Paris, March 31, 2003

Public Company Accounting Oversight Board
1666 K Street NW, 9th Floor
Washington , D.C. 20006
Attention: Ronald S. Boster, Secretary and Members of the Board

Re: Proposal of Registration System for Public Accounting Firms & Announcement of Roundtable on the Regulation of Registered Foreign Public Accounting Firms

Dear Sirs,

Mazars & Guérard, founding and leading firm of the Mazars organization is pleased to submit this letter in response to the request for comments from the Public Company Accounting Oversight Board (the "Board") on its proposed Registration System for Public Accounting Firms and its proposed Rules Relating to Registration (together the "PCAOB Registration System"), in accordance with Section 102 of the Sarbanes-Oxley Act of 2002 (the "Act"). We appreciate the opportunity to comment on this PCAOB Registration System.

Mazars & Guerard has offices throughout France and is the French member firm of the international organization established in 50 countries. Excluding North America, Mazars comprises 5,000 professionals, including 375 partners, has accounting and audit activities originating for the most part with European based enterprises.

Mazars is present not only in most countries of Europe, but also in North and South America, and a few countries in Asia and Africa. In North America, Mazars has a long standing presence via Mazars LLP (created in 1988/1989, SEC qualified) and has recently increased its capacity through series of joint ventures called “Mazars Team America”, which link up the long-established Mazars teams of Mazars LLP, and other US participating firms, in a common commitment to serve French and European clients with regards to the US requirements. This grouping represents some 4,500 professionals with complete geographic coverage.

We want to preface our specific comments with general consideration that we fully support implementation of rules strengthening the independence of auditors and quality control, and the contribution of these rules and system to restore public confidence in financial reporting and in the world's capital markets. Mazars & Guérard therefore is fully committed to support PCAOB initiative, as well as those of other key European or national regulators that have been already doing good work and are implementing stronger controls in these areas of common concern.

We understand that ongoing discussion with the European Commission will continue at the proposed by PCAOB roundtable, but we would mention that Mazars would be honored to participate either as a public accounting firm or one of the representatives of the French professional body, to other roundtables later.

Mazars is a priori directly concerned by the PCAOB Registration System mainly through its French and US members.

Therefore, although we do not see many practical difficulties in complying with the current PCAOB intended rules and procedures, on a legal point of view, and in addition to or to underline other comments that may have been submitted by European or French professional bodies, we would like to comment on some important issues concerning the specific French legal and professional context.

General - Should foreign public accounting firms be subject to oversight by PCAOB?

As a preamble, we would like to point out and prior to any specific comment, we would like to a certain number of specificities of the French auditing system which Mazars & Guérard believes should be taken into account when registration of French audit firms is to be considered :

- statutory audit for most incorporated businesses,
- joint audit for large companies,
- six year audit mandate,
- protection of independence via a restrictive legal approach of non audit services to audit clients,
- criminal obligations and liability for auditors,
- joint oversight of accounting firms…

In addition, we would like also to point out that a proposed Act (Loi sur la Sécurité Financière) prepared by the French Government is currently being discussed by the Parliament. This proposed Act introduces, among others, the following points : creation of an independent oversight body (Haut Conseil du Commissariat aux Comptes, HCCC), reinforcement of regulations concerning non audit services to audit clients, reinforcement of effectiveness of the joint audit, additional responsibilities of Board and auditors as regards internal control.

As a whole, we believe this legal system has proven to be reasonably robust in recent year and the proposed Act should improve its effectiveness further (see more comments below).

More globally, as you may know, the International Federation of Accountants (IFAC) at international level, and its affiliated French professional body, the Compagnie Nationale des Commissaires aux Comptes (CNCC), have long recognized the need for a harmonized framework to meet the increasing demands that are placed on the accounting profession.

Major components of this framework are International Standards on Auditing (ISAs) developed by the International Auditing and Assurance Standards Board (IAASB) and the IFAC Code of Ethics for Professional Accountants (the IFAC Code). The IFAC Code, developed by IFAC's Ethics Committee (Ethics Committee) serves as the foundation for all codes of ethics developed and enforced by IFAC member bodies, as in France the Code de Déontologie Professionnelle of the CNCC.

The IFAC Code establishes the international standard on which national standards should be based and no IFAC member body or firm is allowed to apply less stringent standards than those stated in the section unless prohibited by law or regulation. In some countries, and France is one of these, since the end of the 1960s, law and regulation are even more stringent on auditor independence rules, with associated criminal and disciplinary sanctions.

ISAs have been transposed in national standards on auditing issued by the national IFAC member professional body, in France in the Normes Professionnelles of the CNCC.

- Therefore comprehensive oversight of foreign public accounting firms should be exercised by a competent national regulatory authority otherwise there will be double oversight for all audit firms operating in major territories outside of the US. Dual oversight will be inefficient and costly, inconsistent with the principle of 'positive comity' which has previously been adopted, will potentially lead to conflicts and finally in some instances will be illegal where it breaches national sovereignties.

  In France, joint oversight of French public accounting firms by the marketplace regulator "SEC equivalent", the Commission des Opérations de Bourse (COB), and the CNCC has proven its reliability over many years, and will be soon compliant with the proposed Act organizing the new national public accounting firms independent oversight Board, (the Haut Conseil du Commissariat aux Comptes).

  As the European Community is in the process of recognition of the IFAC ISAs and Code, the PCAOB could recognize foreign accounting firms on the basis of compliance with the IFAC ISAs and Code. A suitable period of dialogue with national regulators could enable mutual recognition, and the minimization of conflicts. This process would work for a large majority of European countries, not just France.

- Double oversight may also lead to conflicts specifically where diverging decisions are reached by the differing oversight mechanisms on the same issue. This will inevitably be complicated by registered public accounting firms having to operate two sets of standards (be they auditing, quality control or ethics). Investor and stakeholders will get totally lost and confused, and this will lead to a lot of trials for conflicts of standards.

- French regulatory and legal systems forbid foreign inspectors from conducting inspections of local audit firms on their national territory. It is probable that the PCAOB's powers will be challenged in different jurisdictions and accountants will seek guidance from their domestic courts to clarify competing obligations under the Act and local law. As a matter of private international law, the PCAOB will not generally be able to enforce its powers within a country without the intervention of the courts in that country. Further it is questionable

whether local regulators would be prepared, in circumstances where their own system of regulation provides an equivalence of protection to investors, to accommodate the extra territorial reach of the PCAOB in this manner. It is likely that different approaches would emerge in different countries.

- The disciplinary system envisaged by the Act and PCAOB rules creates a double jeopardy for many auditors who will also be subject to national disciplinary systems. This would contravene the principles of natural justice enshrined in domestic laws as well as under the Universal Declaration of Human Rights (which the US is not party to). Whilst the US is party to the International Covenant on Civil and Political Rights which provides that no-one shall be liable to be tried or punished again for an offence for which he has already been finally convicted or acquitted in accordance with the law and penal procedures of each country, this would not help accountants, who would possibly be subject to regulatory rather than criminal sanction.

- It may be inappropriate to ask for comment on registration before the PCAOB is properly constituted, and has finalized what auditing, quality control and ethics standard are to be set. In France, public accounting firms are bound by local law to follow CNCC standards in these areas. This will lead to further conflict. Mazars could be in a situation of having registered (with consequent expense of time and money), without being subject to, and therefore benefiting from oversight.

- Given all of these uncertainties, it is essential that the PCAOB allow more time for continuing dialogue between the PCAOB and European and French regulators working towards other means of achieving the SEC's objectives which do not conflict with European or French laws and CNCC professional standards or incur considerable additional time and expense. For France, a system of mutual recognition has to be explored.

Question 1 - Is it feasible for foreign public accounting firms to register within 180 days of the date of the Commission's determination that the Board is capable of operating? Should foreign public accounting firms be afforded some longer period (e.g. an additional 90 days) within which to register?

- This would be the first time that much of this information has ever been requested from applicants by any national regulator (e.g. detailed revenue breakdowns and analyses of litigation over the past 10 years to name but two). Obtaining reliable and consistent information would involve development of new systems and processes. It is unlikely that this could be reliably achieved within 180 days.

- Given the obligations imposed on the signing partner by Item 9.1 of PCAOB Release 2003-1, it would be imperative that the information provided is as accurate and complete as possible. Detailed checking procedures would therefore be required which would further delay the availability of the information. For a membership organization like Mazars, there would be a desire for the membership to review the accuracy of the information to be

submitted by the member audit firms, so additional time would be needed to ensure that the information is as accurate as possible.

- Within the firms at both national firm and membership level, a proper process needs to be established to ensure that information is gathered having full regard for the requirements of local employment law. For example, personnel being asked to sign the consents required by Part VIII, Item 8.1(b), Appendix 2 of PCAOB Release 2003-1 may wish to seek their own independent legal advice before agreeing to sign. These rights have to be respected and the registration timetable needs to take this into account.

- The Act has also introduced a wide range of other new requirements and changes (e.g., Sections 208, 301, 302, 401, 404, 406 and 802). These will all require a significant amount of foreign issuers' management time and resource to execute properly.

- Based on the foregoing, a longer registration period is needed for non-US applicants should the PCAOB proceed with the current proposals. We suggest an extension of at least one year. Even within this extended timetable there is no guarantee that Mazars firms, where registration is required, will be able to register due to some of the legal impediments referred to below. During this extension the PCAOB should continue its dialogue with other country regulators to determine where mutual recognition status could be granted.

Question 2 - Are there any portions of Form 1 that are inapplicable, or that should be modified, in the case of non-U.S. applicants?

Appendix 2 of PCAOB Release 2003-1 sets out the requirements of Form 1.

- For Item 1.6 (Associated Entities of Applicants), we request clarification from the PCAOB that an applicant from a particular country need only file details of its associated entities in that same country. If not, the volume of information requested by the PCAOB could be excessive and unnecessarily extended.

- Item 1.7 request for "applicant's" license to operate in this business. Firms are granted business licenses in France and individual's have licenses to practice. Would this requirement imply the listing of both? In that case the information would duplicate to some extent the information requested in part VII. Please clarify what is meant by license or certification number.

- Item 1.8. Does this representation cover other applicants that are referred to in the audit opinion? Given the requirement for a joint audit in France, additional clarification that this representation does not apply to other audit firms is necessary. The same is necessary for audits where reference is made to another auditor.

- Items 2.1 and 2.2. The information requested in 2.1 and 2.2 is already public information since 2002 in France and should be available to the staff. This information is typically tracked in France by issuers and reviewed by the auditors for consistency prior to the filing but is not tracked by the public accounting firm in this way. There is no benefit to imposing an additional tracking system on public accounting firms.

  Furthermore, as items 2.1(d), (e), (f) and (g) request various disclosures concerning audit, accounting, tax and other fees, as information systems have been developed on an associated entity by associated entity basis rather than a total country basis, as the need to aggregate information across national borders would further complicate this process, this information, which has never previously been required to be disclosed with such an accuracy, will have to be collected on a client by client basis.

  The disclosure requirements of Item 2.1(d), (e), (f) and (g) create further complications because fee data for 2001 in line with these categories has not previously been requested. As a result, accounting firms are going to have to reconstruct much of this information.

  Accordingly, the PCAOB should consider waiving the requirements of Item 2.1(d), (e), (f) and (g) for non-US applicants.

- The information in 2.3 and 2.4 is not publicly available in France but can be provided. Item 2.4 addresses issuers for which an applicant plays, or expects to play, a "substantial" role. Whilst the information requested is relatively straightforward, it is the auditor of the issuer who is best placed to conclude as to who does and who does not play a substantial role in the issuer's audit. Some applicants may be unaware that they have been considered playing a "substantial role" in an issuer's audit.

This challenge is further exacerbated where the applicant may be secondary auditor not affiliated with the primary auditor and their work is not referenced in an SEC filing, or in the specific context of statutory joint-audit (co-commissariat aux comptes) in France, with a joint-opinion required by law with similar contribution to audit work, even if only one of the joint-auditors is signing the SEC filing. Accordingly, the PCAOB should relax this requirement for non-US applicants.

- Item 6. Foreign private issuers have never been required to present this information in their registration statements or annual reports on Form 20-F. The short answer to this requirement is that no filings have contained the information regarding disagreements requested in this section because it has never been required.

- Item 7.2 and 7.3. Publication of a social security number of an individual is against the French law for data privacy reasons. The scope of the names should be clarified. It would appear logical to restrict the names to those individuals associated with issuers (i.e. a covered persons approach) restricted to individuals at manager level and above.

  In general for all of the areas requiring statistical data, the date at which the data is to be prepared (e.g. latest financial year end of the applicant, date of application) needs to be clarified.

  Most professionals, at least in their first few years of practice, do not have a license or certificate and it is not required to assist in the audit.

  It would seem that a listing of the decision makers involved and their qualifications would be more appropriate and less cumbersome.

- Item 8. Consents: see comments below in response to question 4 related to laws on client confidentiality.

Question 3 - In addition to the information required by Form 1, is there any additional information that should be sought from non-U.S. applicants?

The PCAOB needs to have a detailed understanding, as do US investors, of the oversight and monitoring processes, together with investigation and disciplinary procedures, already in operation at a French level.

It would clearly be appropriate for the PCAOB to request this information directly from the French regulators and professional body, rather than from applicants, thereby avoiding unnecessary duplication of effort and expense.

No other information is necessary.

Question 4 - Do any of the Board's registration requirements conflict with the law of any jurisdiction in which foreign public accounting firms that will be required to register are located?

- The obligations that are associated with registration (e.g., consenting to give testimony or make documents available to the PCAOB) would conflict with the domestic existing legislation of France. Accordingly, whilst French applicants in these countries may want to register with the PCAOB, our French laws will make this a criminal offence, due to privacy protection laws. This is not something that can be quickly remedied.

- Much of the information required by the PCAOB would amount to "personal data" under EC directive 95\46\EC dealing with data protection. This Directive has been implemented into the national law of each of the 15 member states of the European Union and will be extended to the ten applicant countries over the next few years. Personal data includes the details of all accountants associated with the firm and information relating to criminal, civil or administrative actions or disciplinary proceedings pending against the firm (the latter being "sensitive personal data" subject to greater restrictions under the directive). Consent by the proposed "data subject" (i.e. the client, the firm's employees and associated persons) is one relevant condition for processing the data without breaching the requirements of the directive. The consent must be "freely given, specific and informed" (and in the case of sensitive personal information the consent must be express). Although issuers might accept that they need to provide consent in order to enable their auditor to register, the issue is less clear for employees and associated persons.

  Further, the directive prohibits transfers of personal data to countries outside the European Economic Area which do not provide adequate data protection. This principle would be relevant to the disclosure of any information required by the PCAOB. The European Commission has approved two sets of cross-border data flow contractual clauses to facilitate compliance with the directive, which, if adhered to by the relevant foreign authority, would also justify the transfer of the data to the PCAOB. One option would be for the PCAOB to consider whether it is prepared to agree to sign up to such model clauses. Alternatively, dialogue would need to be entered into between the EU and US regulators and possibly also national regulators to identify an acceptable compromise position which would provide an adequate level of protection as required by the directive.

- In France, inspection by a foreign regulator is not permitted under French law. Whilst audit work papers and other information must be supplied to both the local regulator and the domestic securities regulator in the event of legal or professional proceedings these rules do not apply to any foreign regulator. Client consent would not resolve the issue, as this is a matter of law. Several different texts of the law clearly prohibit (with criminal sanctions for violation of this principal) communication of knowledge gained by the statutory auditor in the course of his engagement to a third party. Client consent would allow the auditor to waive any civil liability but not the criminal liability associated with the transmission of this information. See further comments in response to question 7.

- Item 5. The information requested on any criminal, civil, government or administrative and disciplinary action or other proceedings brought against individuals within the last ten years is onerous and indeed is not relevant to the PCAOB if the individual concerned does not participate in or contribute to the preparation of an audit report of an issuer. The provision of such sensitive information (which may not previously have been on the public record especially where a case is pending) could be seriously prejudicial to both the accounting firm and the individual concerned.

  This item is a particular issue for France:

  - ✓ Criminal proceedings: there are currently a number of provisions in company law which result in a criminal sentence for violation of relatively formal aspects of the law. We believe that reporting of such instances is beyond the scope of what the PCAOB require for oversight purposes;
  - ✓ Certain criminal sentences can be the subject of an amnesty under certain circumstances. Reporting an individuals name for a sentence in the last ten years which has been the subject of an amnesty would potentially subject the applicant to legal and criminal consequences;
  - ✓ Such information is not necessarily public (although it would have been public at the time of the sentence);
  - ✓ Civil proceedings and disciplinary actions: this information may not be public or is published on an anonymous basis. As such collection and completion of the data could prove difficult. The publication of the data and transfer outside of the EU would be illegal in France because of data privacy protection laws. It would be impossible to obtain information for cases not concluded.

  We believe any information on the criminal, civil or disciplinary cases should be strictly limited to those cases, relative to an Issuer, which are in the public domain.

- In some jurisdictions frequently used for arbitration, the results of arbitration proceedings required to be disclosed under Item 5.3 (a) are "private" to the various parties to the arbitration. As such, disclosure to the PCAOB may require the prior consent of the other parties to the arbitration proceedings. There is no guarantee that these consents will be forthcoming.

Question 5 - In the case of non-U.S. firms that are required to register because they play a substantial role in the preparation and furnishing of an audit report on a U.S. issuer, is the Board's definition of "substantial role" appropriate?

Whilst the definition of "substantial role" is understood, the responsibility for determining whether a firm does or does not play a "substantial role" would need to be with the primary auditor, as would the reporting requirement. See comments above in response to question 2.

Question 6 - Should the requirements to register be different for foreign public accounting firms that are "associated entities" (as defined in the Board's rules) of U.S. registered public accounting firms than for foreign firms that are not associated with U.S. registered firms?

- Mazars considers that requirements to register should not be different for foreign public accounting firms that are "associated entities" (as defined in the Board's rules) of U.S. registered public accounting firms than for foreign firms that are not associated with U.S. registered firms. Despite the numerous requirements also to be met to become a member firm of Mazars, information required to be disclosed to the PCAOB should in principle be the same for everyone with the same country of origin applying for registration.

- We therefore believe the way forward would be at least partial mutual recognition of national oversight systems. Should this way forward prove to be impracticable non US Mazars firms would their like to see how their "association" with US accounting firms, in particular Mazars LLP, could contribute to their registration.

- Of course, for firms that belong to an international organization, the statements required by Item 4.1 of Part IV of Appendix 2 of PCAOB Release 2003-1 could be covered by one, global statement, including specific waivers for compliance with national law and regulation. This will avoid unnecessary repetition of data.

Question 7 - Should registered foreign public accounting firms be subject to Board inspection? Could the Board, in some cases, rely on home-country regulation in lieu of inspection of foreign public accounting firms? If so, under what circumstances could this occur?

See also general consideration and answers to questions 1 and 4. Direct oversight of a foreign accounting firm should continue to be exercised by their competent national regulatory authority rather than by the PCAOB. This respects the national sovereignty of non-US countries but also addresses some of the practical problems that would arise with direct PCAOB oversight. The issue of Board inspection is a sensitive one, because the PCAOB requirements fail to respect adequately the national sovereignty of countries outside the USA. The PCAOB needs to be mindful of the different but equivalent ways in which accounting firms are nationally regulated. We encourage the PCAOB to continue its dialogue with other national regulators to work towards (where appropriate) a system of mutual recognition.

To enable the Board to correctly assess this issue, it is important to provide a brief overview of the organization and structure of the accounting profession in France:

- In France, the "Loi Securité Financière" is currently in the final stages of discussion and approval by the Parliament. This law, which addresses corporate governance and financial marketplace issues, also includes a significant chapter on the organization and governance of the accounting profession in France. It creates a Board ("Haut Conseil") comprised of independent persons who will be responsible for the control of the accounting profession under law. The enrolment as statutory auditor, determination of auditing standards,

independence rules, quality control and disciplinary procedures of the profession will fall under the responsibility of this Board, mandated by the Minister of Justice. Conceptually, many aspects of this law are very similar to the provisions of the Sarbanes-Oxley Act. The PCAOB should consider to what extent the provisions of this law might satisfy certain of their requirements.

- In addition, current company law provides criminal sanctions for pursuing an engagement as auditor if not independent and participation or association by an auditor with the publication of false or misleading financial information. Company law also renders the withholding of significant information from the auditors criminal. These aspects of current company law would are very much in line with certain chapters of the Sarbanes-Oxley Act.

- Under French law, any quoted company is required to have a joint-audit. As such two independent audit firms with joint and several liability report on the consolidated accounts of all quoted companies in the France. This is a very strong safeguard for the marketplace. This aspect needs to be considered by the PCAOB.

- Although the French profession is to some extent self regulating to date, the role of the auditor and his responsibilities are clearly set out in corporate law. The statutory auditor has a certain legal responsibility, as he is required to report to the equivalent of the district attorney if he discovers fraud or other specified violations of company law.

- Obtaining a license to practice as statutory auditor is a very difficult process in France. After obtaining a diploma which requires approximately four years of additional study and exams after a masters degree equivalent, an individual must be sworn in by the court, under the responsibility of the Minister of Justice, only after having obtained approval following the "enquête morale" which includes verification by the police of moral standing and absence of prior criminal records.

- The above factors represent significant safeguards for the profession in France and should clearly be taken into account by the PCAOB regarding oversight of firms in France.

As a conclusion, Mazars believes that oversight should be under the control of the "Haut Conseil", with an associated system of mutual recognition by PCAOB.

Question 8 - Aside from Board inspection, are there other requirements of the Act from which foreign public accounting firms should be exempted? If so, under what circumstances?

- The PCAOB should consider exempting French accounting firms from having to provide direct testimony to the PCAOB, or to provide access to their audit working papers for the legal reasons cited above and below. Again, it should be for the French regulator to exercise oversight in these areas. Where necessary, the PCAOB may wish to enter into a series of bilateral dialogues with foreign regulators to establish proper lines of communication. This remark is founded on the criminal sanctions for revealing information to a third party.

- Sections 102, 105, and 106 of the Act require audit firms to disclose information, documents or audit work papers to the SEC or to the Public Company Accounting Oversight Board (the "Board") when required by them to do so. These provisions are problematic under French law, as audit firms are subject to specific legal confidentiality (i.e. non-disclosure) requirements in France.

  Article L.225-240 of the Code de Commerce provides that auditors are subject to confidentiality obligations with respect to facts, documents or information they have learned or that were disclosed to them in the course of their work. Any breach of such obligation may entail a sentence of one-year's imprisonment or a fine of 15,000 euros (article 226-13 of the French Criminal Code). However, auditors may disclose confidential information when required or authorized by law (Article 226-14 of the French Criminal Code). This is likely to be interpreted by French courts as "French law". Since there is no express provision under French law authorizing the disclosure of confidential information by auditors to the SEC or to the Board, auditors could refuse to disclose information, documents or audit work papers lest they breach confidentiality obligations under French law. In addition, please note that Article 66 of the Decree dated 16 August 1969 lists entities (including courts) to which audit work papers may be disclosed. Neither the SEC nor the Board are included in such list. Whilst it is not entirely clear that this list is intended to be restrictive, the provision may also serve as a specific basis for auditors to refuse to disclose audit work papers.

  Currently , there are agreements between the COB and the SEC. The extension of such agreements needs to be considered by the PCAOB.

- As already emphasized in general consideration paragraph, the disciplinary system envisaged by the Act creates a double jeopardy for French auditors who will also be subject to national disciplinary systems.

- As stated above, the comprehensive oversight of a foreign public accounting firm should be exercised by a competent national regulatory authority. The PCAOB should enter into a dialogue with those regulatory authorities responsible to develop a clear understanding of the other national regulation systems. We would recommend an extension of at least one year before any foreign firms are required to register, and only for those countries where mutual regulator recognition is not possible.

Question 9 - Are there requirements different from those the Act imposes on all registered public accounting firms that the Board should apply to foreign public accounting firms?

See responses to previous questions concerning a one year extension from registration.

Question 10 - Should the Board's oversight of foreign registered public accounting firms that are "associated entities" (as defined in the Board's rules) of U.S. registered public accounting firms be different than its oversight of foreign public accounting firms that are not associated entities of U.S. registered firms? Should the U.S. registered firm have any responsibility for the foreign registered firm's compliance with the Board's rules and standards?

See the responses to question 6.

We hope the above comments will be helpful and remain at your disposal for further comments.

Yours sincerely.

Patrick de CAMBOURG
President of Mazars & Guérard