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September 15, 2006

Nancy M. Morris, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File Number S7-11-06

Dear Ms. Morris:

We would like to thank the Securities and Exchange Commission (the “**Commission**”) for the opportunity to comment on the issues raised in its Concept Release Concerning Management’s Reports on Internal Control Over Financial Reporting of July 11, 2006 (the “**Release**”), and we applaud the Commission’s continuing efforts to facilitate compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Act**”) and the rules promulgated thereunder by the Commission (collectively, “**Section 404**”).

By way of introduction, The Hundred Group of Finance Directors (the “**Hundred Group**”) represents the finance directors of Britain’s largest companies, mainly but not entirely drawn from the constituents of the FTSE 100 Index of the largest companies by market capitalisation listed on the London Stock Exchange. Almost 40 of our member companies are SEC registrants. We meet periodically to discuss issues affecting major corporations, and selectively respond to governmental and other consultation exercises where we believe that our role in companies and collective experience give us a particular insight into often complex matters.<sup>1</sup>

We acknowledge that Section 404 is designed to improve corporate governance, increase the quality of financial and other disclosure and instill investor confidence in the financial markets. Nevertheless, many market participants and commentators have observed the high cost and burden associated with its implementation. The “Staff Statement on Management’s Report on Internal Control Over Financial Reporting” released on May 16, 2005 (the “**May 16, 2005 Guidance**”) was an important step in trying to ease the application of Section 404. However, we still believe that opportunities remain for clarification and improvement in the way that Section 404 is applied. Following the publication of the Release, a number of our member companies who are SEC registrants set out to consider how such clarification and improvement might be achieved. These companies came together for an intensive, two-day workshop at which they shared views about the important issues raised in the Release. The document produced at the workshop was subsequently circulated to all

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<sup>1</sup> While this letter expresses the views of The Hundred Group of Finance Directors as a whole, such views are not necessarily those of individual members or their respective employers.

members of the Hundred Group who are SEC registrants for further comment. The consensus views that emerged from this process are appended to this letter as Appendix A.

Several general themes and principles run through our comments:

1. While there is broad acknowledgement of and respect for the purposes Section 404 is meant to achieve, the costs and burdens generated by it invite more reflection on whether its implementation can be rationalized further whilst still achieving the Act's requirements.
2. Full and effective application of the principles reflected in the helpful May 16, 2005 Guidance has not been achieved, we believe principally because of a lack of alignment between that guidance and Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements" ("AS 2"). As a result of this misalignment, the laudable goal of a top-down, risk-based approach to implementing Section 404 and the potential benefits of allowing management and external auditors to apply their judgement are not being fully achieved. Going forward, AS 2 should be amended to allow for management judgement and not only auditor judgement to drive the attestation process.
3. Future guidance should take the form of broad principles, rather than detailed prescriptive rules; the Commission has repeatedly acknowledged that a "one size fits all" approach cannot work in this context, and we are hopeful that future guidance offered by the Commission does not stray from this principle.
4. Future guidance should preserve the primacy of management judgement to allow for the effective implementation of a top-down, risk-based approach, and should provide for a safe harbour for those who operate within the Commission's guidance as it may be updated.

Since foreign private issuers are in their first year of mandatory compliance with Section 404, and in order to avoid confusion in the current cycle of compliance efforts, we believe that, as a procedural matter, Commission guidance should be prospective in nature. We would also request that any future guidance be presented initially in proposed form to allow for comments and feedback before it is finalized.

Once again, we appreciate the opportunity to comment on the Release, and hope that our comments will assist the Commission in evaluating the issues raised therein. We are also available to consult with the Commission concerning our comments.

Yours sincerely,

Philip Broadley  
Chairman  
The Hundred Group of Finance Directors

cc: Sebastian R. Sperber  
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