Statement of Charles D. Niemeier at Meeting on Proposed Rules
On Annual and Special Reporting by Registered Firm

May 23, 2006 Public Meeting of the Board

I am very pleased with this proposal. Michael Stevenson and Sarah Williams have done a remarkable job of balancing several policy goals.

A little over three years ago, when the Board proposed a registration system, we noted at the time that we were somewhat constrained in asking for a rather detailed set of specific information laid out for us in the Sarbanes-Oxley Act. The Act gave us more flexibility to craft an ongoing reporting system to focus on information that we may have more specific uses for, based on our experience. I'm pleased that this proposal takes advantage of that flexibility.

It's also important to me that we do our best not to require firms to report information that is already readily publicly available or that we don't need from all firms. I think this proposal achieves this goal by emphasizing real-time reporting of important trigger events and circumstances and minimizing reporting of information that is not important enough to require during the year. To my mind, if information is worth knowing, then we and the investing public should know it soon after it happens.

I am also pleased that the proposal envisions using an electronic filing process that can build on our registration system. This helps carry out our vision
when we established the registration system of creating an electronic database of information about public company audits and auditors that can be used for complex, relational risk analysis in all our programs.

Finally, I’d like to highlight one substantive provision that I think is particularly important. Under this proposal, for the first time auditors would have a vehicle publicly to report withdrawals of audit reports, when issuers have failed to report the fact of the withdrawal in an 8-K filing with the SEC. To my mind, the proposed reporting system is not designed to function as a parallel to the 8-K disclosure system, but I do think investors would benefit from having notice of withdrawals of audit reports in real time when an issuer doesn’t comply with the requirement to disclose a withdrawal.

Of course, auditors already are subject to certain requirements under Section 10A of the Exchange Act of 1934 when they identify illegal acts by their clients, but the 10A process is non-public. I think our proposal is a nicely tailored way to address the fact that auditors have long sought a way of communicating withdrawals of audit reports. I’m interested to learn through the comment process how auditors feel about this proposed reporting mechanism, as well as how investors feel, since they would be beneficiaries of such reporting.