

disclosures required by Part II of the Form.

The Board understands that fee information in these categories has not been collected historically and that public accounting firms are in the process of putting in place systems to track information in these categories. Nonetheless, section 102(b)(2)(B) of the Act specifically requires applications for registration to include disclosure of fees for "audit services," "other accounting services" and "non-audit services." Accordingly, until such time as the SEC's revised rules are effective, the Board has, to the extent permissible under the Act, used categories from the existing SEC proxy disclosure rules that were adopted in November 2000 for the disclosures required by this Part of the Form.

Specifically, until December 15, 2003, the term "audit services" will be defined to mean the same category of services for which fees are required to be disclosed as "audit fees" pursuant to the Commission's 2000 proxy disclosure rules.³² Section 102(b)(2)(B) of the Act specifically requires applicants to disclose fees for "other accounting services," which are not required to be disclosed under the existing proxy disclosure rules. Accordingly, the Board has defined "other accounting services" by reference to concepts from the SEC's revised auditor independence disclosure rules. As explained in greater detail above in connection with the discussion of the definition of "other accounting services," until December 15, 2003, this term will include two categories of services: (1) services the fees for which are to be disclosed as "audit fees" under the Commission's revised rules, but that were not previously disclosed as "audit fees," and (2) services the fees for which are to be disclosed as "audit-related fees" under the Commission's revised rules.

While fee disclosures are not currently being made in these categories, these categories of fees have been defined with some precision through the SEC's rulemaking process. In addition, some issuers and public accounting firms may be in the process of developing systems to track fees in these categories since disclosures of these amounts will be required under the SEC's revised rules, effective for filings after December 15, 2003.

Under the existing proxy disclosure rules, fees must also be disclosed for financial information systems design

and implementation, as defined in Rule 2-01(c)(4)(ii) of Regulation S-X, 17 CFR 2-01(c)(4)(ii), and all other services (*i.e.*, services the fees for which are not disclosed as audit fees or financial information systems design and implementation fees). Until December 15, 2003, the term "non-audit services" will be defined to include these two categories of services. After December 15, 2003, applicants will be required to disclose fees for the category of services the fees for which are disclosed as "all other fees" under the Commission's revised auditor independence rules.

The Board understands that not all issuers are subject to these requirements and that companies subject to the requirements currently are not required to disclose fees for "other accounting services," as specifically required by section 102(b)(2)(B) of the Act. To address commenters' concerns about the difficulty of accurately compiling this information in these situations, the Board added a Note to Items 2.1 and 2.2 that provides that, to the extent these fee amounts have not previously been disclosed or otherwise known by the applicant, estimated amounts may be used in responding to these Items of the Form. The Board does not intend to penalize applicants that use good faith efforts to estimate the fees for "other accounting services" during this time. Consistent with these changes, applicants will not be separately required to disclose fees for "tax services," as had been proposed. The Board may choose, once the SEC's revised rules are effective, to require disclosure of "tax services" as part of registered public accounting firms' annual reports. The contents of these reports will be the subject of a future Board rulemaking.

In response to other comments received, the Board has simplified and clarified Part II of the Form in several other respects. First, the Board has eliminated the requirement to provide the issuer's standard industry code ("SIC"). Second, the Board has slightly modified the wording of Items 2.1 through 2.3 to make clear that the disclosure requirements pertain to audit reports *dated* during the relevant time period. Third, the Board has added language to the Notes to Items 2.2 and 2.3 to further clarify when applicants can "expect to prepare or issue" an audit report for an issuer. Specifically, those Notes now provide that an applicant may presume that it is expected to prepare or issue an audit report for an issuer (i) if it has been engaged to do so, or (ii) if it issued an audit report during the preceding calendar year for an issuer, absent an

indication from the issuer that it no longer intends to engage the applicant.

Fourth, in response to some commenters' concerns about the burden of making the necessary determinations to comply with Item 2.4, the Board has limited this Item to those applicants that did not prepare or issue an audit report dated during the preceding or current calendar year, and that do not expect to prepare or issue an audit report dated during the current calendar year. In other words, as the Note to this Item explains, applicants that disclose the name of an issuer in response to any of Items 2.1–2.3 need not respond to this Item. Finally, the requirement in Item 2.4 to explain the applicant's role in the audit has been modified to require only identification of the type of substantial role played by the applicant with respect to the audit report. To enable applicants to comply with this instruction, it is contemplated that the Web-based Form will contain a "pull-down menu" with a list of types of substantial roles, including an option to check "other."

The Board will consider issuing additional guidance on the fee disclosures required by Part II of the Form as the date for registration to begin nears.

Part III—Applicant's Financial Information

Section 102(b)(2)(C) of the Act provides that the Board may require applicants to submit "such other current financial information for the most recently completed fiscal year of the firm as the Board may reasonably request." Consistent with this provision of the Act, the Board proposed that applicants disclose fees received by the applicant during its most recently completed fiscal year for: audit services, other accounting services, tax services, and all other products and services, whether the fees were received from "issuers" or from their other clients.

A number of commenters stated that they are not currently tracking revenues in these categories for all their clients and that compiling this information in this form would be impractical or at least very burdensome. In light of these comments, the Board has decided not to require this information as part of public accounting firms' registration applications at this time. The Board does, however, intend to require applicants to submit information in these categories as part of their annual reports with the Board under section 102(d) of the Act. Although the contents of the annual and periodic reports will be the subject of a future Board rulemaking, the Board encourages

³² See Schedule 14A, Item 9(e)(1), 17 CFR 240.14a–101; see also Commission Final Rule: Revision of the Commission's Auditor Independence Requirements, Release No. 33–7919 (November 21, 2000).