

New and Updated Information on PCAOB International Inspections (As of Dec. 31, 2009)

In order to provide transparency about its international inspection program, the Public Company Accounting Oversight Board provided today certain new information about the status of the inspections of registered non-U.S. firms and updated certain disclosures the PCAOB previously made.

Section 104 of the Sarbanes-Oxley Act of 2002 requires the PCAOB to conduct a continuing program of inspections of registered public accounting firms, including registered non-U.S. firms. The Act and PCAOB rules establish minimum frequency requirements for those inspections.

In order to provide investors and the public with information about the PCAOB's international inspection efforts, the Board today –

- posted on its Web site updates to three lists that provide information about the status of inspections in certain jurisdictions and of certain firms;
- announced differences between the list of non-U.S. jurisdictions in which the PCAOB announced that it intended to conduct inspections in 2009 and those where it did conduct inspections, and the reason for the differences; and
- reported on its progress in meeting target thresholds announced by the PCAOB in adopting PCAOB Rule 4003(g) for 2009 inspections of certain non-U.S. firms.

TWO UPDATED LISTS OF JURISDICTIONS

The PCAOB updated today two lists of *jurisdictions* in which there are registered non-U.S. firms that are currently required to be inspected. The first list includes all of the jurisdictions in which there are one or more registered non-U.S. firms that the PCAOB has already inspected. As indicated by that list, as of Dec. 31, 2009, the PCAOB has conducted inspections of non-U.S. firms in 33 jurisdictions on a cumulative basis. This list is updated on semiannually, to reflect information that is current as of June 30 and December 31.

The second list identifies the jurisdictions in which there are registered non-U.S. firms that the PCAOB intends to inspect in the current calendar year, 2010. 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*

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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). The PCAOB is publishing this list in order to provide transparency about its international inspections plans for each calendar year. The inspection schedule for non-U.S. firms is based on primarily 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.

UPDATED LIST OF FIRMS

The third list published today includes the names of registered firms for which, as of Dec. 31, 2009, 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. The Board announced its intention to publicly identify firms meeting that criteria in two releases: 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). This list is updated, at a minimum, on a semiannual basis to add firms that qualify for the list and also to remove firms from the list when the inspection fieldwork has been completed.

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 permit the PCAOB to postpone, for a limited time, the first inspections of certain non-U.S. firms. (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*

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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.)

Certain other firms are included on this list because access to information necessary to inspect the firm has so far been denied on the basis of asserted restrictions under non-U.S. law or objections based on national sovereignty.

The Board notes that inclusion on this list should not be construed to support any positive or negative inferences about the quality of the audit work of any firm on the list, nor about its systems, policies, procedures or practices.

DIFFERENCES BETWEEN ANNOUNCED PLANS FOR 2009 INSPECTIONS AND INSPECTIONS CONDUCTED

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 that jurisdiction in that year, the PCAOB would publicly disclose that fact and explain the reason for the change.

In early 2009, the PCAOB announced its intention to conduct inspections in 27 jurisdictions in 2009. In 12 of those 27 jurisdictions, the PCAOB conducted no inspections in 2009. Specifically, because of asserted restrictions under non-U.S. law or objections based on national sovereignty, access to the information necessary to conduct inspections of registered firms was, and continues to be, denied in China, Finland, France, Germany, Greece, Ireland, the Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Discussions are continuing with the relevant authorities in those jurisdictions in an effort to resolve their objections to PCAOB inspections. In order to utilize available resources and fill the inspection schedule, the PCAOB pulled forward the inspections of 28 other non-U.S. firms in 12 other jurisdictions that were otherwise scheduled to be inspected in years beyond 2009.

PROGRESS IN MEETING THRESHOLDS

The PCAOB today also reported its progress in meeting the 2009 target thresholds that it announced in adopting Rule 4003(g), which would permit the Board to defer, for up to three years, the first inspection of certain non-U.S. firms 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

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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.

As of Dec. 31, 2009, the PCAOB had inspected five firms that met the Rule 4003(g) criteria for deferral. However, the PCAOB inspected only two of the four firms that the PCAOB had scheduled for inspection in 2009 based on their clients' U.S. market capitalization. As a result, the PCAOB did not meet the target threshold for U.S. market capitalization discussed above. The PCAOB has not yet conducted the inspections of the remaining two firms it intended to inspect in 2009 because, on the basis of asserted restrictions under non-U.S. law, access to information necessary to conduct the inspections was denied.

The PCAOB intends to update this progress report semiannually, to reflect information current as of June 30 and December 31.

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.