

PCAOB Adopts and Proposes Rule Amendments On the Timing of Certain Non-U.S. Inspections And Seeks Comment on Related Issues

Washington, DC, December 4, 2008 – The PCAOB today voted to adopt an amendment to a rule (Rule 4003) and to issue for public comment a separate proposed amendment to that rule. Both amendments relate to the timing of certain inspections of registered non-U.S. firms.

The Board also invited public comment on possible Board courses of action to address circumstances in which the Board might be unable to complete an inspection because of a firm's concern that doing so may violate the firm's local law.

"Today's action reflects both an affirmation of the Board's willingness to work cooperatively to address concerns of authorities in other countries and a practical approach to the need to conduct statutorily required inspections of registered firms without unreasonable delay," said Mark W. Olson, PCAOB Chairman.

The Board conducts inspections of registered firms pursuant to requirements imposed by the Sarbanes-Oxley Act of 2002, including inspection frequency requirements. The Act permits the Board to adjust those frequency requirements by rule if the Board finds that a different inspection schedule is consistent with the purposes of the Act, the public interest, and the protection of investors. The frequency requirements adopted by the Board are set out in PCAOB Rule 4003.

The Board's release describes the Board's efforts to address issues that arise in attempting to inspect non-U.S. firms, such as potential non-U.S. legal restrictions and other concerns of local authorities, and notes that the Board has conducted 123 inspections of non-U.S. firms in 24 jurisdictions.

Nevertheless, the release also describes certain issues that pose particular challenges to the Board's ability to conduct certain non-U.S. inspections in 2008 and 2009 that existing Rule 4003 requires. The adopted and proposed amendments to Rule 4003 relate to the timing of those inspections.

The Board adopted Rule 4003(f), which, in effect, extends to 2009 the deadline for the Board's first inspection of 21 of the 52 non-U.S. firms for which the first inspection deadline had been 2008. The Board has conducted or will conduct the other 31 of those inspections in 2008. Rule 4003(f) will not take effect unless approved by the Securities and Exchange Commission.

The Board has proposed for public comment Rule 4003(g), which would extend the current 2009 deadline for the first inspection of 50 non-U.S. firms located in 24 jurisdictions where the Board has not previously conducted inspections.

Under the proposal, the Board would conduct those inspections over the period from 2009 to 2012 according to a schedule based on criteria described in the release. The proposed rule would not extend the deadline for other non-U.S. inspections currently required by 2009.

The Board's release also discusses the possibility that in some cases non-U.S. firms might decline to provide information requested in a PCAOB inspection because of a concern that doing so could violate local law.

The release discusses possible Board courses of action related to that issue including the possibility of imposing disciplinary sanctions on the firm for failing to cooperate with the inspection, and the possibility of a rule that would require a principal auditor to make certain public disclosures in connection with an audit report if the auditor is, or has used the work of a firm that is, in the position of declining to cooperate with a PCAOB inspection.

The public comment period on proposed Rule 4003(g) and other issues discussed in the release extends through February 2, 2009. The Board's Web site provides instructions on how to submit comments.

An archive of the Webcast of the Board's Open Meeting is available on the Board's Web site at <http://www.pcaobus.org/>

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[News_and_Events/Webcasts.aspx](http://www.pcaobus.org/News_and_Events/Webcasts.aspx). The adopting release and rules are available at http://www.pcaobus.org/Rules/Docket_027/index.aspx.

Find links to Board Member statements on the following page: http://www.pcaobus.org/News_and_Events/Events/2008/12-04b.aspx.

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