

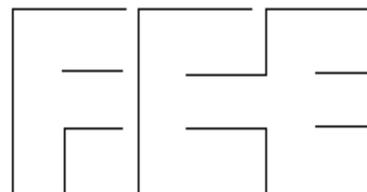
Date
18 September 2006

Le Président

Fédération
des Experts
Comptables
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AISBL

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Nancy M. Morris
Secretary
Securities Exchange Commission
100 F Street, NE
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Email: rule-comments@sec.gov

Dear Ms Morris,

Re: File Number S7-11-06 Release No. 34-54122 Concept Release Concerning Management's reports on Internal Control over Financial Reporting

FEE is pleased to comment on the Securities and Exchange Commission (SEC) "File Number S7-11-06 Release No. 34-54122 Concept Release Concerning Management's reports on Internal Control over Financial Reporting".

FEE, the European Federation of Accountants, is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE Member Bodies are present in all 25 Member States of the European Union and they represent more than 500,000 accountants in Europe.

FEE notes with interest the SEC's Concept Release in view of FEE's own substantial contribution to recent discussions in Europe over the future direction of requirements and guidance relating to risk management and internal control. In particular FEE:

- published in March 2005 its Discussion Paper "Risk Management and Internal Control in the EU"¹;
- held a high level conference on 25 October 2005² (at which a senior staff member from the SEC spoke) on the issues raised by the Discussion Paper; and
- issued in May 2006 a Comment Paper "Analysis of Responses to the FEE Discussion Paper on Risk Management and Internal Control in the EU"³.

Respondents to FEE's Discussion Paper generally concluded that while Europe should learn from US experience in implementing Section 404 related to internal control over financial reporting, it would not be desirable at this stage to introduce a European equivalent of Section 404. FEE noted that debate on the best model for corporate reporting on risk management and internal control remained open and that Europe could learn from developing experience of a variety of approaches in many European countries as well as in the US.

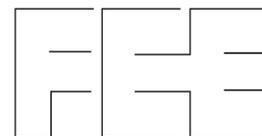
FEE's work has been considered by the European Corporate Governance Forum. The Forum comprises individuals from a broad range of relevant stakeholders across Member States and was established by a European Commission decision of 18 October 2004. In its Statement on Risk Management and Internal Control of June 2006⁴, the Forum referred to:

¹ http://www.fee.be/publications/default.asp?library_ref=4&content_ref=351

² http://www.fee.be/news/default.asp?library_ref=2&content_ref=518

³ http://www.fee.be/publications/default.asp?library_ref=4&content_ref=564

⁴ http://ec.europa.eu/internal_market/company/ecgforum/index_en.htm



- the requirement of the new EU Directive on Statutory Audit that audit committees of listed and other public interest entities monitor the effectiveness of the company's internal control, internal audit where applicable, and risk management systems;
- the requirement of the new amending Directive concerning annual and consolidated accounts that listed companies publish an annual corporate governance statement, including a description of the main features of any existing risk management systems and internal controls in relation to the financial reporting process;
- recent initiatives in many EU Member States to require or encourage listed companies to exercise risk management and internal control and report to shareholders by appropriate disclosure, embracing a variety of approaches to the scope of the requirements and associated disclosure obligations; and
- the need both for a careful examination of the lessons to be drawn from experience before considering any further legislation or other measure at EU level and for the identification of relevant principles and best practices which best fulfil the aims of managing risks associated with the successful conduct of business and enhancing the quality of financial reporting.

For these reasons there is particular interest in Europe about whether actions taken by the SEC pursuant to the Concept Release will enable benefits of Section 404 to be retained while responding to concerns, particularly about related costs. In this context, FEE encourages the SEC, in addressing the issue of implementation guidance provided for management, to note the potentially significant implications of the following themes of FEE's Discussion Paper of March 2005:

- requirements should be framed as principles in terms of high-level objectives or outcomes to be achieved rather than rigid and detailed rules that prescribe how these outcomes are to be achieved; and
- the responsibilities of those charged with governance in a company set the context and boundaries for the auditors' involvement and questions about the role of external auditors should not be settled before those related to boards and management. FEE believes that the auditors' provision of assurance services on internal control cannot exceed the responsibilities assumed by those charged with governance.

We would be pleased to discuss with you any aspect of this letter you may wish to raise with us and to send you copies of the two papers produced by FEE and the statement from the European Corporate Governance Forum if these would be of interest to the SEC.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin', written in a cursive style.

David Devlin
President