

regulatory authorities have directed DTTC not to produce documents to the SEC and have instructed DTTC that the SEC must work through the China Securities Regulatory Commission (“CSRC”) to obtain such documents. In the face of these explicit instructions from the China government, DTTC’s compliance with the Section 106 Request for Client G workpapers (the “Request”) would violate China law and subject DTTC and its personnel to severe sanctions, including possible imprisonment of DTTC’s personnel and dissolution of the firm. DTTC has not engaged in a bad faith refusal to produce documents; to the contrary, DTTC’s good faith inability to produce documents without violating China law cannot constitute a “willful refusal” to produce documents to the SEC.

For at least seven independent reasons, this proceeding against DTTC is not warranted. First and foremost, DTTC’s inability to produce workpapers in these circumstances does not constitute a “willful refusal” within the meaning of Section 106. Second, the OIP constitutes an impermissible attempt to bypass the longstanding rule that administrative requests for information are not self-executing and can be enforced only in federal court. Unless and until a federal court determines that the Section 106 request is enforceable, the Division cannot seek sanctions in this proceeding. Third, regardless of whether the enforceability of the Request is litigated here or in federal court, settled principles of international comity dictate that the Request is unenforceable. Fourth, DTTC’s inability to produce documents directly to the SEC and its readiness to produce the documents upon authorization from the appropriate China authorities dictate that the only appropriate recourse here is to allow DTTC to satisfy its production obligations through the “alternate means” of production to the CSRC, as Section 106(f) expressly permits. Congress crafted this provision to avoid the very conflict of laws that the OIP potentially creates here.

Fifth, the SEC's prior course of conduct is inconsistent with any attempt to sanction DTTC for its inability to produce documents and any attempt to do so is fundamentally unfair, arbitrary, and capricious. Pursuant to rules of the Public Company Accounting Oversight Board ("PCAOB") approved by the SEC, DTTC registered with the PCAOB, explicitly making clear that the constraints imposed by China law prevented it from producing documents absent the authorization of the China government. The SEC also has allowed and encouraged China-based issuers to list on US markets, knowing full well that their auditors cannot produce documents to the SEC. Sixth, the Division cannot establish that DTTC's conduct amounts to a "willful refusal" or a "willful violation" of the federal securities laws where DTTC's legal obligations were, at minimum, objectively uncertain under the circumstances.

Finally, sanctioning DTTC would be contrary to the public interest. Disciplinary proceedings under Rule 102(e) must be remedial, but sanctioning DTTC will not remedy anything as no replacement auditor can produce workpapers directly to the SEC. Likewise, sanctioning DTTC will affirmatively harm both public companies, their financial reporting, and their investors and result in lower audit quality by leaving those public company audits to less qualified and experienced China-based audit firms.

DTTC stands ready and willing to produce its workpapers to the SEC. But it can do so only if authorized by the China government, a result that can be achieved only through government-to-government negotiations, not through this proceeding.

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings be, and hereby are, instituted pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice against BDO China Dahua CPA Co., Ltd.; Ernst & Young Hua Ming LLP; KPMG Huazhen (Special General Partnership); Deloitte Touche Tohmatsu

Certified Public Accountants Ltd.; and PricewaterhouseCoopers Zhong Tian CPAs Limited (collectively “Respondents”).¹

Answer to Section I: DTTC admits that the Commission has purported to institute proceedings against DTTC and BDO China Dahua CPA Co., Ltd.; Ernst & Young Hua Ming LLP; KPMG Huazhen (Special General Partnership); and PricewaterhouseCoopers Zhong Tian CPAs Limited pursuant to Rule 102(e)(1)(iii). DTTC denies the remaining allegations of Section I.

II.

The Division of Enforcement alleges that:

A. RESPONDENTS

1. **BDO China Dahua CPA Co., Ltd.** (“BDO China”) is located in Beijing, China, and is a PCAOB-registered member firm of BDO International Limited, a UK company limited by guarantee. BDO China audited the financial statements of an issuer client (“Client A”) for the fiscal years ended December 31, 2010 and 2011.

Answer to paragraph 1: Paragraph 1 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 1.

2. **Ernst & Young Hua Ming LLP** (formerly known as Ernst & Young Hua Ming Certified Public Accountants) (“E&Y Beijing”) is located in Beijing, China, and is a PCAOB-registered member firm of Ernst & Young Global Limited, a UK private company limited by guarantee. E&Y Beijing was engaged to audit the financial statements of an issuer client (“Client B”) for the fiscal year ended December 31, 2010 and another issuer client (“Client C”) for the fiscal years ended September 30, 2010 and 2011.

¹ Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

Answer to paragraph 2: Paragraph 2 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 2.

3. **KPMG Huazhen (Special General Partnership)** (formerly known as KPMG Huazhen) (“KPMG Beijing”) is located in Beijing, China, and is a PCAOB-registered member firm of KPMG International Cooperative (“KPMG”), a Swiss entity. KPMG Beijing substantially assisted a KPMG affiliate in auditing the financial statements of an issuer client (“Client D”) for the fiscal year ended December 31, 2010, another issuer client (“Client E”) for the fiscal year ended December 31, 2010, and another issuer client (“Client F”) for the fiscal years ended December 31, 2008, 2009 and 2010.

Answer to paragraph 3: Paragraph 3 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 3.

4. **Deloitte Touche Tohmatsu Certified Public Accountants Ltd.** (“DTTC”) is located in Shanghai, China, and is a PCAOB-registered member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee. DTTC was engaged to audit the financial statements of an issuer client (“Client G”) for the fiscal year ended June 30, 2010.

Answer to paragraph 4: DTTC avers that it is now known as Deloitte Touche Tohmatsu Certified Public Accountants LLP, admits it has an office in Shanghai, China, admits that it was engaged to audit the financial statements of Client G for its fiscal year ended June 30, 2010, and states that it did not complete that audit, did not issue an audit report on those financial statements, and was terminated after reporting irregularities to Client G’s Audit Committee and after serving as Client G’s auditor for a mere six months. As a result of DTTC’s actions, those potential irregularities were disclosed to the SEC and the investing public. DTTC further states that it was dismissed from its engagement of Client G prior to the Division issuing the Section 106 Request on DTTC. DTTC admits the remaining allegations of paragraph 4.

5. **PricewaterhouseCoopers Zhong Tian CPAs Limited** (“PwC Shanghai”) is located in Shanghai, China, and is a PCAOB-registered member firm of PricewaterhouseCoopers International Limited, a UK private company limited by guarantee. PwC Shanghai was engaged to audit the financial statements of an issuer client (“Client H”) for the fiscal year ended December 31, 2010 and another issuer client (“Client I”) for the fiscal year ended December 31, 2010.

Answer to paragraph 5: Paragraph 5 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 5.

B. FACTS

Summary

6. The Division of Enforcement has ongoing fraud investigations concerning Clients A, B, C, D, E, F, G, H, and I, each of which is a U.S. issuer whose securities were registered with the Commission and whose principal operations were based in the People’s Republic of China.

Answer to paragraph 6: Paragraph 6 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC admits that Client G was a U.S. issuer and its principal operations were based in the People’s Republic of China during DTTC’s six-month tenure as Client G’s independent auditor. DTTC lacks sufficient information to admit or deny the remaining allegations of paragraph 6.

7. This action stems from Respondents’ willful refusal, in response to Commission requests, to provide the Commission with audit workpapers and other materials prepared in connection with audit work or interim reviews performed for Clients A, B, C, D, E, F, G, H, and I, in contravention of their legal obligations as foreign public accounting firms.

Answer to paragraph 7: DTTC denies the allegations of paragraph 7, insofar as they relate to DTTC or the incomplete audit work DTTC performed for Client G. DTTC avers that its conduct does not constitute a “willful refusal” to comply with the Commission’s request for

documents under Section 106 because DTTC's inability to produce the requested documents directly to the Commission is the result of DTTC's compliance with its obligations under China law and directives of relevant China government authorities. To the extent paragraph 7 includes allegations directed at Respondents other than DTTC, no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the remaining allegations of paragraph 7.

Commission's Section 106 Requests

8. On February 1, 2012, pursuant to Section 106 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as amended by Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Section 106"), the Commission served BDO China, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client A]" for the fiscal years ended December 31, 2010.

Answer to paragraph 8: Paragraph 8 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 8.

9. On April 26, 2012, pursuant to Section 106, the Commission served E&Y Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client B]" for the fiscal year ended December 31, 2010.

Answer to paragraph 9: Paragraph 9 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 9.

10. On February 2, 2012, pursuant to Section 106, the Commission served E&Y Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client C]" for the fiscal years ended September 30, 2010 and 2011.

Answer to paragraph 10: Paragraph 10 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 10.

11. On February 6, 2012, pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client D]” for the fiscal year ended December 31, 2010.

Answer to paragraph 11: Paragraph 11 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 11.

12. On February 9, 2012, pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client E]” for the fiscal year ended December 31, 2010.

Answer to paragraph 12: Paragraph 12 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 12.

13. On February 3, 2012 pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit reports issued, audit work performed, or interim reviews conducted for [Client F]” for the fiscal years ended December 31, 2008, 2009, and 2010.

Answer to paragraph 13: Paragraph 13 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 13.

14. On February 14, 2012, pursuant to Section 106, the Commission served DTTC, through its designated U.S. agent for service of Section 106 requests, with a request

for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client G]” for the fiscal year ended June 30, 2010.

Answer to paragraph 14: DTTC admits that Division Staff sent a letter dated February 14, 2012 addressed to DTTC requesting that DTTC produce: “All audit work papers and all other documents related to any audit work or interim reviews performed for [Client G] for the fiscal year ending June 30, 2010” (the “February 14 Request”); that the February 14 Request stated that the request was pursuant to Section 106 of the Sarbanes-Oxley Act and Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act; that the February 14 Request attached a Form 1662; and that the February 14 Request was mailed to “Deloitte & Touche LLP as designated agent.” DTTC denies that it ever issued an audit report on Client G’s financial statements and further avers that, shortly after it was hired, DTTC discovered potential irregularities in Client G’s accounting, promptly reported its findings to Client G’s Audit Committee, insisted that follow-up procedures be conducted, and, after DTTC did not back down, was terminated as auditor, resulting in the disclosure of the potential irregularities to the SEC and the investing public. DTTC denies any remaining allegations of paragraph 14.

15. On February 8, 2012 pursuant to Section 106, the Commission served PwC Shanghai, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client H]” for the fiscal year ended December 31, 2010.

Answer to paragraph 15: Paragraph 15 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 15.

16. On February 16, 2012, pursuant to Section 106, the Commission served PwC Shanghai, through its designated U.S. agent for service of Section 106 requests, with a

request for “[a]ll audit work papers and all other documents related to any audit work performed for [Client I]” for the fiscal year ended December 31, 2010.

Answer to paragraph 16: Paragraph 16 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 16.

17. Each of the Respondents has informed the Commission that it will not produce the documents to the Commission as requested in the Section 106 requests because, among other things, Respondents interpret the law of the People’s Republic of China as prohibiting Respondents from doing so.

Answer to paragraph 17: DTTC denies the allegations of paragraph 17 to the extent that they relate to DTTC, and DTTC admits that it informed the Division that it is prohibited from producing the audit workpapers and other documents described in the February 14 Request to the Commission without the consent of the China government, that it has requested the authorization of the China government to produce the documents described in the February 14 Request to the Commission, and that the China government has to date declined to provide permission to DTTC to produce the documents to the SEC and has also instructed DTTC that doing so without authorization would violate China law and principles of Chinese sovereignty and would subject DTTC to liability in China. To the extent paragraph 17 includes allegations directed at Respondents other than DTTC, no response is required. To the extent a further response is required, DTTC admits, on information and belief, that other Respondents are subject to similar restrictions from producing documents directly to the SEC.

18. As of the date of this Order, the Commission does not have possession of the audit workpapers and other relevant documents sought in any of the Section 106 requests.

Answer to paragraph 18: Paragraph 18 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 18.

C. VIOLATIONS

19. Section 106(b) of Sarbanes-Oxley directs a foreign public accounting firm that “issues an audit report, performs audit work, or conducts interim reviews” to “produce the audit workpapers of the foreign public accounting firm and all other documents of the firm related to any such audit work or interim review” to the Commission upon request.

Answer to paragraph 19: Paragraph 19 states a legal conclusion to which no response is required. To the extent a further response is deemed required, DTTC admits that paragraph 19 accurately quotes a selected portion of Section 106(b) of the Sarbanes-Oxley Act but respectfully refers the Administrative Law Judge to Section 106 for its full contents.

20. A willful refusal to comply, in whole or in part, with a request by the Commission under Section 106 is a violation of Sarbanes-Oxley. *See* Section 106(e).

Answer to paragraph 20: Paragraph 20 states a legal conclusion to which no response is required. To the extent a further response is deemed required, DTTC respectfully refers the Administrative Law Judge to Section 106 for its full contents.

21. A violation of Sarbanes-Oxley constitutes a violation of the Securities Exchange Act of 1934 (“Exchange Act”). *See* Sarbanes-Oxley Section 3(b)(1).

Answer to paragraph 21: Paragraph 21 states a legal conclusion to which no response is required. To the extent a further response is deemed required, DTTC respectfully refers the Administrative Law Judge to Section 3 of the Sarbanes-Oxley Act for its full contents.

22. BDO China has willfully refused to provide the Commission with its audit workpapers and all other documents relating to BDO China’s audit or interim review work for Client A.

Answer to paragraph 22: Paragraph 22 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 22.

23. E&Y Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to E&Y Beijing's audit or interim review work for Client B.

Answer to paragraph 23: Paragraph 23 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 23.

24. E&Y Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to E&Y Beijing's audit or interim review work for Client C.

Answer to paragraph 24: Paragraph 24 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 24.

25. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client D.

Answer to paragraph 25: Paragraph 25 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 25.

26. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client E.

Answer to paragraph 26: Paragraph 26 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 26.

27. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client F.

Answer to paragraph 27: Paragraph 27 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 27.

28. DTTC has willfully refused to provide the Commission with its audit work papers and all other documents relating to DTTC's audit or interim review work for Client G.

Answer to paragraph 28: DTTC denies the allegations of paragraph 28. DTTC avers that its conduct does not constitute a "willful refusal" to comply with the Commission's request for documents under Section 106 because DTTC's inability to produce the requested documents directly to the Commission is the result of DTTC's compliance with its obligations under China law and directives of relevant China government authorities.

29. PwC Shanghai has willfully refused to provide the Commission with its audit workpapers and all other documents relating to PwC Shanghai's audit or interim review work for Client H.

Answer to paragraph 29: Paragraph 29 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 29.

30. PwC Shanghai has willfully refused to provide the Commission with its audit workpapers and all other documents relating to PwC Shanghai's audit or interim review work for Client I.

Answer to paragraph 30: Paragraph 30 contains no allegations directed to DTTC and therefore no response is required. To the extent a further response is deemed required, DTTC lacks sufficient information to admit or deny the allegations of paragraph 30.

31. As such, Respondents have willfully violated Sarbanes-Oxley and the Exchange Act.

Answer to paragraph 31: DTTC denies the allegations of paragraph 31, insofar as they relate to DTTC.

32. As a result of the conduct described above, it is appropriate that this proceeding be brought pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice to determine whether Respondents should be censured or denied the privilege of appearing and practicing before the Commission for having willfully violated Section 106 of Sarbanes-Oxley.

Answer to paragraph 32: DTTC denies the allegations of paragraph 32, insofar as they relate to DTTC.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it appropriate and in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth above are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate against Respondents pursuant to Rule 102(e)(1)(iii) of Commission's Rules of Practice.

Answer to Section III: Section III requires no response. To the extent a response is deemed required, DTTC denies all allegations in Section III, insofar as they relate to DTTC, including that administrative proceedings are appropriate. DTTC further alleges that the enforceability of a Section 106 request may be determined only by a federal court, that the SEC has not sought a judicial determination of the enforceability of any Section 106 request to DTTC, and that no

federal court has deemed enforceable the February 14 Request, in whole or in part, to DTTC regarding Client G.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that each Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If any Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, such Respondent may be deemed in default and the proceedings may be determined against such Respondent upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

Under the authority conferred by Rule 141(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.141(a)(2), this Order shall be served upon Respondents through the respective domestic registered public accounting firms or other United States agents that Respondents have designated for service under Section 106(d) of Sarbanes-Oxley, 15 U.S.C. § 7216(d), or by any other method reasonably calculated to give notice to a Respondent, provided that the other method of service used is not prohibited by the law of the foreign country in which the Respondent is located.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

Answer to Section IV: Section IV requires no response. To the extent a response is deemed required, DTTC denies all allegations in Section IV, insofar as they relate to DTTC.

* * * * *

AFFIRMATIVE DEFENSES

DTTC asserts the following separate, affirmative defenses to the OIP. In so doing, DTTC does not assume the burden of production or proof with respect to any fact or proposition necessary to that affirmative defense where the burden of production and/or proof is properly imposed on the Division.

1. *Under the plain language of Section 106, there is no subject matter and/or personal jurisdiction over DTTC with respect to this proceeding and thus this matter cannot be adjudicated in this forum.*

2. *The OIP was not properly served on DTTC.*

3. *The OIP fails to state a claim upon which relief may be granted.*

4. *This proceeding is unlawful, improper, and unwarranted because there has been no judicial determination regarding the enforceability of the Commission Staff's February 14 Request.*

5. *This proceeding is unlawful, improper, and unwarranted based on DTTC's good faith conduct and compliance with China law.*

6. *This proceeding is unlawful, improper, and unwarranted because DTTC is unable to comply with the February 14 Request because of China law and directives from the China government.*

7. *This proceeding constitutes arbitrary and capricious agency action, including under the Administrative Procedures Act, including, inter alia, because pursuant to PCAOB rules approved by the SEC, DTTC made clear as part of its PCAOB registration and consents issued under Section 106 that China law prevented the production of documents absent the*

authorization of the China government and the SEC has allowed and encouraged China-based issuers to list on US markets, knowing that their auditors cannot produce documents to the SEC.

8. *This proceeding is unlawful, improper, and unwarranted because DTTC's obligations under Section 106 were and are objectively ambiguous under the circumstances.*

9. *Sanctions against DTTC would be inappropriate based on the conduct alleged in the OIP and contrary to the public interest and any sanctions would not be remedial.*

10. *Sanctions against DTTC would be inappropriate based on the conduct alleged in the OIP because DTTC has notified the SEC that it stands ready to produce the requested documents to the CSRC, consistent with Section 106(f)'s provision for alternate means of production, and because DTTC did everything within its legal ability, at considerable effort and expense, to cooperate with the Staff and to accommodate the Staff's requests for information relating to Client G.*

11. *Sanctions against DTTC would be inappropriate based on the conduct alleged in the OIP because any sanctions here would be inconsistent with principles of international comity.*

12. *This proceeding is unlawful, improper, and unwarranted because the Division's allegations are inconsistent with the SEC's publicly-stated approach and long-standing policy and practice to resolve issues of access to audit workpapers and other such documents located in foreign jurisdictions through diplomatic negotiations, including the cooperative framework for obtaining documents from foreign jurisdictions as set forth in the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions, to which both the SEC and CSRC are signatories.*

13. *Any alleged failure by the SEC to obtain the requested documents is the result of the failure of the SEC to negotiate acceptable international agreements with the CSRC—not any*

refusal, willful or otherwise, to produce documents by DTTC—and the SEC’s rejection of the terms on which the CSRC had offered to produce audit workpapers and other relevant documents to the SEC.

14. *Section 106 does not apply to DTTC in this instance, and therefore cannot be the predicate of a Rule 102(e)(1)(iii) proceeding, because DTTC never prepared or furnished any audit report in connection with its engagements by Client G.*

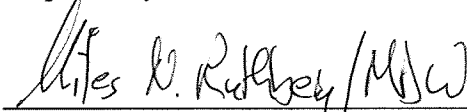
15. *The SEC lacks the authority to require the production of documents prior to the enactment of the Dodd-Frank Act on July 21, 2010 and its amendments to Section 106.*

16. *This proceeding is not warranted by the facts and, in any event, is unsupported by substantial evidence.*

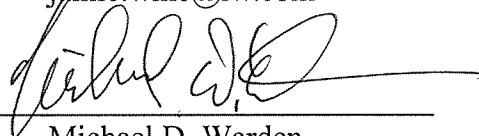
17. *This proceeding violates DTTC’s constitutional rights, including DTTC’s rights to due process and equal protection.*

Dated: January 7, 2013

Respectfully submitted,



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