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Congress of the United States

House of Representatives

Washington, DC 20515-3504

November 2, 2000

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OFFICE OF THE CHAIRMAN

The Honorable Arthur Levitt
Chairman
Securities and Exchange Commission
Washington, DC 20549

Dear Chairman Levitt:

I'm writing to follow up on our recent conversation about auditor independence.

Last week, it appeared the industry and the Commission were very close to agreement on a rule that would have commanded wide support in Congress and the accounting profession. One that would have dealt effectively with the core issue the Commission seeks to address, without arbitrarily restructuring the profession or restricting it from legitimate business arrangements.

Unfortunately, staff-level discussions seem to have reached an impasse. Rather than attempting to bridge the tiny gap that remained, reports are that staff has retrenched and positions have hardened. This turn of events is disappointing.

An environment of stalemate and mistrust will greatly increase the desire of members of Congress to require the Commission to accept further comment on its proposals before it adopts a final rule. This scenario becomes increasingly likely the longer the budget standoff with the White House continues.

I strongly recommend that the SEC attempt to reach a compromise along the lines we discussed last week and bring this proceeding to a successful conclusion. Let's nail down an agreement that's acceptable to all parties while we have the opportunity.

Yours truly,

Michael G. Oxley
Chairman
Subcommittee on
Finance and Hazardous Materials