July 26, 2012

Via email comments@pcaobus.org

Office of the Secretary of Public
Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket No. 37
   Concept Release on Auditor Independence and Audit Firm Rotation

Dear Board Members:

The Audit Committee of Raymond James1 appreciates the opportunity to comment on the Public Company Accounting Oversight Board (the “PCAOB”) Concept Release on Auditor Independence and Audit Firm Rotation (the “Concept Release”). We recognize the PCAOB’s desires to improve audit quality and protect and strengthen auditor independence, objectivity and professional skepticism. The audit deficiencies PCAOB identifies through its ongoing inspection process are important to everyone who participates in our capital markets. Unfortunately, we do not believe that the introduction of new rules requiring mandatory audit firm rotation would improve audit quality for large financial service entities such as Raymond James; quite the contrary.

Raymond James, like many other diversified financial services companies, is subject to a host of accounting and regulatory requirements. Raymond James’ independent auditor must have sufficient resources and must have an in-depth understanding of the company’s business. This would include the company’s industry, as well as its management and key employees. There is a significant learning curve for audit firms and their personnel to develop the experience necessary to carry out an effective audit. Thus, any rule that would require mandatory audit firm rotation will potentially reduce audit quality during the early years of an engagement and at the same time impose significant incremental costs on both the audit team and Raymond James. Conversely, audit quality could suffer in the latter years of an engagement as the audit firm will have little reason to develop staff knowing they will not be retained to perform future audits.

1 Raymond James Financial (NYSE-RJF) is a Florida-based diversified holding company providing financial services to individuals, corporations and municipalities through its subsidiary companies. Its four principal wholly owned broker/dealers, Raymond James & Associates, Raymond James Financial Services, Morgan Keegan & Company and Raymond James Ltd., have more than 6,000 financial advisors serving over 2 million accounts in more than 2,500 locations throughout the United States, Canada and overseas. In addition, total client assets exceed $370 billion, of which approximately $40 billion are managed by the firm’s asset management subsidiaries.
Another concern is the limited number of audit firms capable of performing a quality audit of a firm of our size and complexity. The issue is further complicated as Raymond James uses the other large accounting firms for nonaudit services potentially eliminating the pool of firms that would be independent at such time as an audit rotation would be required. Further, as a multi-national firm, requiring Raymond James to comply with mandatory audit firm rotation rules in various jurisdictions only exacerbates these issues. The Concept Release aptly points out that numerous studies have concluded that mandatory audit rotation may be ineffective in improving audit quality and may even have the opposite result. Certainly, mandatory rotation would change the behavior of audit firms and could result in audits being treated as a commodity with the lowest cost driving the process. This would lead to potentially negative results for audit quality and the integrity of our financial system.

We are concerned that mandatory auditor rotation would severely undermine the oversight responsibilities of the audit committees. In our view, the current rules under the Sarbanes-Oxley Act of 2002 (the “Act”) requiring audit partner rotation are sufficient to support auditor independence and objectivity without damaging the audit firm’s institutional knowledge and expertise necessary to perform quality audits. Our experience has been that new audit partners and the staff regularly reassess our audit risks and their procedures. They are able to maintain much of the institutional knowledge of our company and the industry from their predecessors and as retained by their audit firm. The Act provides additional safeguards by limiting the non-audit services a firm may provide and when auditors can accept employment offers from former clients. The Act established the PCAOB and authorized them to issues auditing standards and to register and inspect audit firms. Could the PCAOB meet with audit committees of companies with whom the PCAOB has material concerns regarding the audit relationship?

The audit committee is well-positioned to select the independent auditor and determine when and if a change would be appropriate, all as contemplated by the Act. Further, the Act has improved and strengthened the role of the audit committee in selecting, overseeing and compensating the Company’s independent auditor. The Raymond James audit committee takes its oversight responsibilities very seriously. This commitment to oversight is critical in ensuring auditor independence and effectively managing the external auditor relationship. Thus, an audit committee must retain complete responsibility for questioning the decisions and representations of both management and the external auditors. The audit committee’s judgment on the quality of the audit, whether due to concerns over a lack of auditor independence or otherwise, is a fundamental responsibility of the audit committee and should not be undermined by regulatory intervention.
Thank you for the opportunity to provide comments, and we appreciate the PCAOB's consideration of these matters.

Sincerely,

Raymond James Audit Committee:
  Shelley Broader
  William Habermeyer
  Hardwick Simmons

Hardwick Simmons
Chairman of Audit Committee