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**Rule-comments@sec.gov, Request to testify file number s7-13-00,  
Members of the Securities and Exchange Commission:**

John C. Vogle

Independence Standards Board

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Request to testify file number s7-13-00

Members of the Securities and Exchange Commission:

My name is John C. Bogle. I am the Founder and former chief executive of The Vanguard Group, a major mutual fund firm, and also serve as an independent member of the Independence Standards Board. I endorse ISB Chairman Allen's report to you at this hearing without reservation, but would like to offer a few comments on my own behalf.

First of all, I applaud the Commission's focus on the public policy need for auditors to be independent of their clients, in fact and in appearance. After nearly 50 years in the mutual fund industry, I can only reaffirm that such independence is absolutely essential to maintaining investor confidence in the quality and integrity of our nation's financial markets, and serves to make essential capital available to our businesses at the lowest possible cost.

I also believe that the four principles that the Commission has set forth for measuring independence are appropriate, as are the principal areas targeted for new standards. However, I am not at all clear that rule-making is necessary or appropriate in such areas as investments by auditors in audit clients, family and employment relationships between auditors and clients, or appraisal and valuation services.

Rather, I believe that the ISB is not only fully capable of handling these and most related issues, but indeed has made considerable progress on many of them, having issued several rules already, with several more ready for public comment. I am pleased that the Commission's rules in these areas largely endorse the work we have done. While the ISB process may seem tedious, I believe it will prove to be more effective than rule-making. In my experience as an independent member of the ISB, the four independent members and the four members of the accounting profession have freely and openly exchanged ideas about both policies and implementation that have made it possible to balance the many issues involved in a manner that effectively serves the public interest.

I would like to add that I have come to greatly respect not only my public member colleagues on the ISB, but those from the profession as well. While their firms have considerable economic and business interests at stake, they have been more than willing to look to the greater good in each of the issues we have dealt with so far. We have never had a deadlocked 4-4 vote—public versus professional. The ISB mechanism has worked well, and I believe that the proposed rule-making in the areas I've described is unnecessary.

The issues the ISB has dealt with so far have been appropriate ones, and, our work on a conceptual framework will, I am confident, meet with equal success. The issues regarding the provision of consulting services to audit clients, however, seem to me virtually intractable, and do lend themselves appropriately to rule-making by the Commission. The economic interests involved are substantial, the debate narrow, and both pros and cons strong. While my experience strongly reaffirms that the Commission's proposed rule should be adopted and that auditors not be permitted to provide substantive consulting services for their clients, I'm not clear that I would have the expertise and wisdom to make the final decision on this vital issue.

Thank you for the opportunity to offer these thoughts.