



The Chemical Company

BASF Aktiengesellschaft, 67056 Ludwigshafen, Germany

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Friday, February 23, 2007

**Re: File No. S7-24-06
Proposed Rule
Management's Report on Internal Control Over Financial Reporting**

Dear Ms. Morris,

We refer to the SEC's proposed rule on Management's Report on Internal Control Over Financial Reporting as of December 20, 2006.

In general we appreciate the SEC's proposed rule as we see a stronger focus towards a more efficient and risk oriented approach when evaluating ICOFR. We acknowledge that the SEC's and PCAOB's proposals are intended to enable a management's driven assessment process and that the auditors are no more requested to express an opinion on management's assessment.

Please find our comments on following points:

1. Monitoring activities

The interpretive guidance mentions on-going monitoring activities as a method to obtain evidence of the operating effectiveness of ICOFR. We agree that controls can be effectively tested by regular monitoring activities integrated in the daily responsibilities of managers. This procedure should apply for areas of low as well as high risks.

It would be helpful to clarify, to what extent an additional direct testing of controls - described as "tests performed periodically to provide evidence as of a point in time" - is required. We would also see a benefit if on-going monitoring controls could be included by the interpretive guidance as direct testing and no additional evaluation activities are mandatory.

2. Auditor's testing of operating effectiveness

We understand that management's and auditor's assessments of ICOFR are proposed to be independent. It would be beneficial to clearly express that auditors can start their testing activities related to ICOFR without waiting for management to finalize own testings.

In case auditors intend to rely on respective management's testings an aligned testing approach is

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of course inevitable. As auditors regularly execute own tests of operating effectiveness we see an advantage in having flexibility on both management's and auditor's side as far as test planning is concerned. This especially applies to the timeframe of year end closing.

3. Safeguarding of assets and fraud prevention

The term "safeguarding of assets" was removed from the proposed rule. We understand that the loss of assets is no longer in focus of Sarbanes Oxley. Since from our point respective loss is not a significant matter for financial statement purposes, the elimination of the "safeguarding of assets" request will reduce the number of necessary controls without derogating effectiveness of ICOFR.

It would be beneficial to clearly express to what extend fraud prevention controls have to be implemented with regard to Sarbanes Oxley Act Section 404. We understand that for example management override and fraud of senior management is intended to be in scope. As we actually have many controls in place – especially in the sales and procurement area – to cover the aspects "fraud" and "safeguarding of assets" we would appreciate a clear directive, what kind of controls related to mentioned aspects are in and out of scope.

4. Financial statement assertions

We have not seen any emphasis on the "financial statement assertions" in the interpretive guidance. In particular respective assertions are not mentioned in relation to risk assessment or risk coverage. We understand that companies must not apply the concept of "financial statement assertions" and can use other instruments to operationalize specifications of risks. A clarification on this - also with regard to PCAOB proposal - would be helpful.

We thank you for having the opportunity to provide our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Eckhard Müller".

Name: Eckhard Müller
Title: President Finance Division