

Updated Information on PCAOB International Inspections (As of June 30, 2012)

In order to provide investors and the public with current information about the PCAOB's international inspection efforts with respect to registered, non-U.S. audit firms, the Board is providing the following four updated lists:

- A list of all jurisdictions in which there are one or more registered non-U.S. firms that the PCAOB has already inspected as of June 30, 2012;
- An updated list of jurisdictions in which there are registered non-U.S. firms that the PCAOB intends to inspect in 2012;
- A list of the registered non-U.S. firms for which, as of June 30, 2012, the inspection fieldwork had not yet been completed by the PCAOB, even though more than four years have passed since the end of the calendar year in which the firm first issued an audit report while registered with the PCAOB; and
- A list of issuers that are audit clients of registered firms in non-U.S. jurisdictions where the PCAOB is being denied access to conduct inspections.

In addition to the lists themselves noted above, additional background information is provided below about these lists as well as about progress in meeting target thresholds announced by the Board in adopting Rule 4003(g) for inspections of certain non-U.S. firms.

UPDATED LISTS OF JURISDICTIONS

Non-U.S. Jurisdictions Where the PCAOB Has Conducted Inspections

The first updated list includes all jurisdictions where the PCAOB has inspected one or more registered non-U.S. firms. As of June 30, 2012, the PCAOB has conducted inspections of non-U.S. firms in 38 non-U.S. jurisdictions on a cumulative basis.

Non-U.S. Jurisdictions Where the PCAOB Intends to Conduct Inspections in 2012

The second list identifies the jurisdictions in which there are registered non-U.S. firms that the PCAOB intends to inspect in 2012 (the 2012 list).¹

The inspection schedule for non-U.S. firms is based primarily on the inspection deadline for a particular firm, but also may be affected by the inspection schedule of the firm's home-country regulator, and/or the risk that a firm or its audit clients presents to investors and the public. In addition, one or more firms from jurisdictions not currently included on the list may be added to the inspection schedule for a variety of reasons, including the availability of PCAOB resources, the inspection schedule of a firm's home-country regulator, and new information about the potential risk posed by a firm or its audit clients to investors and the public.

When the PCAOB announced its decision to publish at the beginning of each year the list of jurisdictions in which it intends to conduct inspections, the Board stated that, if a jurisdiction were removed from this list because no inspections were conducted in the jurisdiction in that year, the PCAOB would publicly disclose that fact and explain the reason for the change. In January 2012, the PCAOB announced its intention to conduct inspections in 40 non-U.S. jurisdictions in 2012.

The PCAOB is announcing the addition of Australia, New Zealand and Thailand to the 2012 list. The PCAOB moved up to 2012 the inspections of one firm in each of these three jurisdictions. These three firms were otherwise scheduled to be inspected in years beyond 2012. The inspection of two of these firms was moved up to maximize the use of PCAOB resources; the inspection of the third firm was moved up at the request of the local regulator in order to synchronize the PCAOB inspection with the inspection of the local regulator.

The PCAOB continues to be denied access to the information necessary to conduct inspections of registered firms located in 16 jurisdictions that were included in the version of the 2012 list issued in January 2012 (Austria, Belgium, China, Cyprus, the Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Luxembourg, Poland, Portugal and Sweden). Such denial is based mostly on either asserted restrictions under local law or objections based on national sovereignty. While the PCAOB continues to seek

¹ The intention to publish this information was announced by the Board in PCAOB Release No. 2009-003, *Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (June 25, 2009); and in PCAOB Release No. 2008-007, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (Dec. 4, 2008).

to resolve the obstacles to PCAOB inspections with the relevant authorities in these jurisdictions and expects to conclude bilateral agreements in certain of these jurisdictions by the end of the year, inspections in these jurisdictions are for the most part unlikely to be possible in 2012.

UPDATED LIST OF FIRMS

The third updated list includes the names of registered firms for which, as of June 30, 2012, the inspection fieldwork had not yet been completed by the PCAOB, even though more than four years have passed since the end of the calendar year in which the firm first issued an audit report while registered with the PCAOB. This updated list indicates that four firms were removed from the previous version of the 2012 list because the inspection fieldwork of such firms has been completed.

The Board had previously announced its intention to publicly identify firms meeting the criteria above. Such intention was communicated in the releases issued in connection with the PCAOB's adoption of PCAOB Rule 4003(g)² and PCAOB Rule 4003(f).³ Accordingly, this list is updated, at a minimum, on a semiannual basis by adding firms that qualify for the list and also by removing firms for which the inspection fieldwork has been completed or that have voluntarily deregistered from the PCAOB.

The reasons that the inspection fieldwork for a firm has not been completed within four years of the firm having issued an audit report while registered with the PCAOB may vary. For example, some firms are included on the list because their inspections were postponed pursuant to Rule 4003(f) or Rule 4003(g), which permitted the PCAOB to postpone, for a limited time, the first inspections of certain non-U.S. firms.⁴ Certain other firms are included on this list because

² PCAOB Release No. 2009-003, *Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (June 25, 2009).

³ PCAOB Release No. 2008-007, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (Dec. 4, 2008).

⁴ For more detail about these rules and the PCAOB's reasons for adopting them, please see PCAOB Release No. 2009-003, *Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (June 25, 2009), issued in connection with the PCAOB's adoption of PCAOB Rule 4003(g); and PCAOB Release No. 2008-007, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (Dec. 4, 2008), issued in connection with the PCAOB's adoption of PCAOB Rule 4003(f).

access to information necessary to conduct inspections of such firms has so far been denied on the basis of asserted restrictions under local law or objections based on national sovereignty.

UPDATED LIST OF ISSUERS THAT ARE AUDIT CLIENTS OF FIRMS IN JURISDICTIONS WHERE THE PCAOB HAS BEEN DENIED ACCESS TO CONDUCT INSPECTIONS

The fourth updated list contains the names of issuers that have filed with the U.S. Securities and Exchange Commission (“SEC”) financial statements audited by a PCAOB-registered firm located in a jurisdiction where obstacles to PCAOB inspections still exist.

Because of the position taken by certain non-U.S. authorities, the PCAOB currently is prevented from inspecting the U.S.-related audit work and practices of PCAOB-registered firms in certain European countries, China and - to the extent their audit clients have operations in mainland China - Hong Kong. As a result, investors in U.S. markets who rely on those firms’ audit reports are deprived of the benefit of PCAOB inspections of these auditors. The PCAOB publishes this list in order to inform investors of the names of issuers of U.S. securities whose foreign-based PCAOB-registered auditors cannot currently be inspected by the PCAOB.

This updated list is derived from annual reports on Form 2 filed with the PCAOB by registered public accounting firms in 2011 and 2012 which, in combination, encompass audit reports issued by the firms in the period from April 1, 2010 to March 31, 2012. The list is limited to issuers whose auditors in the relevant jurisdictions reported having issued audit reports. At the same time, there are auditors in those jurisdictions, including the auditors identified in the other updated lists, that may play a substantial role in the audits of numerous multi-national issuers not listed here. Even though these auditors do not issue audit reports for those issuers, the audit work they perform may be relied upon by the issuer’s principal auditor, in the U.S. or elsewhere. That work is often significant to the audit of the financial statements the multi-national issuer files with the SEC and would also be within the scope of PCAOB inspections.

PROGRESS IN MEETING THRESHOLDS

Finally, the Board is reporting here on its progress in meeting the target thresholds that it announced in adopting Rule 4003(g), which permits the Board to defer, for up to three years, the first inspection of 49 non-U.S. firms that were otherwise required to be inspected in 2009. In adopting that rule, the Board stated that:

- it intended to inspect at least four of those firms in 2009 and that the four firms would have combined issuer audit-client U.S. market capitalization equal to at least 35 percent of the aggregate U.S. market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.
- For 2010, it intended to inspect at least eleven more firms, and that the firms inspected in 2009 and 2010 would have combined issuer audit-client U.S. market capitalization equal to at least 90 percent of the aggregate U.S. market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.
- For 2011 it intended to inspect at least fourteen additional firms and that the firms inspected in 2009 through 2011 would have combined issuer audit-client U.S. market capitalization equal to at least 99.9 percent of the aggregate U.S. market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral; and
- the Board would inspect the remaining firms in 2012.

As of June 30, 2012, the PCAOB had inspected six firms eligible for deferral pursuant to Rule 4003(g), including one firm inspected in the period from January 1, 2012 to June 30, 2012. The combined market capitalization of the clients of those six inspected firms equaled 20 percent of the aggregate market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.⁵

Future updates to the lists and inspection progress information in this factsheet will be made public on the PCAOB's Web site and through the PCAOB listserv.

⁵ A previous update had reported that as of December 31, 2011, the PCAOB had inspected six firms that met the Rule 4003(g) criteria for deferral. It has since been determined that this count included the inspection of one firm that was not subject to, or deferred pursuant to, Rule 4003(g). That firm had no audit clients with U.S. market capitalization (the inspection included a review of referred work in an audit in which the firm played a role) and, therefore, excluding that inspection from the count has no effect on the combined market capitalization figure reported here.