

30 September 2011

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

**PCAOB RULEMAKING DOCKET MATTER No. 34
CONCEPT RELEASE ON POSSIBLE REVISIONS TO PCAOB STANDARDS
RELATED TO REPORTS ON AUDITED FINANCIAL STATEMENTS
PCAOB Release No. 2011-003 June 21, 2011**

Dear Sir / Madam,

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland represents 53 Swiss groups, including most of the country's major industrial and commercial enterprises. As certain of our members are registered with the SEC as Foreign Private Issuers, they are audited in accordance with PCAOB standards. Our response below has been prepared in conjunction with our affected member companies. We have grouped our specific comments into broad categories rather than providing responses to each detailed question in the release.

GENERAL COMMENTS

We understand the concern to improve the audit report, especially at the present time. In our view, the right response should take into account that no change to the content of reporting, either by the auditor or the issuer, can totally eliminate risk for investors. Financial information which investors need about an issuer should come from the issuer and its management, not from the auditor. Reporting of judgements and estimates should focus on those made by management and not those made by the auditor. The benefit from the auditor's existing ability to include emphasis of matter remarks would be devalued were such remarks to become a routine part of every audit report. Any changes made to auditor reporting should preserve and not undermine what has been described as the "pass/fail model" of the audit report, with its associated clear accountability for both management and the auditor, nor should it impede communication between auditor and issuer. Direct communication between auditors and users, which some commentators have suggested, would complicate auditor-issuer communication.

We believe that the purpose of the audit report should be to state the result of the audit process, rather than describe the technical detail of the process itself. We would not object to adding a statement to the standard audit opinion wording which clarified how information outside of, but accompanying the financial statements, such as the Operating and Financial Review (MD&A), impacts the scope of the auditor's procedures. However, we believe that that impact should remain limited to reviewing such information for consistency with the financial statements and the

understanding the auditor has gained from the audit. The auditor should not be required to report formally on information presented outside the financial statements.

In our opinion, the pass/fail audit report model works well because of its simplicity and clarity. Although it does not make the audit or the financial statements risk-free, because of the potential consequences of a 'fail', one can reasonably expect that the audit client will do anything in its power to avoid that outcome. It would also be regrettable if, as a consequence of expanding the audit report content, the completion of the audit was delayed, resulting in less timely provision of financial information to users. In our view, this is a very real risk for those issuers who currently complete their SEC filings before the prescribed deadline because management, audit committees and auditors would need to spend additional time discussing the extra information to be reported.

SPECIFIC COMMENTS ON ALTERNATIVES CONSIDERED IN THE RELEASE

1. "Auditor's Discussion and Analysis (AD&A)"

We do not believe that the Board should consider publication of an AD&A as a means of providing additional information about the audit. In our view, the content of an AD&A would almost inevitably blur the discipline of the pass/fail opinion model, and lead to ambiguity. Different financial statement users would interpret AD&A comments in different ways. It would also complicate issuer-auditor discussions, leading to the risk that the quality of the audit might be reduced. The auditor would need to discuss the content of the AD&A report with the issuer. These discussions might be prolonged, delaying the issuance of the financial statements.

2. Required and Expanded Use of Emphasis Paragraphs in Audit Opinion

In our view, audit reports should not routinely contain emphasis paragraphs. They should be used only by exception, and only for information which by its nature cannot be provided through the financial statements. The examples of emphasis matters mentioned in the release contain information which, in our view, could be provided in the financial statements. As with the AD&A, the risk that routine emphasis matter paragraphs would introduce ambiguity into the opinion and would reduce the value of the pass/fail model would be significant. The most serious dangers are that users might be confused and the auditor's responsibility for the pass/fail opinion might be diminished, or at least perceived to be diminished. The issuance of the financial statements might also be delayed while issuer and auditor discuss the content and wording of the emphasis paragraphs. With routine emphasis of matters, any benefit of providing additional information would likely be eroded by a tendency to use boilerplate language.

We would not support a separate formal auditor report on the issuer's critical accounting estimates. Issuers who report in accordance with IFRS provide information about those estimates as part of their audited financial statements, in line with the disclosure requirements in IAS 1. The auditor's work on that information is part of the standard audit, and fully covered in the existing report.

3. Auditor Assurance on Other Information Outside the Financial Statements

In our view, because the MD&A has to be presented through the eyes of management, the auditor can only review it for reasonableness and consistency; it is not possible for an independent auditor to express an opinion on its intrinsic accuracy, since it represents only one view, rather than being objectively verifiable. Any report would have to focus purely on formal compliance with the applicable regulations. As there is no objective benchmark of what non-GAAP information should be prepared or how it should be prepared, it is again not possible for the auditor to express a pass/fail opinion on it. Extension of the scope of reporting, by requiring a separate formal report on information outside the financial statements, may lead to that information being published later than it is now. As stated in paragraph 4 below, in our opinion a

brief addition to the standard audit report mentioning the scope of the review of the other information could be considered instead of a separate formal report.

4. Clarification of the Standard Auditor's Report

Once again, the more the report is expanded, the greater the risk of reducing the significance of the pass/fail opinion. Any clarification of language in the audit report should avoid adding significantly to its length, especially with regard to the phrases which describe the audit procedures. Most financial statement users are neither auditors nor have they been trained as auditors. Including an extensive and detailed description of technical auditing matters in the report would likely not add significant value for them.

As the release states, the auditor carries out certain procedures on certain information outside the financial statements, such as the MD&A. We would not object to the audit opinion stating that the auditor has reviewed that information for consistency with the financial statements and with the auditor's knowledge, but has not performed an audit of it. However, if the auditor were to give a separate formal report on that information, this would carry some risk of diluting the value of the pass/fail opinion in the audit report on the financial statements.

SwissHoldings would like to thank you for the opportunity to comment on this project. We would be pleased to respond to any questions arising from the above comments and are available for further consultation if required.

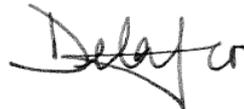
Yours sincerely

SwissHoldings

Federation of Industrial and Service Groups in Switzerland



Dr. Peter Baumgartner
Chair Executive Committee



Denise Laufer
Policy Manager

cc SH Board