



## Board Adopts New Ethics and Independence Rule Concerning Communications with Audit Committees and an Amendment to its Existing Tax Services Rule

**Washington, DC, April 22, 2008** – The PCAOB today voted to adopt Rule 3526, *Communication with Audit Committees Concerning Independence*, and an amendment to Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*.

The Board adopted Rule 3526 to enhance communication between audit committees and registered firms regarding the firm's independence. Rule 3526 will require a registered public accounting firm, before accepting an initial engagement pursuant to the standards of the PCAOB, to describe in writing to the audit committee all relationships between the firm or any of its affiliates and the issuer or persons in a financial reporting oversight role at the issuer that may reasonably be thought to bear on the firm's independence. Registered firms will also be required to discuss with the audit committee the potential effects of any such relationships on the firm's independence. Rule 3526 will require firms to make a similar communication annually for continuing engagements. If approved by the Securities and Exchange Commission (SEC), Rule 3526 will supersede the Board's interim independence requirement, Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and two related interpretations.

The Board also adopted an amendment to Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*. The amendment excludes from the scope of the rule tax services provided during the portion of the audit period that precedes the beginning of the professional engagement period. As originally adopted by the Board, the rule provided that a registered public accounting firm is not independent of its audit client if it or any of its affiliates provides any tax service to a person in a financial reporting oversight role or an immediate family member of such a person during the audit and professional engagement period. The Board determined that providing tax services to such a person during the portion of the audit period preceding the beginning of the professional engagement period does not necessarily impair a firm's independence.

Chairman Mark W. Olson stated, "The two actions taken today touch on the crucial area of auditor independence, which the PCAOB strongly supports as a key component to audit quality. Rule 3526, in particular, reflects the critical role of the audit committee under the Sarbanes-Oxley Act. The PCAOB understands the importance of audit committee members obtaining the information they need to assess the independence of prospective or current auditors." Additionally, Tom Ray, PCAOB Chief Auditor, stated that "by adopting the amendment to Rule 3523, together with the strengthened responsibility for the auditor to communicate critical information about auditor independence to the audit committee, the Board reduced the likelihood that a company's choice of auditor will be unnecessarily restricted."

The Board further adjusted the implementation schedule for Rule 3523 as it applies to tax services provided during the audit period to allow the SEC sufficient time to consider whether to approve the amendment to Rule 3523. Specifically, the Board will not apply Rule 3523 to tax services provided on or before December 31, 2008, when those services are provided during the audit period and are completed before the professional engagement period begins.

Rule 3526, if approved by the SEC, will become effective on the later of September 30, 2008, or 30 days after SEC approval. The amendment to Rule 3523 will become effective immediately if approved by the SEC.

An archive of the Webcast of the Board's Open Meeting will be available on the Board's Web site at [www.pcaobus.org](http://www.pcaobus.org).

The adopting release and rules will be made available on the Board's Website ([www.pcaobus.org](http://www.pcaobus.org)) later today.

**Media Inquiries: Public Affairs, 202-207-9227**

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