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March 31, 2006

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



Re: Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees (File No. PCAOB – 2006-01)

Dear Ms. Morris:

On behalf of KPMG (U.S.) and the other member firms of KPMG International worldwide, we are pleased to submit our comments on the Public Company Accounting Oversight Board's (PCAOB) Proposed Rules. We support the Proposed Rules. We believe they are balanced and provide a needed level of clarity concerning what is, or is not, a permissible tax service.

We have the following comments that we believe would help to clarify the Proposed Rules and aid in their implementation.

Listed Transactions (Proposed Rule 3522)

This Proposed Rule requires that when a past transaction that was initially recommended by the auditor becomes "listed" by the Internal Revenue Service, the auditor should carefully consider the potential independence impairment with the audit committee. This requirement would apply to transactions in which the auditor had, at the time of the tax service, concluded that the transaction met the "more likely than not" standard in the Proposed Rule.

We believe this will be an extremely difficult consideration for audit committees as the only guidance given in the Release is an example identifying a possible impairment when the auditor is required to defend his or her advice. If that situation is the primary threat to





independence contemplated by the Proposed Rule, the Release should clarify that if the audit firm, in good faith, reached a conclusion that met the “more likely than not” standard at the time the advice was given, and the audit firm is not placed in the position of defending its original advice, the transaction should not impair independence if it is “listed” by the IRS at a later date. If on the other hand, the Proposed Rule contemplates additional significant threats to independence, those additional threats and relevant considerations should be discussed in the Release.

Tax Services for Persons in Financial Reporting Oversight Roles (Proposed Rule 3523)

Our understanding is that Proposed Rule 3523 is intended to prohibit the audit firm from providing tax services to a wide group of individuals that are involved in the financial reporting processes of an audit client, including certain individuals at affiliates of the audit client. However, by using the term “financial reporting oversight role (FROR)” to describe the roles of such individuals, the result intended by the PCAOB may not be fully achieved.

The SEC definition of FROR and the related FAQ¹ imply a narrower group of individuals than the group of individuals the PCAOB may have intended to be captured by Proposed Rule 3523. The SEC guidance generally would capture individuals in the specified roles at the “issuer level” and potentially other individuals at affiliates depending upon their involvement in the financial reporting process of the issuer and impact on the consolidated financial statements. CFO’s, CEO’s and the like at affiliates are not *per se* FROR’s under the SEC guidance, yet it appears that Proposed Rule 3523 is attempting to capture them. Thus, applying the SEC’s definition of FROR to Proposed Rule 3523 may result in capturing, within Proposed Rule 3523, fewer individuals than the PCAOB may have intended.

In order to enhance the clarity of Proposed Rule 3523 and thereby promote its implementation consistent with PCAOB intent, we suggest, the term “FROR” be used in the same manner as it is used in the SEC rules and different language, such as “persons in roles at affiliates similar to FROR’s”, be used to describe any additional individuals (e.g., those at affiliates of the audit client) intended to be included within the scope of the Proposed Rule.

Effective Dates

We agree with the revised effective dates for Proposed Rules 3523 and 3524 in PCAOB Release No. 2006-001.

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¹ “Cooling off” Period – Question 1 (August 13, 2003.)



If you have any questions about our response or wish to discuss further any of the matters addressed herein, please contact David Winetroub at (212) 909-5552.

Very truly yours,

KPMG LLP