

AMENDMENT TO H.R. 1564
OFFERED BY MS. WATERS OF CALIFORNIA

Page 2, after line 11, insert the following:

1 **SEC. 3. STUDY OF MANDATORY ROTATION OF REGISTERED**
2 **PUBLIC ACCOUNTING FIRMS.**

3 (a) **STUDY AND REVIEW REQUIRED.**—The Comp-
4 troller General of the United States shall update its No-
5 vember 2003 report entitled “Study on the Potential Ef-
6 fects of Mandatory Audit Firm Rotation”, and review the
7 potential effects of requiring the mandatory rotation of
8 registered public accounting firms. In addition, the update
9 shall include a study of—

10 (1) whether mandatory rotation of registered
11 public accounting firms would mitigate against po-
12 tential conflicts of interest between public account-
13 ing firms and issuers;

14 (2) whether mandatory rotation of registered
15 public accounting firms would impair audit quality
16 due to the loss of loss of industry or company-spe-
17 cific knowledge gained by a public accounting firm
18 through years of experience auditing the issuer; and

19 (3) what affect the Sarbanes-Oxley Act of 2002
20 has had on registered public accounting firms’ inde-

*including the
cost & benefits*

1 pendency and whether additional independence re-
2 forms are needed.

3 (b) REPORT REQUIRED.—Not later than 1 year after
4 the date of enactment of this Act, the Comptroller General
5 shall submit a report to the Committee on Banking, Hous-
6 ing, and Urban Affairs of the Senate and the Committee
7 on Financial Services of the House of Representatives on
8 the results of the study and review required by this sec-
9 tion.

10 (c) DEFINITION.—For purposes of this section, the
11 term “mandatory rotation” refers to the imposition of a
12 limit on the period of years in which a particular reg-
13 istered public accounting firm may be the auditor of
14 record for a particular issuer.

15 **SEC. 4. 5-YEAR SUNSET ON LIMITATION.**

16 At the end of the 5-year period beginning on the date
17 of the enactment of this Act, section 103(e) of the Sar-
18 banes-Oxley Act of 2002, as added by section 2, is re-
19 pealed.

