



December 18, 2006

SEC December 2006 Open Meeting

In its open meeting on December 13, 2006, the SEC took several actions of potential significance to our non-U.S. issuer clients. These actions include interpretative guidance regarding the implementation of Section 404 of Sarbanes-Oxley (SOX) and a revised rule proposal relating to foreign issuer de-registration.

SOX Section 404 Management Guidance

The SEC voted to propose for public comment the following measures to improve implementation of Section 404 by reporting companies.

- Interpretive guidance for managements of companies regarding their evaluation of internal controls over financial reporting
- Amendments to SEC Rules 13a-15 and 15d-15 to provide that the SEC's guidance is a "safe harbor" for compliance with the annual evaluation of internal controls
- Amendments to Reg. S-X to clarify the auditor's reporting requirement pursuant to Section 404(b).

The proposed rule/proposed interpretative guidance regarding Management's Report on Internal Controls over Financial Reporting (relating to SOX 404) is available on the SEC's web site. The public comment period is open until February 26, 2007.

- [SEC Proposed Rule on Management's Report on Internal Controls Over Financial Reporting](#)
- [SEC Press Release on 404 Interpretive Guidance](#)
- [Speech by SEC Commissioner on 404 Proposed Guidance](#)
- [Cleary Gottlieb – Dec 13 Briefing on SEC Guidance regarding Section 404](#)
- [Clifford Chance – Dec 21 Briefing on SEC Guidance clarifying SOX Section 404 Reporting](#)
- [Clifford Chance – Dec 13 Briefing on SEC Guidance clarifying SOX Section 404 Reporting](#)

In a related development, the Public Company Accounting Oversight Board (PCAOB) voted to propose a new auditing standard relating to the audits of issuers' internal control over financial reporting under SOX 404.



PCAOB Revised Guidance for Auditors

SOX Section 404 – Further Relief for Certain Issuers

The SEC has adopted final rules extending the amount of time for smaller public companies and newly public companies to comply with the internal control reporting requirements of Section 404. The extensions, which are outlined in the links below, apply to non-accelerated filers and companies that are new to Exchange Act reporting, including foreign private issuers that are listing on a U.S. exchange for the first time.

- [SEC Press Release on 404 Further Relief for Smaller and Newly Public Companies](#)
- [SEC Final Rule Release 33-8760](#)
- [Clifford Chance – Dec 15 Briefing on 404 Further Relief for Smaller and Newly Public Companies](#)

Foreign Private Issuer Deregistration

The SEC voted to repropose for public comment rule amendments that govern when a foreign private issuer may terminate registration of classes of securities under the Securities Exchange Act and exit the SEC reporting system. The SEC initially proposed similar rule amendments in December 2005, and this reproposal also includes new concepts. For example, it includes a repropose Rule 12h-6 regarding deregistration, and newly proposed Amendments to Rule 12g3-2(b). Based on statements made at the public meeting, the proposal also appears to include that if an issuer delists a class of equity securities from a U.S. exchange, or terminates a sponsored ADR program it must wait 12 months before it can terminate reporting obligations in reliance on Rule 12h-6's proposed trading volume test. The repropose rule is posted on the SEC web site. Since this is essentially a second proposal (or re-proposal) of a changed rule, the comment period is short. As of January 9, the Foreign Issuer Deregistration Proposal has been published in the Federal Register, and the comment deadline is February 12, 2007.

- [SEC Reproposal on Deregistration for Foreign Private Issuers](#)
- [Clifford Chance Briefing on SEC Reproposal of Deregistration Rules](#)
- [SEC Press Release on Deregistration](#)
- [Speech by SEC Staff, including Comments on Deregistration](#)
- [Cleary Gottlieb – Dec 13 Briefing on Deregistration for Non-U.S. Issuers](#)
- [Clifford Chance – SEC Deregistration Reproposal](#)
- [Thacher Proffitt & Wood Bulletin on Deregistration for Non-U.S. Issuers](#)

For further information on Citi's Depositary Receipt Services, visit www.citi.com/adr.