



October 27, 2016

Mr. Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Subject: File No. S7-15-16: Disclosure Update and Simplification

Submitted via rule-comments@sec.gov

Dear Mr. Errett:

This letter is being submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Securities and Exchange Commission's (SEC or the Commission) proposed updates to amend and simplify its disclosure requirements (the Proposal).

FEI is a leading international organization of more than 10,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior-level financial executives. CCR is a technical committee of FEI that reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. CCR member companies represent approximately \$5 trillion in market capitalization and actively monitor the regulatory activities of the SEC. This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

Summary

We support the SEC's efforts to amend certain disclosure rules that have become redundant, duplicative, overlapping, outdated, or superseded. We agree that these amendments will better facilitate the disclosure of material and useful information to investors, without diminishing the value or utility of the current information we provide investors.

In particular, we believe the SEC should adopt the proposed deletions of redundant, overlapping, and outdated requirements. We also recommend the elimination of bright-line disclosure thresholds, as noted in our separate letter to the SEC in its request for comment on the business and financial

disclosure requirements of Regulation S-K.¹ In our letter we expressed support for a **materiality-focused, principles-based** disclosure framework.

We believe that integration of any Regulation S-K disclosures into the related financial statement footnotes should be on a voluntary basis for those cases where the requirements of rules and regulations of the SEC are more expansive than what is required by U.S. Generally Accepted Accounting Principles (GAAP). We understand that including such information into a footnote could otherwise result in a loss of certain safe harbors that serve to protect companies when disclosing forward-looking information, and could also discourage issuers from providing anything beyond what is required by the regulations. We note that Regulation S-X requirements are, by definition, included in the financial statements and are not forward-looking.

Bright Line Disclosure Requirements

As outlined in our separate letter to the SEC², we believe a principles-based framework that appropriately considers materiality is a baseline threshold for all disclosure. Disclosure of financial information should be required only when such information is material to a reasonably informed investor.³ Therefore we fundamentally disagree with the necessity of any bright-line quantitative thresholds that would otherwise require disclosures incremental to GAAP on the basis of a “one size fits all” guideline that gives no consideration to materiality overall, or that is contrary to a principles-based framework.

Relocation of Disclosures to Financial Statements

The Proposal solicits comments on expanding GAAP disclosures where the corresponding S-K requirements are more expansive than GAAP (e.g. litigation, contemplated governmental proceedings, etc.). The Proposal notes that the implications of such relocation include, among other considerations, loss of safe harbor and additional auditor involvement. For these reasons we recommend that any integration of more expansive S-K requirements into related financial statement footnotes be made on a voluntary basis by preparers. In particular, we believe that it is important to preserve the principle that MD&A should contain forward-looking information (qualifying for safe harbor), and audited financial statements should contain only historical data. We believe that the loss of the safe harbor protection would discourage issuers from providing supplemental information with respect to disclosure requirements relocated to the financial statements.

¹ File No. S7-06-16

² Refer to our “Executive Summary” in our response to the SEC Concept Release on Business and Financial Disclosure Required by Regulation S-K.

³ Refer to our comments under “Audience for Disclosure” in our response to the SEC Concept Release on Business and Financial Disclosure Required by Regulation S-K.

Continuation of Simplification Efforts

We believe it is of paramount importance that the SEC continues to advance its disclosure effectiveness efforts and initiatives. The Proposal, along with the SEC concept release on Business and Financial Disclosure Required by Regulation S-K,⁴ are important steps toward removing barriers to advancing such initiatives. Many companies are finding innovative and modern ways to improve their communications with investors, and the Proposal is an important step toward disclosure improvement and effectiveness for investors and users. However, more is needed.

We encourage the SEC to undertake formal periodic reviews to address disclosure simplification, and to continuously update its guidance when disclosures become outdated, superseded, redundant, duplicative, and overlapping. Furthermore we support a more formal mechanism that brings key stakeholders (e.g., investors, auditors, preparers and regulators) together to discuss disclosure challenges and to seek input on how to improve and advance the disclosure improvement initiatives of the SEC and others.

Conclusion

We applaud the SEC's ongoing efforts to improve disclosures. We welcome the opportunity to discuss our recommendation with the SEC and would be glad to answer any questions you may have.

Sincerely

Richard Levy

Richard Levy
Chairman, Committee on Corporate Reporting
Financial Executives International

Cc: James Schnurr, Chief Accountant, Office of Chief Accountant
Wesley Bricker, Interim Chief Accountant, Office of Chief Accountant
Keith Higgins, Director, Division of Corporation Finance
Mark Kronforst, Chief Accountant, Division of Corporation Finance
Russell Golden, Chair, Financial Accounting Standards Board

⁴ File No. S7-06-16