinary procedures are in France monitored and performed by the Commission des Opérations de Bourse and the Compagnie Nationale des Commissaires aux Comptes. Consequently, the Company believes that those two bodies may be in a better position than the Company to comment on this question.

**Question 4 - Do any of the Board registration requirements conflict with the law of any jurisdiction in which foreign public accounting firms that will be required to register are located?**

The following French legal aspects should be of consideration to the Board to understand why some of the information or requirements requested for registration may not be provided by French accounting firms:

- (i) Part VIII item 8.1 a. of Appendix 2 – Proposed Form 1 of Release N° 2003-1 conflicts with Article L.225-240 of the French Code that imposes confidentiality obligations with respect to facts, documents or information audit firms have learned or that were disclosed to them in the course of their work except when required or authorized by law but there is no provision under French law that requires or authorizes communication of such information to the SEC or the Board; In addition, article 66 of the August 16, 1969 Decree lists entities to which audit workpapers may be disclosed if requested but this text does not list the SEC or the Board;
- (ii) Civil sanctions that could be imposed by the Board would not be recognized in France on the basis of the fact that no judgement would have been rendered by an US court;
- (iii) Criminal sanctions may be impossible to implement in France against French individuals or the Company as there is little if any enforcement in France for criminal actions by a U.S. court whereas for individuals, the French – U.S. treaty on extradition provides for very restrictive conditions that may not be met with regard to matters detailed in the Sarbanes Oxley Act;
- (iv) Some information required by the Board would be considered “personal data” for the purpose of the EC directive 95\46\EC and the “Loi Informatique et Liberté” dated January 6, 1978. It is the Company’s understanding that personal data includes the details of all accountants associated with the firm and information relating to criminal, civil or administrative actions or disciplinary proceedings pending against the firm (the latter being “sensitive

personal data” subject to even greater restrictions under the directive). No such data can be communicated to third parties without individual consent without breaching the requirements of the directive. The consent must be “freely given, specific and informed” (and in the case of sensitive personal information the consent must be express). The fact that individual consents are obtained is not sufficient enough in order to allow transfer of personal data to the Board.

- (v) French laws preclude foreign jurisdiction to perform their own inspection on national territory. Even though professional confidentiality related to audit firms’ documentation do not apply to French regulators when legal or professional proceedings are engaged, current French laws would ban the Company from disclosing any of this information to the Board.
- (vi) In France, arbitration procedures are not a matter of public knowledge. Consequently, requirements of Item 5.3 (a) of Part V of Appendix 2 – Proposed Form F1 of Release 2003-1 should require prior consent from all parties to the arbitration.

**Question 5 - In the case of non-U.S. firms that are required to register because they play a substantial role in the preparation and furnishing of an audit report on a U.S. issuer, is the Board’s definition of “substantial role” appropriate?**

French law requires (a) joint audit, (b) audit of statutory financial statements of any “Société Anonyme” within a group and (c) audit firms to be nominated for a 6-year mandate. It is difficult for an audit firm as well as for the Issuer to determine which audit firms meet the definition set forth in of Section 2 Part 1. At any year-end close, for example, if for any reason there are changes in scope of consolidation of an Issuer, some audit firms that did not play a significant role in the audit of this Issuer may fall under this definition. There is therefore a need for the Board to consider granting responsibility to determine which entity plays a significant role in the audit of an Issuer to the auditors of the parent company. Consequently, the Company suggests the Board reconsider definition of Section 2 Part 1 item 2100 (n) (2) to insert the principal auditor concept.

**Question 6 - Should the requirements to register be different for foreign public accounting firms that are “associated entities” (as defined in the Board’s rules) of U.S. registered public accounting firms than for foreign firms that are not associated with U.S. registered firms?**

The Company is a core member of RSMi. To become a member firm of RSMi, any candidate has to demonstrate its ability to conform to the high quality standards set forth by the Transnational Assurances Services Executive Committee and the Board of RSMi. This quality standards have been developed in close collaboration with the

US member of RSMi, McGladrey&Pullen, LLP and the Company fully complies with such standards.

The Company believes that statements required by Item 4.1 of Part IV of Appendix 2 of the Board Release 2003-1 might be addressed with a presentation of these membership requirements.

**Question 7 - Should registered foreign public accounting firms be subject to Board inspection? Could the Board, in some cases, rely on home-country regulation in lieu of inspection of foreign public accounting firms? If so, under what circumstances could this occur?**

In addressing issues related to question # 7, the Board may want to take into consideration the following:

- (i) It is important to stress that French legal systems preclude foreign jurisdiction from conducting inspections in France. Consequently, we suggest that the Board, prior to setting any definitive rules with regard to inspection requirements, visits with the French regulatory bodies and French Ministry of Justice with regard to these matters (see also comment to question # 4);
- (ii) The Company is already submitted to inspection related to listed and unlisted engagements performed by the Compagnie Nationale des Commissaires aux Comptes;
- (iii) As part of RSMi, it is already submitted to a second set inspection through the RSMi Inspection program ;
- (iv) Being accredited to work before the SEC, all of the Company's engagements related to Issuer listed in the United States of America are submitted to specific review requirements as set forth in Appendix K of the SECPS of the AICPA;
- (v) Most if not all of the Company's files are maintained in French language.

**Question 8 - Aside from Board inspection, are there other requirements of the Act from which foreign public accounting firms should be exempted? If so, under what circumstances?**

Because of the general legal environment as described in more detail in comments to questions # 2, 4 and 7, the Company recommends the Board to consider exempting foreign audit firms of the requirements regarding (i) access to documentation and testimony (ii) oversight control and (iii) some information requested for registration.

Similarly, coercive systems set forth by the Board could potentially lead to duplication of sanctions on the Company for acts that would also fall under sanctions of our national regulators. Consequently, sanctions from the Board may difficult to enforce.

It is the Company's belief that because of these uncertainties the Board allow more time for continuing dialogue with the French regulators, the French Ministry of Justice and audit firms to find ways to meet the requirements of the Board without breaching sovereignty of the French regulators and duplicating oversight.

**Question 9 - Are there requirements different from those the Act imposes on all registered public accounting firms that the Board should apply to foreign public accounting firms?**

Based on comment to question # 1, 3 and 4, the Board should consider granting a significant extended period of time to address specificities related to foreign audit firms and pursue alternative avenues with foreign regulatory bodies and audit firms in order to achieve the objectives set forth in the Sarbanes Oxley Act.

**Question 10 - Should the Board's oversight of foreign registered public accounting firms that are "associated entities" (as defined in the Board's rules) of U.S. registered public accounting firms be different than its oversight of foreign public accounting firms that are not associated entities of U.S. registered firms? Should the U.S. register firm have any responsibility for the foreign registered firm's compliance with the Board's rules and standards?**

As a general matter, the Company considers that with respect to foreign public firms not associated with US registered firms, the Board considers recommending the continuation of the existing SECPS Schedule K requirements, or being inspired by the existing practice.