

Independence Standards Board to cease operations after  
making major contributions to the resolution of difficult  
and longstanding  
auditor independence issues.

Washington, DC, July 17, 2001 -- The Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA), with the agreement of members of the Independence Standards Board (ISB), today announced that the ISB will discontinue its operations effective July 31, 2001.

The ISB was created in 1997 through an agreement between the SEC and the AICPA to initiate research, develop standards, and engage in a public analysis and debate of auditor independence issues. During its tenure, the ISB made significant contributions in many areas, such as improving communications between audit committees and auditors regarding auditor independence issues, and clarifying the impact on an auditor's independence of certain financial investments and of professionals leaving an accounting firm to work for one of the firm's audit clients. Much of the ISB's work was incorporated into the SEC's new auditor independence rules, which were adopted in November 2000.

With the adoption of the SEC's new rules and the strengthening of the AICPA's Professional Ethics Executive Committee through the addition of public members, all parties agreed that the ISB has largely fulfilled its mission and that there is no longer a need for a group with the composition and structure of the ISB.

Acting SEC Chairman Laura S. Unger said, "The Commission's auditor independence rulemaking would not have been possible without the foundation laid by the ISB. Major parts of our rules can be traced to the ISB's standards and public discussions of the issues. The ISB members and staff deserve our greatest thanks for doing a difficult job with skill, statesmanship, and professionalism. They have exhibited the highest level of public service."

Barry Melancon, AICPA President and CEO, also applauded the ISB's work. "The ISB gave us the impetus to improve the profession's independence standards. The Board did a lot of groundwork and helped both the SEC and the profession to better understand independence issues and their ramifications." Melancon added, "Given the success we've had with the Public Oversight Board's Panel on Audit Effectiveness and the Blue Ribbon Panel on the Effectiveness of Corporate Audit Committees, we believe the best way to address future issues is for the SEC, the public, and the profession to work together, supplemented by ad hoc groups as appropriate. I'm confident that this process will work."

ISB Chairman William Allen said, "The members and staff of the ISB are proud of the work that the ISB was able to initiate and accomplish. We worked hard on controversial issues to address the concerns of public investors, the accounting profession, and the SEC. The ISB's constituencies often expressed strong and honestly held divergent views. By bringing these issues into the open, soliciting the best possible ideas, and having frank discussions, we made

significant progress. We are gratified that our deliberations and findings in large part were incorporated into the SEC's rules."

In addition to Allen and Melancon, the following individuals served as ISB members: John C. Bogle, Senior Chairman of The Vanguard Group; Stephen G. Butler, Chairman and CEO of KPMG LLP; Robert E. Denham, Partner at Munger, Tolles & Olson LLP; Manuel H. Johnson, Co-Chairman and Senior Partner of Johnson Smick International, Inc.; Philip A. Laskawy, Chairman and CEO of Ernst & Young LLP; and James J. Schiro, CEO of PricewaterhouseCoopers LLP.

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