U.S. CHAMBER OF COMMERCE

1615 H Street, NW
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December 18, 2012

His Excellency Guo Shuqing
Chairman
China Securities Regulatory Commission
Beijing100033
P.R. China

The Honorable Elisse Walter
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Guo and Chairman Walter:

The U.S. Chamber of Commerce (the "Chamber") is the world's largest business federation, representing the interests of more than three million businesses of every size, sector, and region, as well as state and local chambers and industry associations. These members are both users and preparers of financial information.

Effective and transparent financial reporting is necessary for efficient markets to make rational decisions on the deployment of capital needed for businesses to grow. To reach this goal, financial regulators must be able to police activities on an even-handed basis, which requires a thorough understanding of the marketplace. This provides certainty in the markets and creates conditions conducive for businesses to grow and investors to reap a return on their investments. This is true of both domestic and global markets.

The 1997, 1998, and 2008 financial crises have taught us that we truly live in a global marketplace. Ill-conceived policies in one part of the world can have a domino effect worldwide. Accordingly, it is important for financial regulators to share information and allow for systems of transparency to exist so that regulators can gauge the financial health of companies in other jurisdictions. This will allow regulators to assess potential problems at an early stage and provide stakeholders with the confidence to participate in the global marketplace.

This is why the Chamber supported provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") allowing the Public Company Accounting Oversight Board ("PCAOB") to negotiate agreements for reciprocal inspections and the confidential exchange of information by regulators.

Nevertheless, we are very concerned with the failure of Chinese financial regulators and the U.S. Securities and Exchange Commission to reach an accord on the sharing of confidential information for regulatory purposes. Failure to reach an agreement will create regulatory dead-zones that harm investors and businesses. Furthermore, the threat of retaliatory actions by regulators, on both sides of the Pacific, may create a regulatory protectionism that will harm both economies.

Such an outcome could injure Chinese and American businesses and their customers. A failure to reach an agreement could adversely affect investor confidence in the accuracy and reliability of corporate financial statements. Lowered investor confidence typically results in lowered valuations of public companies, which can reduce the opportunity for new companies to go public. These developments could harm the capital markets for years to come.

The United States and China share a mutual recognition of the importance of strong capital markets as an engine of economic growth and national prosperity. Accordingly, we respectfully request that both governments reach an agreement to share confidential information and cooperate in developing effective cross-border audit oversight programs. This will provide for a more efficient marketplace and plant the seeds for long-term economic growth. We will support you in these efforts, but we must all understand that the failure to reach an agreement will have harmful consequences for all parties involved.

We look forward to your progress in negotiating these agreements and pledge to assist you in any manner that we can.

Sincerely,

David Hirschmann
President and CEO
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

Myron Brilliant
Senior Vice President
International Affairs
U.S. Chamber of Commerce

Cc: The Honorable Timothy Geithner, Secretary, U.S. Department of Treasury
His Excency Wang Qishan, Vice Premier of the State Council, People's Republic of China