

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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November 29, 2011

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Bachus and Ranking Member Frank:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector and region, believes that an effective and coherent regulatory structure is needed to ensure the safety and soundness of the financial markets.

The Chamber strongly supports an amendment expected to be offered by Representative Spencer Bachus to H.R. 3213, the "Small Company Job Growth and Regulatory Relief Act of 2011," which would prohibit the U.S. Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board ("PCAOB") from issuing rules requiring mandatory rotation of a public company's auditor or accounting firm. Mandatory audit firm rotation could increase costs and the incidence of fraud, while degrading financial reporting harming companies and investors alike.

On October 20, 2011, the Chamber filed a [comment letter](#) with the PCAOB opposing mandatory audit firm rotation. The Chamber opposes mandatory audit firm rotation for the following reasons:

- The PCAOB has failed to demonstrate a need for mandatory audit firm rotation, and moving forward on the concept release would deprive the audit committee of discretion and judgment in contravention of the Congressional intent in the passage of Sarbanes-Oxley;
- Academic studies demonstrate that fraudulent financial reporting is more likely to occur within the first three years of an audit and that audit quality *increases* with auditor tenure length;
- Mandatory audit firm rotation is costly to companies and markets;
- Size, expertise and complexity may only allow two or three firms to conduct major audits per industry making rotation impracticable; and
- The SEC and PCAOB have failed to move forward on 2008 recommendations to reduce restatements through the use the concept of materiality be used as a determinative factor to trigger a restatement or further disclosure to investors.

The Chamber strongly urges the Committee to vote in favor of the Bachus Amendment to H.R. 3213, and looks forward to working with you on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." being a simple flourish, "Bruce" written in a clear cursive, and "Josten" written in a more complex cursive style.

R. Bruce Josten

cc: Members of the House Committee on Financial Services