Manulife Financial

February 26, 2007

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

Re: File Number S7-24-06

Dear Ms. Morris:

We appreciate the opportunity to provide comments to the Commission on the Proposed Interpretative Guidance and Proposed Rule set out in Release Nos. 33-8762 and 34-54976, (the "Proposed Guidance").

We believe that the underlying concepts of section 404 of the Sarbanes Oxley Act of 2002 ("the Act")– that management take responsibility for those key controls that have a material impact on the veracity of their financial reporting, and that they have a reasonable basis for doing so – are valid and important.

Whether intended or not, the implementation of the Act has resulted in a broad focus on all the controls that govern transactions from initiation to reporting. The determinants of what controls should be included in the scope of management's certification have been largely, if not exclusively, quantitative and the result has significantly diluted the effectiveness of the Act for filers and for investors. To some extent this has been a result of the fact that filers, at the strong urging of their auditors, have generally used AS 2 as the standard around which their certification processes have been developed. The Proposed Guidance provides a standard specifically for management and allows for appropriate differentiation between the level of work required of management and that required of auditors. The elimination of the two part opinion further emphasizes this differentiation. Management, who are able to monitor controls on a daily basis, will likely perform less work to gain appropriate comfort that key controls are designed and operating effectively. Auditors, who do not have the same ability to continuously monitor controls, will continue to abide by the auditing standards which are designed to accommodate these limitations. Given the complexity of most public companies, and the consequent need to rely extensively on controls, we hope that auditors will essentially be doing the same amount of work as they would under a financial statement audit, but will be separately attesting to the controls that allow them to sign the financial statement opinion.

The Proposed Guidance also represents an important first step in calibrating management's certification process to take into account risk. Instead of prescribing the methods and activities that must be undertaken to comply with the Act, the Proposed Guidance sets out the principles which should guide management as they develop their certification process, but leaves the specifics of that process up to management. We believe that this is the appropriate way to regulate compliance with the Act.

Our specific comments in relation to the Proposed Guidance are set out below.

PROPOSED INTERPRETATIVE GUIDANCE

Will the proposed interpretative guidance be helpful to management in completing its annual evaluation process? Does the proposed guidance allow for management to conduct an efficient and effective evaluation?

The Proposed Guidance will be very beneficial to management. In the absence of guidance specifically dealing with management's certification, most filers have followed the guidance in Auditing Standard 2 (AS2) in developing their certification process. AS2 has been universally applied by the external auditing industry as the benchmark for judging the sufficiency and appropriateness of management certification processes. Not only are the requirements set out in AS2 quantitative in nature, they also do not recognize the inherent advantage that management enjoys over external auditors in their ability to assess the effectiveness of internal controls. The new guidance, which does leverage this advantage, will allow for a significant increase in the efficiency of the certification process. In addition, by emphasizing the importance of risk over "coverage", we believe that the result will be a more meaningful certification of internal controls over financial reporting (ICFR).

Are there particular areas within the proposed interpretive guidance where further clarification is needed?

We strongly support the move to a principle based approach to SOX compliance. We recognize that with a principle based approach, guidance is always less specific and is heavily reliant on the judgments of the individuals charged with compliance. We believe that the key principles that the Commission is expecting to underlie compliance efforts are adequately explained. We acknowledge that increased communication between filers and their auditors will be required to ensure that the application of the Proposed Guidance occurs with an appropriate balance between effectiveness and efficiency and that a wider range of approaches will result. We believe this is consistent with the Commission's recognition that facts and circumstances differ among filers and that the certification approach should differ accordingly.

Are there aspects of management's annual evaluation process that have not been addressed by the proposed interpretive guidance that commenters believe should be addressed by the Commission?

We believe the principles based approach allows filers the flexibility to deal with most aspects of the annual certification process using their best judgment as appropriate. As such, additional guidance is not required.

Do the topics addressed in the existing staff guidance (May 2005 Staff Guidance and Frequently Asked Questions (revised October 6, 2004)) continue to be relevant or should such guidance be retracted?

There are no inconsistencies between the May 2005 Staff Guidance and the Proposed Guidance. Where the discussions in the two releases differ, the combination of the two provides greater context for understanding the spirit and intent of the Commission as it relates to compliance with the Act. As such, we do not recommend that the May 2005 Staff Guidance be retracted.

Will the proposed guidance require unnecessary changes to evaluation processes that companies have already established?

The Proposed Guidance marks an important step in moving the Commission's approach to regulation of the Act from a rules based framework to a principles based framework. It does not change the underlying objective of the certification process – an objective assessment of the key elements of ICFR. If any changes arise in the evaluation processes that have already been established as a result of the Proposed Guidance, it would be because the processes are not properly designed to meet the underlying objective. We would not consider such changes to be unnecessary.

Considering the PCAOB's proposed new auditing standards, An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Considering and Using the Work of Others In an Audit, are there any areas of incompatibility that limit the effectiveness or efficiency of an evaluation conducted in accordance with the proposed guidance?

The PCAOB's proposed auditing standards appear to be consistent with the Proposed Guidance especially in so far as both emphasize a risk based approach. The adoption of a risk based approach by the PCAOB should be helpful to auditors as it will allow them to focus their work more on those key controls that have a material impact on financial reporting. We believe that this increased focus will encourage a more integrated approach to the external audit function. Given the complexity of most public companies, internal control reliance has played a critical role in financial statement audits and it was largely as a result of the quantitative focus of Auditing Standard # 2 that the scope of work required by the Auditors under the Act so far exceeded the scope of work required for financial statement audits. The combination of adopting a risk based approach and the elimination of the two part opinion should greatly reduce the amount of work required of the external auditors and we believe their audits should be better integrated and of a similar scope to the financial statement audits they performed prior to the enactment of the Act.

In addition to the general alignment, there are no specific areas where the PCAOB's new standard and the Proposed Guidance appear incompatible. We did note one opportunity for additional synchronization between the two documents. The PCAOB standard refers to "permitting consideration of knowledge gained during previous audits". Cumulative knowledge has historically played a role in the execution of an audit but its value was reduced under AS2 as a result of the application of the concept that each audit should stand alone. We believe that it would be helpful for the Commission to address the issue of knowledge gained during previous certifications and elaborate on how this could be leveraged by management.

Are there any definitions included in the proposed interpretive guidance that are confusing or inappropriate and how would you change the definitions so identified?

No such definitions were apparent to us.

Will the guidance for disclosures about material weaknesses result in sufficient information to investors and if not, how would you change the guidance?

We believe that the information described in the Proposed Guidance is sufficient for investors. We note that the disclosure of more in-depth information about material weaknesses is not required as the Proposed Guidance is currently drafted.

Should the guidance be issued as an interpretation or should it, or any part, be codified as a Commission rule?

As stated above, the Proposed Guidance marks a change from the rules based approach to a principle based approach. We believe this is an important and appropriate change. There are other examples of interpretative guidance issued by the Commission that have not been codified but still effectively control the quality and consistency of public disclosures. We do not believe that the Proposed Guidance needs to be codified in order to effectively meet its objective.

Are there any considerations unique to the evaluation of ICFR by a foreign private issuer that should be addressed in the guidance?

There are no issues unique to foreign filers that are relevant to the Proposed Guidance.

PROPOSED RULE AMENDMENTS

Should compliance with the interpretive guidance, if issued in final form, be voluntary, as proposed, or mandatory?

In our opinion, addressing this matter is unnecessary. The Proposed Guidance sets out the principles that should underlie the certification processes implemented by filers to comply with the Act. While filers may implement a variety of specific methods and activities to comply with the Act, they must all adhere to the underlying principles.

Is it necessary or useful to amend the rules if the proposed interpretive guidance is issued in final form, or are rule revisions unnecessary?

We support all the proposed rule revisions as set out below:

Rule 13a-15(c) and 15d-15(c). We support the rule revisions. They confirm the role of the Proposed Guidance not just to filers but to auditors as well. Principles based regulation naturally results in less specific guidance and participants, particularly audit firms, may tend to seek the comfort of the more structured environment offered by a rules based approach. The rule changes emphasize the overriding importance of principles and will support filers as they change their compliance processes to embrace a principle based approach.

Rule 2-02(f) and 1-02(a)(2). We strongly support the rule revisions. Management's ability to form judgments as to the risks in financial reporting, the key components of ICFR, and the appropriate means of testing those components must be unfettered by the requirement that Auditors necessarily agree with all aspects of their judgments. We acknowledge that under this approach, ongoing communication between management and external auditors will become an even more important element of an effective financial reporting process.

Should the rules be amended in a different manner in view of the proposed interpretive guidance?

No, we believe the changes as set out are sufficient and appropriate.

Is it appropriate to provide the proposed assurance in Rules 13a-15 and 15d-15 that an evaluation conducted in accordance with the interpretive guidance will satisfy the evaluation requirement in the rules?

Explicit affirmation of the authority of the Proposed Guidance is helpful and we therefore believe that such confirmation as is proposed for Rules 13a-15 and 15d-15 is appropriate. However, we note that Interpretative Guidance has historically been viewed as authoritative and as a result, the proposed wording, while helpful, is not necessary.

Does the proposed revision offer too much or too little assurance to management that it is conducting a satisfactory evaluation if it complies with the interpretive guidance?

As stated above, explicit affirmation that compliance with the Proposed Guidance will result in a satisfactory certification process is helpful for filers and for auditors. We do not believe that this could be overemphasized. However, we are satisfied that it is sufficiently evident from the Proposed Guidance as it is currently drafted.

Are the proposed revisions to Exchange Act Rules 13a-15(c) and 15d-15(c) sufficiently clear that management can conduct its evaluation using methods that differ from our interpretive guidance?

The most important element of these changes is the emphasis given to principles. Filers must understand that they are charged with determining the methods and activities that make up their certification processes using the principles in the Proposed Guidance to guide their choices. The Proposed Guidance does not promulgate specific methods, it provides examples of methods to clarify its discussion of principles. What must be made clear to management is that they must comply with the principles set out in the proposed Guidance, but can determine their own methods of doing so.

Do the proposed revisions to Rules 1-02(a)(2) and 2-02(f) of Regulation S-X effectively communicate the auditor's responsibility? Would another formulation better convey the auditor's role with respect to management's assessment and/or the auditor's reporting obligation?

The role of the auditor changes under the Proposed Guidance such that they will attest to the effectiveness of ICFR and not by concurring with management's certification. Both 1-02(a)(2) and 2-02(f) make reference to "attestation report on management's assessment of internal control over financial reporting". We recommend that this wording be changed to "attestation report on internal control over financial reporting".

In addition, it would be appropriate to make an explicit statement that the expectation of Auditors is that they attest to ICFR and not to management's certification, or to the basis of management's conclusion. This could be accomplished by referring to the new PCAOB standard as proposed in Release 2006-007.

Should we consider changes to other definitions or rules in light of these proposed revisions?

As was the case with the original framework for complying with the Act, we expect that over time, further clarification of the Commission's positions on relevant matters will become necessary. At this time, there are no other changes that need to be considered.

The proposed revision to Rule 2-02(f) highlights that disclaimers by the auditor would only be appropriate in the rare circumstance of a scope limitation. Does this adequately convey the narrow circumstances under which an auditor may disclaim an opinion under our proposed rule? Would another formulation provide better guidance to auditors?

We believe that where a scope limitation is so significant as to prevent the auditors from forming a conclusion on the effectiveness of ICFR, it would be unlikely that management could form an opinion either. The current wording of 2-02(f) begs the question as to the impact of such a scope limitation on management's certification. We believe that this should either be addressed, or the exception should not be referred to.

We would be pleased to answer any questions with respect to our submission, please contact either Mike French at 416 926 6328, or Marianne Harrison at 416 852 6161

Yours truly,

Marianne Harrison
Executive Vice President & Controller