December 14, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Via email: comments@pcaobus.org

To Whom It May Concern:

   PCAOB Rulemaking Docket Matter No. 37

The Blackstone Group ("Blackstone") is pleased to comment on the proposed mandatory auditor rotation proposals described in PCAOB Rulemaking Docket Matter Number 37 (the "Proposal").

Blackstone is a leading asset manager that specializes in managing alternative asset classes such as private equity funds, real estate funds, funds of hedge funds and credit oriented funds with approximately $158 billion of assets under management. Blackstone is an SEC registrant and currently files financial statements with the SEC as a large accelerated filer.

While we support the PCAOB’s overall objective to enhance auditor independence and objectivity in order to provide greater protection for users of financial statements, we do not believe that mandated auditor rotation requirements as contained in the Proposal would achieve this overall objective.

An efficient and thorough audit is achieved through audit procedures conducted by a knowledgeable audit team. Knowledge is in the form of both an overall understanding of accounting guidance under the relevant GAAP, including any specialized industry accounting knowledge, and knowledge of the client’s business and operations. Where clients have significantly complex business models or a high volume of transactions or accounting areas requiring management to make significant judgments and estimations, a successful audit can best be performed by a team that has immense knowledge of the client’s business and operations. This is achieved over time, through the gathering of detailed information over time. We believe that a mandated auditor rotation program would provide a disservice to users of financial statements as replacement auditors would not have sufficient knowledge from a client business perspective to perform a thorough and efficient audit.
Certain audit firms have greater industry specific accounting knowledge than others. A forced rotation to a firm that has fewer clients in a particular industry, and therefore less knowledge about, industry specific guidance, as well as industry practice that has built over time, would actually result in a lower quality audit with increased risk of material misstatements going undetected. This risk outweighs any potential any independence issues caused by retaining the existing auditor.

In addition, undue burden is placed on the client in training a new audit team to provide staff with some understanding of the business and the key accounting decisions. This invariably will result in higher audit costs which ultimately are borne by the shareholder. In summary, it costs more for a less efficient and less robust audit.

Finally, we believe that auditor independence is currently adequately served through the requirements of audit partner rotation and second partner review. Also, the oversight by the PCAOB provides further incentive for audit firms to ensure that the audit procedures performed are robust and can withstand independent scrutiny.

Blackstone appreciates the opportunity to comment on the Proposal. If you have any questions concerning our comments, please do not hesitate to contact me on 212 583 5605.

Yours truly,

[Signature]

Kathleen Skero
Finance Director
The Blackstone Group