



**ERNST & YOUNG**

Ernst & Young LLP  
5 Times Square  
New York, New York 10036  
Tel: +1 212-773-2500  
Fax: +1 212-773-0004  
[www.ey.com](http://www.ey.com)

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

15 May, 2009

## **Public Company Accounting Oversight Board; Notice of Filing of Proposed Amendment to Board Rules Relating to Inspections**

**Commission File No. PCAOB-2008-06**

Dear Ms. Murphy:

Ernst & Young LLP ("EY"), the U.S. member firm of Ernst & Young Global ("EYG"), appreciates the opportunity to comment on the *Public Company Accounting Oversight Board; Notice of Filing of Proposed Amendment to Board Rules Relating to Inspections* (the "Notice of Filing"). The comments below reflect the views of EY and of the other member firms of EYG.

The Notice of Filing seeks public comment on an amendment adopted by the Public Company Accounting Oversight Board (the "PCAOB" or the "Board") to its rule relating to the minimum frequency with which the Board must conduct inspections under Sections 102(a) and 106 of the Sarbanes Oxley Act (the "Act"). The amendment, if approved by the SEC, would defer the inspection deadline to 2009 for the inspections of certain foreign registered public accounting firms that currently have a 2008 deadline (the "Amendment"). The Amendment is part of a broader proposing release, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (the "Release").

The Release stated that the Board was proposing rule amendments to address "interconnected issues that relate to the Board's responsibility to conduct inspections of registered firms, including non-U.S. firms, and the corresponding obligation of firms to cooperate with Board inspections." Part I of the Release dealt with amendments to the Board's minimum frequency rule. Part II of the Release described potential consequences for non-U.S. firms unable to cooperate fully with Board inspections because of conflicts arising from local laws.

We take this opportunity to comment on the Amendment set forth in the Notice of Filing and in Part I of the Release, as well as to reiterate our views on certain of the "interconnected issues" described in the Release.

In our letter of February 2, 2009, we provided the PCAOB comments on the Release, including our support for the Amendment.<sup>1</sup> We recognize that the Act's requirements for inspections of non-U.S. firms pose special issues for the Board and for the non-U.S. firms. We support the

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<sup>1</sup> See Comment letter of Ernst & Young LLP.  
[http://www.pcaobus.org/Rules/Docket\\_027/Comments/All.pdf](http://www.pcaobus.org/Rules/Docket_027/Comments/All.pdf)

PCAOB inspection process and believe it is important that the Board resolve these issues. We encourage the Board to explore sensible solutions with its regulatory counterparts throughout the world on those issues that remain. For the reasons described in the Release and the Notice of Filing, we agree it is appropriate under the circumstances to adjust the inspection schedule to the one proposed by the Board.

In our comment letter we also encouraged the Board to continue its efforts to develop cooperative relationships with its foreign counterparts and work with relevant local authorities to try to resolve potential conflicts of law for non-U.S. firms. In addition, we expressed our concern that placing the firms in the middle of competing sovereign interests will not facilitate regulatory objectives.

In this regard, we are concerned by recent developments. Certain PCAOB-registered firms located outside of the United States have recently received letters from the PCAOB, which demand that such firms move forward with PCAOB inspections even though the relevant regulators or government bodies have not yet reached an understanding on the conduct of PCAOB inspections within those jurisdictions. This could put a non-U.S. registered firm on difficult ground, as it may have to violate local law in order to comply with the PCAOB demand.

The SEC should encourage the Board and its foreign counterparts to intensify their regulatory dialogue to resolve sovereignty concerns or legal objections of local authorities to inspections. Registered accounting firms should not be asked to violate their local laws. Furthermore, we do not believe that a firm's legitimate concerns about conflicts of law should be a basis for concluding the firm has violated Rule 4006 and lead the Board to consider imposing disciplinary sanctions. Making demands on firms that cannot be met by them without violating local law does not address the fundamental issues impeding the Board's efforts to conduct inspections.

In conclusion, as we stated in our February 2, 2009 comment letter to the PCAOB, other countries have legitimate interests in enforcing their laws, including those relating to confidentiality, and bank secrecy, and regulators have learned to work together precisely to deal with the challenges of cross-border supervision and enforcement in the face of such national laws and interests. We have urged the PCAOB to continue to respect those laws and develop mechanisms for cooperating with its counterparts through mutual recognition or reliance.

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Sincerely,

*Ernst + Young LLP*