

United States Senate
WASHINGTON, DC 20510

July 28, 2000

Arthur Levitt, Chairman
Securities and Exchange Commission
Washington, D.C. 20549

Dear Chairman Levitt:

As you may know, the Securities Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs held a hearing last week entitled "Adapting a 30's Financial Model to the 21st Century." The purpose of the hearing was to review the extent to which our current financial reporting models capture what the markets perceive as value on our current "New Economy." As you are fully aware, our current financial models only partially capture value in an economy where so much of corporate value is represented by patents, market access, human talent and intellectual property.

We are writing today on a related topic. During the course of our hearing, concern was expressed by committee members about the proposed SEC rules on Auditor Independence. Today Subcommittee Chairman Grams received a request by three Senators for follow-up hearings on that specific subject. The current intention is to hold this hearing in September following the August recess.

While we have heard many concerns expressed, our fundamental concern is the wide disparity between the impact of these proposed rules as described by SEC staff as opposed to the impact described by the accounting profession. At a time when our accounting standards will require significant modernization if they are to reflect value in today's economy, it is axiomatic that the accounting profession must retain the capacity to respond to these changes.

In light of the magnitude of your proposed changes, and the wide disparity in current opinion concerning their potential impact, we urge caution in arriving at final rules on this subject. Specifically, we request that you extend the comment period on the non-audit services portion of the Proposed rule until after February 1, 2001 in order to fully evaluate the impact of your proposal. This extension will allow for careful analysis of the proposed changes, and also address the concern about Congressional oversight authority expressed in the attached letter from Senators Bennett, Bayh and Schumer.

Sincerely,

Chairman Arthur Levitt

July 28, 2000

Page 2

Senator Rod Grams

Senator Robert F. Bennett

Senator Evan Bayh

Senator Wayne Allard

Senator Phil Gramm

Senator Jim Bunning

Senator Charles E. Schumer

Senator Chuck Hagel

Senator Mike Crapo

Senator Rick Santorum