



June 18, 2013

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

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

Dear Chairman Hensarling and Ranking Member Waters:

Financial Executives International ("FEI"), a professional association representing the interests of more than 15,000 chief financial officers, treasurers, controllers, chief tax officers, and other senior financial executives from over 8,000 major companies throughout the United States, Canada, and Japan, including both users and providers of financial information, is writing to express our support for the bipartisan H.R. 1564, the Audit Integrity and Job Protection Act, that would ban the Public Company Accounting Oversight Board from imposing ("PCAOB") mandatory audit firm rotation ("MFR").

We are concerned that MFR could have unintended consequences which could ultimately reduce audit quality and increase costs for public companies and their investors.

The PCAOB's 18-month public comment period produced 700 comment letters, with well over ninety percent of them opposed to MFR. The resulting public record, including additional public roundtables and a Congressional hearing, is adverse to MFR, citing costs, negative impacts on audit quality, reduced opportunity for audit committees to take ownership of managing that phase of the audit engagement process they were handed by the Sarbanes-Oxley Act of 2002, in addition to MFR

June 18, 2013

potentially enhancing fraud risks while promising largely theoretical and uncertain benefits.

Additionally, non-U.S. jurisdictions, like the European Union, are currently considering actions in the area of audit policy and may have the misimpression that the U.S. is determined to move forward with the rotation concept. A clear policy pronouncement by the United States banning a MFR requirement will alleviate confusion and avoid any unnecessary negative impact on global economic activity, markets and regulation.

H.R. 1564 is reflective of the true direction of the MFR debate in the United States. Little indication that MFR would improve audit quality has been expressed in the PCOAB's fulsome public comment process. In fact, we firmly believe MFR will likely harm audit quality, add substantive cost to businesses, disrupt the economy and create other unintended consequences.

Voluntary audit firm rotation, such as: based on a period found to be sensible based on facts and circumstances of the company (such as undergoing a significant merger, for example), or based on a significant change in leadership of the company, or based on facts learned about the quality of the audit, could potentially make sense, but those scenarios are all voluntary, not mandatory, and are to be determined by the Audit Committee, not by an arbitrary rule established by the PCAOB. Moreover, if anything, Audit Committees have been calling for more information to be disclosed about PCAOB inspections of audit firms, information which could be pertinent for audit committees to base such decisions as to whether to rotate their audit firm. We recognize certain information as to inspections is kept confidential under current law, and we also commend the PCAOB for its recent efforts to try to educate audit committees to be more proactive in trying to request from their auditors more information that is currently nonpublic relating to the inspection of their audit firms. However, regardless of such efforts, they are insufficient in terms of justifying the overwhelming disruption of business and costs, paired against limited if any benefits arising from MRF. We therefore urge the passage of H.R. 1564.

\*\*\*\*\*

We appreciate the opportunity to provide our views and we would be pleased to meet with staff and members of the Committee to further discuss the views expressed in this letter and in our previous comment letter to the PCAOB on MFR and in previous Congressional testimony provided by a former vice-chairman of FEI's Committee on Corporate Reporting.

Sincerely,



Marie N. Hollein

June 18, 2013

President and Chief Executive Officer  
Financial Executives International

cc: The Members of the House Committee on Financial Services