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Mr Charles Niemeier
Acting Chairman
Public Company Accounting Oversight Board
1666 K Street NW
WASHINGTON DC
USA

Dear Charlie

OUR VISIT TO WASHINGTON 15 APRIL

We were very pleased to take part in the Round Table on registration and oversight of foreign accounting firms. The main messages from Governments and regulators from overseas were pretty clear. However, it is now very important to follow this up with you urgently from a UK perspective. Stephen Haddrill, Peter Wyman and I are therefore very grateful to you and your colleagues for agreeing to meet us on Tuesday and we look forward to seeing you again then. It may be helpful therefore if I offer a few comments on behalf of the UK Government to set the scene for our discussion.

What we are keen to explore with you is a practical way forward which meets legitimate US needs without imposing considerable and, in our view, quite unnecessary regulatory burdens on UK audit firms. Neil Lerner wrote to you recently with an outline of a possible way forward, which would start from the existing UK registration and regulatory system and see how it



might be possible to build into this specific arrangements in respect of those firms involved in the audits of SEC registrants. This seems to offer considerable advantages both to you and to us.

We recognise the constraints within which you are working. You are required to work within the confines of the Sarbanes-Oxley Act; and, you are understandably reticent to use the Sec 106 power to exempt foreign firms too freely. And the time pressures on you are considerable. I can see therefore that it is tempting to press ahead with a uniform requirement to register and then look again at how you would try to apply regulation in practice.

Equally, you must appreciate the depth of our concern at the prospect of a US registration requirement and a US regulatory regime being imposed without regard to the implications for our own regulatory arrangements, and which duplicate and perhaps cut across requirements, which are already extensive and essentially equivalent to what you are proposing in respect of US audit firms. The context, it is important to remember, is the regulation of UK audit firms who are London (or which happen to be subsidiaries of US registrants).

Kind Regards

John Grewe

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