



ADVANCING GLOBAL COMMUNICATIONS

September 8, 2006

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

Subject:

File No. S7-11-06

Comments to Concept Release Concerning Management's Reports on Internal Control over Financial Reporting

File No.S7-06-03

Internal Control over Financial Reporting In Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies

Dear Ms. Morris:

On behalf of the Telecommunications Industry Association (TIA), I hereby submit comments to the Securities and Exchange Commission (SEC) in response to its Concept Release Concerning Management's Reports on Internal Control over Financial Reporting, and to its recently announced proposal to provide further implementation delays for the non-accelerated filers and for newly public companies.

TIA is the leading trade association for the information and communications technology industry, with over 600 member companies that manufacture or supply the products and services used in global communications across all technology platforms. TIA represents its members on a full range of public policy issues affecting the industry and forges consensus on industry standards. TIA has a broad membership with members interested in various policy issues affecting their respective businesses. Among our small and medium-sized businesses, which represent more than 80 percent of TIA's membership, there is unified concern over section 404 of the Sarbanes-Oxley (SOX) Act.

2500 Wilson Boulevard
Suite 300
Arlington, VA 22201-3834
USA

+1.703.907.7700
FAX +1.703.907.7727

TIA members strongly support the objective of section 404 -- to protect investors and the public from financial accounting manipulations. In fact, it should be the goal of all public companies – small or large – to operate in a way that is transparent, subject to high standards of corporate governance, and enhances investor and shareholder confidence. The vast majority of public companies has lived up to these standards, and continues to do so.


Unfortunately, implementation of section 404 has not always served the best interests of shareholders or investors, particularly for the small businesses that are among the U.S. economy's most entrepreneurial companies. Practical application of section 404 has been unnecessarily costly to our sector, as well as detrimental to publicly owned small businesses as a whole.

In its final report to the SEC on April 23, 2006, the Advisory Committee on Smaller Public Companies (Advisory Committee) stressed that the benefits garnered from regulatory burdens should exceed costs incurred; section 404 clearly does not follow this cost-benefit model. Moreover, the burden is particularly detrimental to the ability of small businesses to innovate. Small businesses are a prime source for America's growth and competitiveness, and burdens should not be imposed unless necessary as a matter of public policy.

Simply, as recommended by Advisory Committee, section 404 should be implemented in a risk-based, scaled fashion that is based on the level of a company's product revenues. A revenue filter to guide section 404 compliance would ensure that smaller companies are required to implement levels of internal control procedures appropriate to their size, rather than that of the size of companies with revenues exponentially greater.

Despite claims -- including from those who stand to financially benefit from their services being rendered as a result of section 404 -- a scaled approach to section 404 will not obviate the purpose of SOX as applied to small companies. Importantly, smaller public companies would still be required to comply with other critical corporate governance measures mandated by SOX, such as CEO certification of the company's financials under section 302. Developing scalable guidelines doesn't mean two different standards or fundamental differences in levels of assurance. It means acknowledging that what might be necessary for one type of company may not be required for assurance at another. Furthermore, a scaled approach is appropriate and necessary to maintain and encourage the entrepreneurial, high-growth sectors of America's economy.

TIA fully supports the SEC's recently announced proposal to provide further implementation delays for the non-accelerated filers, foreign private issuers and newly public companies. In light of the current uncertainties due to the anticipated reforms and changes to the Auditing Standard No. 2 (AS2) requirements, we believe it is critical to further delay both the management assessment and external auditor attestation



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USA

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www.tiaonline.org

requirements for the non-accelerated filers as well as the newly public companies until a settled guidance can be provided and after a new revised AS2 rules have been implemented for a reasonable time. In fact, non accelerated filers and the newly public companies should be required to comply with section 404 only after a full assessment can be made via a General Accounting Office (GAO) study on the cost/burden impact of the newly revised AS2 rules.

Conclusion

TIA strongly believes that it is essential that the United States continue its efforts to protect investors' interests. However, it must not do so at the risk of injuring the U.S. capital market by inhibiting the growth of small- and medium-size public companies through extremely burdensome requirements such as section 404. We believe that this balance can be reached through the scaled approach to section 404, through which the requirements and related costs are appropriate to the company size. As previously noted, we applaud SEC's decision to delay implementation period for the non-accelerated filers, foreign private issuers and newly public companies and we encourage further extension until new revised AS2 rules have been put into practice for a reasonable time.

In summary, as a representative of approximately 600 member companies, out of which 80% are small and medium size companies, TIA argues that without significant reform, smaller public companies will either be forced to deregister and go private, or endure costs that will impede their growth and ability to function in a highly-competitive global market.


On behalf of TIA and our member companies, I would like to thank you for this opportunity to submit the foregoing comments. If you have any questions about this submission, or if there are other ways we can assist you, please contact me.

Sincerely,



Matthew J. Flanigan
President

CC: Christopher Cox, Chairman, U.S. Securities and Exchange Commission
Paul S. Atkins, Commissioner, U.S. Securities and Exchange Commission
Roel C. Campos, Commissioner, U.S. Securities and Exchange Commission
Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission
Annette L. Nazareth, Commissioner, U.S. Securities and Exchange Commission



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