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July 17, 2000

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**BY HAND DELIVERY**

David Becker, Esq.  
United States Securities & Exchange Commission  
450 5th Street, N.W.  
Washington, D.C. 20549

Re: *Proposed Rule Regarding Revision of the Commission's Auditor  
Independence Standards, SEC File No. S7-13-00 (request to testify)*

Dear David:

I write in response to your July 7 letter to me, in which you invited our clients, Arthur Andersen LLP, Deloitte & Touche LLP, KPMG LLP, and the AICPA to participate in the Commission's initial public hearing on its proposed revisions to the auditor independence rule. Because the Commission has been corresponding separately with the AICPA, this letter is on behalf of Arthur Andersen LLP, Deloitte & Touche LLP, and KPMG LLP. As noted below, each of the three accepts your invitation to testify on July 26, if that hearing proceeds, but each strongly believes that the July 26 date is too early to permit informed testimony by any witness.

The Commission did not publish the proposed rule amendments regarding auditor independence in the Federal Register until July 12, 2000. (Release Nos. 33-7870, 34-42994, 35-27193, IC-24549, IA-1884; 65 FR 43148-01.) Certain of the proposed amendments, if adopted, would effect a fundamental restructuring of the accounting profession and substantially curtail the services that accounting firms provide to their audit clients. Our clients strongly believe that such a restructuring would adversely affect competition and have far-reaching consequences on accounting firms and their corporate clients, limiting the ability of both to adapt to the evolving demands of the New Economy.

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Any substantive analysis of the costs and benefits of the far-reaching proposed rules – and the collection of empirical data necessary to make that assessment – will require several months and a major investment of time and resources. The Commission has requested comment on some four hundred questions regarding the proposed rulemaking. Moreover, the Commission has proposed multiple and wide-ranging alternative approaches to the proposed amendments that must also be evaluated. Yet the Commission is scheduled to commence public hearings on the proposed rulemaking on July 26, 2000, just two weeks after formal publication of the proposal in the Federal Register, and slightly more than two weeks after the Commission's July 10 Internet posting that notified interested members of the public how to go about requesting the opportunity to testify.

If the purpose of the initial public hearing is to invite informed and balanced responses to the proposed rulemaking, then the July 26 hearing date must be postponed. Neither the Commission nor the public benefits from a one-sided process in which the public is not allowed sufficient time for a comprehensive, fact-based analysis of the complicated proposed amendments. Indeed, I note that the Commission itself requested an extension of the five-week period within which members of the Senate Banking Committee had requested the Commission's responses to only 15 questions regarding the rulemaking. On behalf of our clients, therefore, I request that the Commission hold the first public hearing no earlier than September 13, 2000.

However, in the event the Commission nonetheless decides to proceed with a hearing on July 26, then each of our three clients accepts the invitation to testify extended in your July 7 letter. Although testifying on July 26 will not permit our clients sufficient time to analyze fully the proposed rules, or to collect and analyze any data, they feel compelled to testify on July 26 in order to participate in the Commission's process and to protect their interests in this important matter.

In accepting the invitation to testify on July 26, each of the three clients expects that a representative will also testify at the September 20 hearing referenced in your letter, so that each client can provide more informed testimony at that time about the Commission's detailed proposal, including consideration of the four hundred-plus questions, the ramifications of the various "alternatives," and the results of data analysis. Under the circumstances, I am sure the Commission can understand our clients' need to testify again in September, after they have had some opportunity to conduct a more studied analysis of the proposed rule, even if they testify in July.

Finally, our clients strongly urge the Commission to hold public hearings in cities other than Washington, D.C. Although our clients have the ability to testify in Washington, the proposal will affect hundreds of smaller, regional accounting firms, public companies, and other interested members of the public who cannot, without great cost and inconvenience, travel to Washington to testify. A proposal of this magnitude deserves hearings in locations throughout the country so that a fair representation of interested members of the public have an opportunity to participate. In response to questions about the public comment process from Commissioner Unger during the June 27 open meeting at which the proposal was announced, you said ". . . our intention is to give the public ample opportunity to participate" in hearings on the proposal.

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When the Commission has held public hearings on rule proposals in the past, it has done so in several locations around the country, as with the corporate governance proposals several years ago and the Wallman advisory committee project on capital formation reform. Commendably, the Commission has also sponsored "town hall" meetings in many cities, and, in connection with the recent audit committee rule changes, the Commission participated in widely advertised public symposia throughout the country to discuss the proposals. These sessions – which had wide participation from the accounting profession, the issuer community, and financial statement users – resulted in significant changes in the final rules adopted by the Commission. Surely the Commission can do no less when it now proposes a fundamental restructuring of the accounting profession.

The accounting profession, its clients and public investors, all of whom will be impacted by the proposed amendments, deserve a full and fair opportunity to be heard, after adequate time to evaluate the complex proposal.

Very truly yours,



John F. Olson

JFO/jb

cc: Hon. Arthur Levitt  
Hon. Isaac C. Hunt, Jr.  
Hon. Paul R. Carey  
Hon. Laura Simone Unger  
Mr. Jonathan G. Katz, Secretary

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