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August 16, 2004

Jonathan G. Katz,  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

**Release No. 34-50047, File No. PCAOB-2004-04, Public Company Accounting Oversight Board Proposed Rules Relating to the Oversight of Non-U.S. Public Accounting Firms**

Dear Mr. Katz:

Ernst & Young LLP (“Ernst & Young”) is pleased to submit comments on the proposed rule of the Public Company Accounting Oversight Board (“PCAOB” or “the Board”) relating to the oversight of non-U.S. public accounting firms.

We believe that the rule reflects the Board’s strong commitment to work cooperatively with non-U.S. regulators in order to achieve important objectives, such as improving audit quality and helping to restore public trust in the auditing profession. Ernst & Young shares those objectives, and we believe that international cooperation is the best means of achieving those goals.

More than 50 non-U.S. accounting firms that are member practices of Ernst & Young Global have registered with the PCAOB. These firms have a great interest in how the PCAOB will perform the inspections that are required by the Sarbanes-Oxley Act.

The PCAOB proposes to work closely and cooperatively with foreign regulators in this effort. Under the approach set forth in its rule, the PCAOB proposes to defer more readily to regulatory regimes that provide oversight of accounting firms in a manner similar to that provided by the Board than to those that do not exercise such oversight. PCAOB Rule 4012 sets forth various factors that the PCAOB will consider in making this analysis.

Although we agree with this basic approach, we suggest that the rule take greater account of international law conflicts. There are jurisdictions outside of the United States that, absent some agreement with or cooperation from local authorities, would prohibit or restrict U.S. regulators from entering the local jurisdiction in order to inspect or investigate local entities or persons. Accordingly, no matter how a particular jurisdiction fares in an assessment of the factors listed in Rule 4012, the PCAOB should take the approach of working cooperatively with local regulators

with respect to any inspection or investigation of a registered accounting firm in a non-U.S. jurisdiction.

To the extent that international law conflicts exist, we think the PCAOB might work with the SEC, in particular its Office of International Affairs, in attempting to resolve these conflicts. The SEC has developed strong working relationships with many foreign regulators, and these relationships could be very useful.

In this regard, we believe that the most important factor should be the foreign regulator's willingness and ability to work with the PCAOB and to assist it in the performance of inspections and investigations. That willingness to cooperate in the global regulation of accounting firms seems far more relevant than certain of the factors listed in Rule 4012 (such as whether the foreign regulators are appointed by the relevant government, whether the foreign regulators hold accounting licenses, and so on).

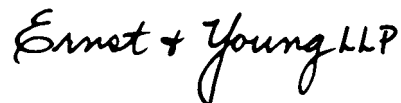
As for the factors listed in Rule 4012, we agree with most of them. For instance, it seems important that the foreign regulator be independent of the accounting profession and have an independent source of funding. We do not, however, agree with all of them. For example, Rule 4012(b)(2)(iii) places emphasis on whether the regulators are non-accountants – “whether a majority of the individuals with whom the system's decision-making authority resides do not hold licenses or certifications authorizing them to engage in the business of auditing or accounting and did not hold such licenses for at least the last five years immediately before assuming their position within the system.” We acknowledge that Congress, in Section 101(e) of the Sarbanes-Oxley Act, required that the PCAOB consist of a majority of non-accountants, but we do not think that the U.S. value judgment on this issue should necessarily be extended to foreign regulators.

In Rules 6001 and 6002, the PCAOB proposes that it will, in appropriate circumstances, assist foreign regulators in their own inspections and investigations. If this occurs, we note the importance of the strict provisions of the Sarbanes-Oxley Act (see Section 105(b)(5)) relating to confidentiality, discoverability, and use of information that the PCAOB receives from registered accounting firms). These protections would not automatically apply if the PCAOB were to share materials with foreign regulators. As the PCAOB develops cooperative relationships with foreign regulators, which we strongly support, we believe that the Board should be required to ensure that the confidentiality of information that is shared with the PCAOB's foreign counterparts be protected to the same extent as set forth in the Act.

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We would welcome discussion of any points that require further explanation.

Respectfully submitted,



Ernst & Young LLP