



THE CHAIRMAN

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
September 26, 2000

The Honorable David Obey  
Ranking Minority Member  
Committee on Appropriations  
U.S. House of Representatives  
1016 Longworth House Office Building  
Washington, D.C. 20515

Dear Congressman Obey:

The SEC currently is considering a terribly important rulemaking regarding the independence of this country's accounting profession. In my seven-and-a-half years at the Commission, no issue has been more important to me and so central to public confidence in our markets.

Today, the major accounting firms derive much of their revenue from consulting services. For years, I have sought to engage the accounting profession in developing ways to meaningfully address the potential conflicts of interest that may arise when auditors provide significant consulting services to their audit clients. Unhappily, initiative from the profession has not been forthcoming.

Last week, however, PricewaterhouseCoopers and Ernst & Young submitted suggested changes to our rulemaking. Their submission is extremely constructive, and I am hopeful that the other firms will follow their lead in similarly engaging the Commission. I remain concerned, however, that other parts of the profession are pursuing legislative avenues to interfere with the SEC's rulemaking process. For example, I understand that legislative language is being considered in the House that would impose new requirements on the Commission for cost-benefit analysis related to our rulemaking process. I would hope that such language would not impede or delay the Commission's rulemaking on auditor independence.

I need your support to assure nothing is done to imperil the workings of this independent regulatory agency.

I look forward to discussing this issue with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur Levitt".

Arthur Levitt

cc: The Honorable Jose E. Serrano  
Ranking Minority Member  
Subcommittee on Commerce, Justice, State,  
the Judiciary and Related Agencies