December 22, 2010

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rules for Implementing Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934
File Number S7-33-10

Ladies and Gentlemen:

PricewaterhouseCoopers LLP ("PwC") appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC" or the "Commission") Proposed Rules for Implementing the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934.[1] We submit this comment letter to address certain aspects of the Proposed Rules.

Internal reporting of any information for which a reporting person seeks a whistleblower award should be required to promote reliability and integrity of financial statements and auditors' opinions.

We strongly support internal reporting mechanisms, such as those implemented pursuant to the Sarbanes-Oxley Act,[2] which encourage persons to come forward with complaints and concerns regarding accounting, internal controls or auditing matters. The capital markets rely on the integrity and reliability of an entity's financial statements, and timely reporting, investigation and remediation of reports of potential illegal acts contributes significantly to integrity and reliability of financial reporting. The proposed whistleblower rules, however, would establish an alternative reporting channel that would encourage persons who believe they have knowledge of potential securities laws violations to bypass internal reporting channels and provide that information to the SEC in the hopes of obtaining a monetary reward.

We believe it is critical to the effective operation of companies' existing internal compliance systems, and the accounting firm's role in auditing those companies' financial statements, that the appropriate persons at a company be informed about matters reported by a whistleblower to the Commission that raise questions about whether violations of the securities laws have occurred. The Commission appropriately recognizes that the SEC-administered whistleblower reward process should not reduce the effectiveness of a company's current internal processes for reporting and responding to potential violations of the federal securities laws. See Release at 4. We agree with this, but believe that the Commission's proposals do not go far enough to ensure

[1] Exchange Act Release No. 34-63237 (Nov. 3, 2010).

[2] See Securities Exchange Act of 1934, § 10A(m)(4) (listed company audit committees to establish whistleblower reporting procedures).

that any information reported to the SEC pursuant to the whistleblower rules will be reported internally on at least a contemporaneous basis.

Under law and professional standards, auditors consider the possibility of illegal acts by the audit client. One aspect of that consideration is management and the audit committee's representations regarding the absence of reporting of any illegal acts. In addition, auditors may consider the reporting procedures generally as an aspect of internal controls in determining appropriate audit procedures. A situation in which a whistleblower reports possible evidence of a violation of securities laws to the Commission, but not to the entity itself, could undercut the reliability of the entity's financial statements, as well as the audit opinion.

If, after the financial statements and audit report are issued, the auditor became aware of the facts contained in the whistleblower report, it may have to perform additional procedures to determine whether information disclosed in the report, if it had been known at the time the audit report was issued, would have affected the auditor’s report.[3] And the entity may have to consider whether its financial statements would need to be restated. It would not help to maintain public trust and investor confidence in the U.S. capital markets if auditors had to withdraw their reports and/or the entities had to restate their financial statements based on whistleblower information that could have been addressed before the financial statements and audit reports were issued, if only the whistleblower had also followed internal reporting procedures.

Accordingly, we recommend that the final Rules require, as a condition of eligibility for an award, that the whistleblower report the information through its entity’s internal reporting mechanism at least concurrently with reporting the information to the Commission. A system of concurrent reporting will not impair the ability of a whistleblower to recover a whistleblower award if the whistleblower otherwise establishes his eligibility under the SEC’s rules. In addition, in the situation where a whistleblower first reports internally, we believe that the 90 day grace period currently provided for in the Proposed Rules should be extended to 180 days to allow an entity sufficient time to investigate the matter.

The exclusion of information obtained through performance of SEC-required engagements should be extended to reports of alleged violations of securities laws by the accountant’s firm or the firm’s personnel.

Proposed Rule 21F-4(b)(4)(iii) excludes awards based on information obtained “[t]hrough the performance of an engagement required under the securities laws by an independent public accountant, if that information relates to a violation by the engagement client or the client’s directors, officers or other employees.” As the Commission recognizes, this exclusion derives from the important role of the independent accountant in the financial reporting or other regulatory context of the engagement, a role which benefits companies and investors by providing assurance about the information that is subject to the engagement. In light of that role, we believe that the whistleblower rules should not establish an alternative reporting channel for

[3] See AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report*.

any information derived by accountants from performance of a professional engagement. Thus, we agree with the exclusion of information reported by accountants regarding violations by an engagement client or the client's personnel. However, we believe the exclusion should also extend to reporting by an accountant against his or her firm or other accounting firm personnel.

Creating a distinction between reports by accountants about their clients and reports about the firm or its personnel itself is impracticable. Information about potential violations by an accounting firm or its personnel that is obtained through the performance of an engagement for a client will most likely be intertwined with information about the client itself—i.e., any alleged illegal activity by an accountant will likely also involve underlying illegal conduct by the client and likely will have been obtained by the reporting person only through performance of procedures relating to that client. Accountants have duties under law and professional standards to maintain the confidentiality of certain client information, and it would be highly difficult for an accountant to report information about his or her firm or firm personnel without also disclosing confidential client information, thereby potentially breaching those duties. The securities laws should not create incentives for accountants to breach their duties of confidentiality by offering monetary payments for reporting such information to the SEC. To the extent that accountants have concerns about the conduct of the firm or other members of an engagement team, there are existing internal processes and procedures which provide avenues to escalate potential issues.

Accounting firm employees should not be eligible to recover whistleblower awards based on reporting information obtained through performance of professional services.

The Proposed Rules contain restrictions on awards for reporting by accounting firm personnel in two contexts: Information obtained in the course of an audit where a whistleblower submission would be contrary to the requirements of Section 10A of the Exchange Act (Proposed Rule 21F-8(c)(4)) and information about clients obtained through an "engagement required under the securities laws." (Proposed Rule 21F-4(b)(4)(iii)). We agree with these rules. However, in addition to the comment in the preceding section regarding reporting by accounting firm personnel with respect to alleged violations by the firm itself or its personnel, we believe that there are strong reasons, based on the role of accountants and accounting firms, to further expand the scope of the exclusion.

- The exclusion should extend to all reports by employees of accounting firms with respect to information obtained through performing services of any nature for an audit client. The exclusion should not be limited to information obtained through the engagement required by the securities laws itself. Indeed, the Commission appears to envision that the exclusion in Proposed Rule 21F-4(b)(4)(iii) "would also apply to information gained through another engagement by the independent public accountant for the same client." Release at 23n.32. This exclusion does not appear to be limited to engagements for audit services or audit-related services. We recommend that this exclusion be expressly incorporated into the Rules themselves.

- The exclusion should not be limited to public company work. Accountants should not be eligible for rewards even with respect to audits, reviews or similar engagements performed for non-public clients.[4] AU 317, after which Section 10A is patterned, applies to audits of non-public clients. Just as in the case of the public company audit, there is an existing framework under professional standards for addressing potential illegal acts identified at those clients. To allow accountants to report to the SEC in the hopes of obtaining a personal reward instead of following the requirements of AU 317 would be inconsistent with these professional responsibilities. Reports by accountants should therefore be excluded for the same reasons which support the exclusion in Proposed Rule 21F-8(c)(4) relating to reporting under Section 10A.

In sum, as with lawyers and other compliance professionals, we believe that accounting firm employees should be excluded from eligibility for whistleblower awards, not just pursuant to the limited exclusions identified in the Proposed Rules. We believe the proposed broader scope of the exclusion is consistent with the functions of accounting firms and that whistleblower reports by accounting firm personnel are appropriately channeled through existing legal and professional requirements, as well as through internal accounting firm policies and procedures for dealing with reports of illegal acts by clients. We believe that relying on these existing legal, professional and internal mechanisms will be most effective to satisfy the public interest in accurate and reliable financial reporting and effective audits of that information.

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We are available to discuss our comments and to answer any questions that the SEC staff may have. Please contact Michael J. Gallagher at (973) 236-4328 regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

[4] While private companies may not be subject to the public reporting requirements of the Exchange Act, they still could potentially engage in a violation of the securities laws, for example the selling of unregistered securities or in a violation of Section 10(b) or Rule 10b-5 if they issued false and misleading financial statements, and therefore a whistleblower might be able to seek an award for reporting a violation by such a company.

cc:

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