October 3, 2016

By email: rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 33-10110, *Disclosure Update and Simplification*

Dear Office of the Secretary:

The Center for Audit Quality ("CAQ") is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors; convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, D.C., the CAQ is affiliated with the American Institute of CPAs.

The CAQ appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission" or "SEC") Proposed Rule *Disclosure Update and Simplification* (the "Proposal" or the "Proposing Release").[1] This letter represents the observations of the CAQ but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

We provide our comments through the lens of the public company audit profession. Since auditors play an important role in enhancing the quality, rigor, and reliability of financial information disclosed in Commission filings, the profession has a strong interest in the success of the Commission's Disclosure Effectiveness Initiative. To facilitate the Commission's review, the order of topics discussed mirrors the order presented in the Proposal.

Overall Objective of the Proposing Release

The CAQ supports the Commission's Disclosure Effectiveness Initiative, including its efforts in the Proposing Release to improve disclosures by amending certain requirements that may have become redundant, duplicative, overlapping, outdated, or superseded. We believe the amendments will benefit investors by eliminating duplicative and outdated information thereby allowing the investor to

[1] *Disclosure Update and Simplification,* Release No. 33-10110; 34-78310; IC-32175 (July 13, 2016) [81 FR 51607 (Aug. 4, 2016)].

better focus on the disclosure of material information. Additionally, these proposed changes will simplify the compliance efforts of preparers and their auditors. The body of this letter provides our overall observations while the Appendix outlines our comments with respect to the proposed amendments.

We also support the Commission's efforts to work with the Financial Accounting Standards Board ("FASB") to eliminate redundancies and make other improvements in disclosure requirements. As noted in the Proposing Release, although federal securities laws set forth the Commission's broad authority and responsibility for the form and content of financial statements to be filed, the Commission has designated the FASB as the private-sector accounting standard setter for Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). Accordingly, the CAQ believes the SEC's disclosure requirements should generally not overlap or duplicate the requirements in U.S. GAAP. Codifying disclosure requirements related to financial statements in one place is beneficial for all stakeholders because they become easily accessible and can be better understood by stakeholders.

We also observe that any referrals of SEC disclosure requirements to the FASB as a result of the Proposing Release would be subject to the FASB's due process (subject to the Commission's monitoring responsibilities) and its criteria for evaluating disclosures, including the determination of whether the disclosure is beneficial to investors. We acknowledge this process may not guarantee the disclosures would be incorporated or subsequently retained in future standard setting activities. However, in such instances, we generally believe the disclosures in U.S. GAAP that would be required as a result of the FASB's due process should be sufficient and therefore the incremental SEC disclosure requirement would not need to be retained. For those incremental disclosures the SEC elects to retain in its requirements, we recommend the requirement include distinct disclosure objectives for providing the information to investors beyond those objectives addressed in the FASB's standard setting process.

<u>Future Redundancies and Outdated Requirements</u>

The CAQ also encourages the Commission to undertake ongoing reviews of its disclosure requirements to identify disclosures that, with the passage of time or changes in investor needs, may have become outdated, overlapping, or duplicative, including those that arise from new or evolving accounting standards.[2] For example, the FASB's issuance of new guidance related to revenue recognition[3] provides significantly enhanced presentation and disclosure requirements which, in some instances, may supersede, be redundant to, or overlap with current Commission requirements. Specifically, Rule 5-02.3(c) requires disclosure about long-term contracts and 5-03(b)1(a) requires a specific approach to disaggregation of revenue, both of which may be considered outdated or superseded by the disclosure requirements in ASC 606 when that guidance becomes effective. Similar overlap may exist as it relates to other recently issued accounting standards, such as leasing.[4] We recommend the Commission consider whether additional amendments may be needed to its disclosure requirements in response to these recently issued accounting standards.

<u>Interaction with the FASB Disclosure Framework Project</u>

The Proposing Release seeks feedback regarding the potential interaction between its proposed amendments and the FASB's Disclosure Framework project, which includes aligning the definitions of materiality; providing

[2] For example, the FASB has a standing project on its agenda to address feedback received from stakeholders on the Accounting Standards Codification ("ASC") which generates periodic proposals of "Technical Corrections and Improvements."

[3] Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers (Topic 606).*

[4] For example, the Tabular Contractual Obligations disclosure in Item 303 refers to "Capital Lease Obligations" and "Operating Lease Obligations" but these terms will be superseded upon adoption of ASU No. 2016-02 *Leases (Topic 842).*

certain clarifications with respect to the application of materiality to disclosures; targeted improvements to specific disclosures; and interim reporting. Provided the SEC and FASB retain consistent definitions of materiality, we do not believe the FASB's Disclosure Framework Project should have a significant effect on the amendments included in the Proposing Release. Rather, certain aspects of the FASB's Disclosure Framework Project could help the Commission's efforts to further enhance disclosure effectiveness. For example, we do not believe the FASB's interim reporting project will significantly affect the proposed amendments in the Proposing Release. However, we do believe aligning disclosure requirements for interim reporting with the objective of highlighting only material events and changes that have occurred subsequent to the end of the most recent fiscal year is consistent with the SEC's Disclosure Effectiveness Initiative. We believe that any referrals to the FASB related to interim disclosure requirements should be considered in light of this objective.

Income Tax Disclosures

With respect to income tax disclosures, we observe that, as part of its Disclosure Framework Project, the FASB recently issued a proposal[5] that would modify the current income tax disclosure requirements under U.S. GAAP (the "Proposed Income Tax ASU"). As a result, a substantial portion of the additional disclosures proposed for consideration with respect to income taxes have recently been deliberated by the FASB.
As part of its decision making process, we also observe the FASB:

- Deliberated certain requirements considered in the Proposing Release, including the utility of further disaggregation of foreign income and income tax expense by significant jurisdiction.[6] Accordingly, subject to constituent feedback, we believe the SEC should be consistent with the FASB's decision with respect to disaggregation of foreign income and income tax expense within any final ASU.

- Considered the needs of investors, including any potential implications for Smaller Reporting Companies ("SRCs"). By replacing the term public entity with the term public business entity, we believe the FASB determined during its deliberations that the additional benefits of expanding the income tax disclosure requirements to Regulation A and crowdfunding issuers would exceed the additional costs.[7] We believe the SEC should be consistent with the FASB's decision with respect to public business entities within any final ASU.

If the FASB adopts the Proposed Income Tax ASU as a Final ASU, we recommend the Commission consider eliminating Rule 4-08(h), along with Commission and staff interpretive guidance, in its entirety absent a specific disclosure objective that necessitates an incremental requirement. However, if the Proposed Income Tax ASU is not adopted as proposed, we recommend the SEC consider the comments received by the FASB as part of its due diligence process in determining whether further amendments should be made to S-X Rule 4-08(h).

Disclosure Location Considerations

The CAQ believes the notes to the financial statements should be limited to explanations of historical information included in the financial statements. Adding forward-looking information in the notes (1) introduces liability issues for preparers and potential verification and auditability issues for auditors and (2) is

[5] Proposed ASU 2016-270 – Income Taxes (Topic 740) – *Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes*.
[6] See further discussion within the Background Information and Basis for Conclusions of the Proposed Income Tax ASU.
[7] The Proposed Income Tax ASU would replace the term public entity with the term public business entity as defined in the Master Glossary of the ASC.

not consistent with the objectives of the financial statements. Forward-looking information and other voluntary disclosure can provide investors with additional insight into a registrant's financial and operational activities and preparers can provide that information outside the financial statements.

We also observe that electronic data analysis and search tools render the order of disclosure within a document less relevant. Users who read SEC filings online or on paper copy may not read the information "front to back", but rather focus on selected items they find useful. As a result, we do not believe investors typically have a preference for the physical or sequential location of disclosures nor do we think prominence is a function of the item in which a disclosure is required. For example, we do not believe that a disclosure in Item 1 is more prominent solely based on location. A user that is already familiar with filings generally and the business specifically might choose to focus on the financial statements and Management's Discussion and Analysis ("MD&A").

Legal Proceedings

The CAQ generally does not support combining Item 103 of Regulation S-K (Legal Proceedings) with ASC 450[8] as outlined in the Proposing Release. However, we believe it would be worthwhile for the Commission to evaluate the disclosure requirements of Item 103. Consistent with our July 21, 2016, letter regarding Release No. 33-10064, *Business and Financial Disclosure Required by Regulation S-K*, we believe the Commission should better articulate the objective of disclosures for legal proceedings and the underlying requirements should be consistent with that disclosure objective.

As the Commission indicates in the Proposing Release, while there are similarities in the subject, there are differences in the concepts and objectives of the disclosures in Item 103 of Regulation S-K and ASC 450. The disclosures required by ASC 450 are designed to provide information that is consistent with the accounting model for recognition and measurement of a loss contingency. Some of the disclosures required by Item 103 extend beyond those required by ASC 450. We do not believe adding disclosures to the financial statements that may not be consistent with the accounting model would be appropriate. Further, some of the disclosures were recently considered by the FASB as proposed changes to ASC 450, but the FASB ultimately concluded, based on constituent feedback, not to make those amendments.[9]

We also observe the current *American Bar Association (ABA) Statement Policy Regarding Lawyers' Responses to Auditors' Requests for Information* ("ABA Statement Policy") and Public Company Accounting Oversight Board ("PCAOB") auditing standards incorporate the guidance in ASC 450 and do not contemplate the expanded disclosures that could result from the integration of the requirements in Item 103 into ASC 450 outlined in the Proposing Release. If the Commission chooses to move forward with this integration, we believe the ABA Statement Policy and PCAOB auditing standards may need to be revisited to ensure that this guidance is consistent with the expanded financial statement disclosure requirements for legal proceedings.

Bright Line Disclosure Threshold Considerations

In general, we believe many of the bright-line thresholds included in the SEC disclosure requirements should be eliminated. Prescriptive thresholds do not take into account whether a disclosure item could be material,

[8] ASC Topic 450 *Contingencies.*

[9] See Proposed ASU *Disclosure of Certain Loss Contingencies* (July 10, 2010). The FASB's proposal would have included disclosures, for example, of the name of the court or agency in which the proceedings are pending; the date instituted; the principal parties to the proceedings; and a description of the factual basis alleged to underlie the proceedings. The proposal would also have required disclosure of certain remote loss contingencies with a potentially severe impact. This project was removed from the FASB's standard-setting agenda in 2012.

in ways that are specific to each separate set of financial statements and based on both quantitative and qualitative considerations. In addition, we observe that the SEC's Proposal to eliminate many of the bright line disclosure requirements is consistent with the FASB's proposed elimination of "at a minimum provide" disclosures contained in U.S. GAAP.[10]

Smaller Reporting Company (SRC) Considerations

The CAQ supports a disclosure regime that can be consistently applied to all registrants. Different reporting requirements within the financial statement disclosures for differently-sized registrants may result in unnecessary confusion and complexity in the disclosure framework.

We believe scaling or reducing disclosure requirements for SRCs within the financial statements would be contrary to the overall principle in U.S. GAAP that the notes to the financial statements should disclose all information that would be material to the reader's understanding of the historical financial information included in the body of the financial statements. Therefore, if a disclosure requirement of the SEC that is currently not applicable to SRCs is referred to the FASB and ultimately incorporated into U.S. GAAP, we believe that requirement, subject to materiality, should apply to SRCs.

* * *

In conclusion, the CAQ supports the Commission's efforts to improve the quality and effectiveness of disclosures and appreciates the opportunity to comment on the Proposing Release. We would be pleased to discuss our comments or answer any questions that the Commission may have regarding the recommendations expressed in this letter, Appendix, or other matters related to its Disclosure Effectiveness Initiative.

Sincerely,

Cynthia M. Fornelli
Executive Director
Center for Audit Quality

cc:

SEC
Mary Jo White, Chair
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[10] Proposed ASU 2015-310 *Notes to Financial Statements (Topic 235) – Assessing Whether Disclosures Are Material.*

Lewis H. Ferguson, Board Member
Jeanette M. Franzel, Board Member
Jay D. Hanson, Board Member
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Daryl E. Buck, Board Member
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Marc A. Siegel, Board Member
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Appendix

Note: Topics that we have not provided comment on have been omitted from the tables below.

Redundant or Duplicative Requirements – Section II.B of the Proposing Release

Topic	Observations
1. Foreign Currency	There may be diversity in views as to whether the third sentence of Rule 3-20(d) is redundant to the guidance in ASC 830,[11] including whether the guidance in ASC 830 addresses the accounting from the perspective of the parent. Accordingly, absent further clarification in ASC 830, we recommend the requirement be retained.
2. Consolidation	We support the proposed deletion of the disclosure requirements.
3. Obligations	We support the proposed deletion of the disclosure requirements. In addition, we observe the concept of "authorization of debt" is not clear as to the definition.
4. Income Tax Disclosures	We support the proposed deletion of the disclosure requirements. Also see our observations in the body of the letter.
5. Warrants, Rights, and Convertible Instruments	We support the proposed deletion of the disclosure requirements.
6. Related Parties	We support the proposed deletion of the disclosure requirements.
7. Contingencies	We support the proposed deletion of the disclosure requirements.
8. Earnings per Share	We support the proposed deletion of the disclosure requirements.
9. Insurance Companies	We support the proposed deletion of the disclosure requirements.
10. Bank Holding Companies	We support the proposed deletion of the disclosure requirements.
11. Changes in Accounting Principles	We support the proposed deletion of the disclosure requirements.
12. Interim Adjustments	We support the proposed deletion of the disclosure requirements.
13. Interim Financial Statements – Common Control Transactions	We support the proposed deletion of the disclosure requirements.
14. Interim Financial Statements – Dispositions	We support the proposed deletion of the disclosure requirements.

[11] ASC Topic 830 *Foreign Currency Matters.*

Overlapping Requirements – Proposed Deletions – Section III.C of the Proposing Release

Topic	Observations
1. REIT Disclosures – Undistributed Gains or Losses on the Sale of Properties and Status as a REIT	We support the proposed deletion of the disclosure requirements.
2. Consolidation – Difference in Fiscal Periods and Changes in Fiscal Periods	Subject to feedback from investors as to the utility of the information, we support the proposed deletion of the disclosure requirements.
3. Repurchase and Reverse Repurchase Agreements – Balance Sheet Presentation, Disaggregated Disclosures, and Collateral Policy	We support the proposed deletions in Rule 4-08(m) except for the requirement to disclose the registrant's policy with regards to taking possession of securities or other assets purchased under agreements to resell (that is, reverse repurchase agreements). As noted in the Proposing Release, U.S. GAAP is not as specific with respect to taking possession of collateral. Therefore, we recommend the disclosure be referred to the FASB for potential incorporation into U.S. GAAP. We believe that disclosure about possession of collateral is an important aspect of reverse repurchase agreements and is useful information in understanding the credit risk associated with the transactions in which the registrant does not take possession of the collateral.
4. Derivative Accounting Policy	We support the proposed deletion of the disclosure requirements.
5. Distributable Earnings for Registered Investment Companies	We support the proposed deletion and amendments to the disclosure requirements.
6. Insurance Companies – Liability Assumptions and Reinsurance Transactions	We support the proposed deletion of the disclosure requirements. In addition, we do not believe the disclosure requirements for material non-recurring reinsurance transactions should be referred to the FASB for potential incorporation into U.S. GAAP because we believe such transactions are covered by the disclosure requirements of ASC 944-20-50-3.[12]
7. Interim Financial Statements – Material Events Subsequent to the End of the Most Recent Fiscal Year	We support the proposed deletion of the disclosure requirements.

[12] ASC Subtopic 944-20 *Financial Services – Insurance: Insurance Activities.*

Topic	Observations
8. Interim Financial Statements – Changes in Accounting Principles	We support the proposed deletion of the disclosure requirements. The Proposing Release also questions whether the disclosure of the date of any material accounting change is unnecessary in light of the U.S. GAAP requirement to disclose changes in accounting principles in the period of change. In our view, the actual date of change is unnecessary given the U.S. GAAP requirements set forth in ASC 250,[13] which not only require an issuer to inform the reader that a change was made during the interim period, but also to communicate the reason the change was made, why the new principle was considered preferable, the method of applying the change, and any indirect effects of the change.
9. Interim Financial Statements – Pro Forma Business Combination Information	We support the proposed deletion of the disclosure requirements. In addition, as noted in our comment letter dated November 25, 2015, in response to the *Request for Comment on the Effectiveness of Financial Disclosures about Entities Other Than the Registrant*, we recommend the Commission coordinate with the FASB to establish more consistency between the pro forma presentation requirements in ASC 805[14] and Article 11.[15]
10. Interim Financial statements – Pro-forma for Dispositions	We support the proposed deletion of the disclosure requirements. However, we observe the Proposing Release indicates that SRCs are currently required to file pro-forma financial information for significant disposed businesses under S-X Rule 8-05 on Item 9.01 of Form 8-K. We understand there may be diversity in practice as the current text of Rule 8-05 only refers to significant acquisitions and does not specifically refer to dispositions. In order for Item 9.01 of Form 8-K to sufficiently substitute the disclosure requirements in Rule 8-03(b)(4), the Commission could consider amending Rule 8-05 to encompass significant dispositions.

[13] ASC Topic 250 *Accounting Changes and Error Corrections.*

[14] ASC Topic 805 *Business Combinations.*

[15] Our comment letter observed, in part: "Both U.S. GAAP (ASC 805-10-50-1) and S-X Article 11 require disclosure of pro forma financial information. For various reasons, pro forma operating results giving effect to business combinations may be different under each requirement. For example:

- Nonrecurring adjustments – S-X Article 11 prohibits income statement adjustments for nonrecurring charges or credits directly attributable to a transaction. U.S. GAAP requires these adjustments.
- Different assumed transaction dates – S-X Article 11 requires adjustments related to a pro forma income statement to be computed assuming the transaction was consummated at the beginning of the fiscal year presented. In contrast, the assumed acquisition date used to compute pro forma operating results in accordance with U.S. GAAP is not revised as the financial statements are updated. These differences cause S-X Article 11 pro forma operating results that might initially agree with the U.S. GAAP pro forma operating results to move out of alignment as time passes.
- Different earnings measures – S-X Article 11 requires pro forma income from continuing operations and related pro forma per share amounts, and it prohibits showing pro forma amounts reflecting discontinued operations. U.S. GAAP simply requires a company to present pro forma "earnings" and does not specify which "earnings" measure is to be presented.

Topic	Observations
11. Segments	We support the proposed deletion of the disclosure requirements.
12. Geographic Areas – Financial Information and Risks and Dependence	We support the proposed deletion of the disclosure requirements.
13. Seasonality – Interim Disclosures and Annual Disclosures	We support the proposed deletion of the disclosure requirements. With respect to the Private Securities Litigation Reform Act ("PSLRA") safe harbor, we observe that ASC 270-10-45-11[16] requires disclosure about seasonality to the extent the interim financial statements reflect material seasonal variations. However, ASC 270-10-45-11 would not require disclosure of forward-looking information to the extent that interim financial results are expected to become seasonal or that the effects of seasonality will become more or less pronounced.
14. Research and Development Activities – Domestic Issuers, Foreign Private Issuers, and Regulation A Issuers	We support the proposed deletion of the disclosure requirements.
15. Warrants, Rights, and Convertible Instruments	We support the proposed deletion of the disclosure requirements.
16. Dividends	We support the proposed deletion of the disclosure requirements. We also encourage the Commission to consider feedback from preparers and investors as to the potential costs and benefits of the proposed addition of requirements to Rule 8-03 and Rule 10-01 to mandate Rule 3-04 be applied to interim periods. In addition, it was not clear to us if the Commission's intent was to require the changes in stockholders' equity and non-controlling interests to be required for just the year-to-date period, or the quarter as well.
17. Equity Compensation Plans	We support the proposed deletion of the requirements in Item 201(d) with the exception of the requirement to disclose "any formula for calculating the number of securities available for issuance under the plan". We recommend this disclosure requirement be referred to the FASB for the potential incorporation into U.S. GAAP. This information might be useful to investors, if material. ASC 718[17] provides a "general" disclosure objective that may imply this information should be disclosed. However, in our experience such disclosure is not likely to occur without further clarification of how the general disclosure objective applies to formulas for calculating the number of securities to be awarded.

[16] ASC Topic 270 *Interim Reporting.*
[17] ASC Topic 718 *Compensation – Stock Compensation.*

Topic	Observations
18. Ratio of Earnings to Fixed Charges	We support the proposed deletion of the disclosure requirements.

Overlapping Requirements – Proposed Integrations – Section III.D of the Proposing Release

Topic	Observations
1. Foreign Currency Restrictions	While it could be viewed as implicit, Regulation S-X does not explicitly require a U.S. company to use the US dollar as its reporting currency. We encourage the Commission to consider feedback from preparers and investors as to the costs and benefits of changing Regulation S-X to explicitly require U.S. companies (and foreign issuers that are not foreign private issuers ("FPIs") to report in US dollars. As an alternative, the Commission could consider (1) providing all registrants the same flexibility in selecting their reporting currency as foreign private issuers or (2) codifying the SEC staff policy to allow domestic issuers (and foreign issuers that are not FPIs) that have substantially all of their operations in a particular country to report using that reporting currency. [18] We support the proposed amendments to move the restriction in Rule 3A-02 to Rule 3-20.
2. Restrictions on Dividends and Related Items – Domestic Issuers and Foreign Private Issuers	We support the proposed amendments to the disclosure requirements.
3. Geographic Areas	We support the proposed deletion of Item 101(d)(4). However, we question whether the proposed revisions to Item 303 are necessary and believe they could be confusing as currently drafted. We believe the addition of the phrase "geographic area" right after "for each reportable segment" could be interpreted by some registrants to mean that separate MD&A discussions are required first on a segment by segment basis and then for the entire business broken down by geographic area, regardless of the basis for segment reporting. Others may interpret the amendments as providing a choice to discuss on segment basis or geographic basis. Accordingly, we recommend the Commission clarify the proposed revisions to avoid this potential misinterpretation.

[18] Section 6640 of the Division of Corporation Finance's Financial Reporting Manual states: "S-X 3-20 requires that a U.S.-incorporated registrant will present its financial statements in U.S. dollars. In limited instances, the staff has not objected to the use of a different reporting currency. Those instances have been limited to situations where the U.S.-incorporated registrant had little or no assets and operations in the U.S., substantially all the operations were conducted in a single functional currency other than the U.S. dollar, and the reporting currency selected was the same as the functional currency. The staff has also not objected when a foreign issuer who does not meet the definition of an FPI applies this approach in similar circumstances."

Overlapping Requirements – Potential Modifications, Eliminations, or FASB Referrals – Section III.E of the Proposing Release

Topic	Observations
1. REIT Disclosures – Tax Status of Distributions	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP.
2. Consolidation	While we do not oppose referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP, we observe that existing requirements may be sufficient to achieve the disclosure objective and the existing SEC requirement could be deleted. For instance, ASC 810-10-50-1B[19] provides disclosure requirements for the deconsolidation of a subsidiary or a group of assets and ASC 805 provides disclosures upon acquisition of a controlling financial interest in a business.
3. Discount on Shares	While we do not oppose referral to the FASB for potential incorporation into U.S. GAAP the requirement that discounts on shares be presented separately as a deduction from the applicable accounts, we question whether the requirement provides useful information to investors given the following: • Stock issue costs within equity do not amortize and thus we do not see the ongoing relevance of such information. • In the period of issuance, the statement of cash flows would require separate presentation of such costs in the financing section. • Other discounts to par or stated value are likely captured by other disclosure requirements (e.g., see Preferred Shares discussion in the Proposing Release).
4. Assets Subject to Lien	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP.
5. Obligations – Defaults Not Cured, Waived Defaults, Changes in Obligations, and Amounts and Terms of Financing Arrangements	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP. In addition, we observe the concept of “authorized amounts of debt” is not clear as to the definition.
6. Preferred Shares	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP.
7. Income Tax Disclosures	As noted in the body of our letter, if the FASB adopts the Proposed Income Tax ASU as a Final ASU, we recommend the Commission consider eliminating Rule 4-08(h), along with Commission and staff interpretive guidance, in its entirety absent a specific disclosure objective that necessitates retaining the requirement.

[19] ASC Topic 810 *Consolidation*.

Topic	Observations
8. Related Parties	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP.
9. Repurchase and Reverse Repurchase Agreements	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP.
10. Interim Financial Statements – Computation of Earnings Per Share	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP. As highlighted in the Proposing Release, U.S. GAAP does not explicitly require disclosure of the computation of earnings per share ("EPS") in interim filings. However, the disclosure requirements in ASC 260-10-50-1[20] (which include the reconciliation of the numerators and denominators of basic and diluted earnings per share) are required "for each period for which an income statement is presented." We note the Basis for Conclusions to FASB No. 128[21] indicates the Board decided to require the reconciliation of the numerators and denominators of the basic and diluted EPS computations because "the reconciliation is simple and straightforward and will help users better understand the dilutive effect of certain securities included in the EPS computations." The Basis for Conclusions also indicates the "reconciliation required by this Statement should satisfy the SEC requirement…" However, APB 28[22] (now ASC 270) was not amended to specifically mention the computation of EPS in the minimum required disclosures for interim financial statements. In light of these observations and the importance of EPS in interim financial statements, we support the potential clarification to U.S. GAAP.
11. Interim Financial Statements – Retroactive Prior Period Adjustments	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP. With respect to whether the application of the requirement to disclose the effect of retroactive prior period adjustments on retained earnings to SRCs would result in additional costs, we observe that SRCs must account for retroactive changes in the same manner as non-SRCs. Therefore, SRCs are already required to determine the impact of any such changes on retained earnings in order to recast their financial statements.
12. Interim Financial Statements – Common Control Transactions	We support referral of the disclosure requirements to the FASB for potential incorporation into U.S. GAAP. We believe that investors in certain industries (e.g., investors in entities such as MLPs) may benefit from receiving information on key performance indicators like income from continuing operations and net income on a separate basis for comparable periods prior to the combination.

[20] ASC Topic 260 *Earnings per Share.*
[21] FASB Statement No. 128 *Earnings per Share.*
[22] APB 28 *Interim Financial Reporting.*

Topic	Observations
	However, we question whether the supplemental separate results of the combined entities should be limited to interim periods as currently proposed, particularly if separate entity results would be useful to investors. While the Proposing Release points to ASC 250-10-50-6 as the source of existing overlapping requirements on an annual basis, we do not believe those disclosures, absent additional clarification, result in the supplemental disclosure of the separate results of the combined entities for periods prior to the combination. We further observe that disclosure of the "effect of the change", while provided for periods presented, are only provided in the year of the change rather than for each period until such entities have been combined for all periods presented. We encourage the FASB to consider these points in its deliberations.
13. Products and Services	We believe the existing disclosure requirements about products and services in ASC 280[23] and Item 101 are substantially similar such that it would be appropriate to delete the disclosure requirements in Item 101. Further, we do not believe that any of the differences in the disclosure requirements should be referred to the FASB for potential incorporation into U.S. GAAP. While U.S. GAAP provides an impracticability exception, we observe the exception is infrequently utilized. To the extent it is invoked, we have observed the same impracticability issues with the Item 101 disclosure. As it relates to the bright lines in Item 101(c)(1)(i), we believe the U.S. GAAP disclosures are appropriate and sufficient, particularly considering the range of judgment necessary to aggregate revenue by classes of "similar products or services". With respect to whether issuers encounter challenges in disclosing revenue by products and services, it is our observation that most issuers identify their operating segments on the basis of products or services. For issuers that define segments based on geography, we have infrequently observed that it would be impracticable for them to disclose revenue based on products and services or groups of similar products and services.
14. Major Customers	We believe the disclosure requirements about major customers in ASC 280 and Item 101 are substantially similar in that they share a common objective to inform readers about significant concentrations in revenue with one or more customers. Accordingly, we recommend the SEC delete its disclosure requirement with respect to major customers in Items 101(c)(1)(vii) and 101(h)(4)(vi) and request the FASB to consider at a future date whether (1) requiring or encouraging naming significant customers is necessary and appropriate and (2) to retain the current 10% bright-line in ASC 280-10-50-42 for disclosure of revenue concentration by customer.
15. Legal Proceedings	See observations in the body of this letter.

[23] ASC Topic 280 *Segment Reporting.*

Topic	Observations
16. Oil and Gas Producing Activities	While we believe the phrase "with complete sets of annual financial statements" in ASC 932-235[24] is generally interpreted to apply to each annual period presented, we do not oppose referral of Instruction 1 of Item 302(b) to the FASB in order to clarify U.S. GAAP. If the incremental instruction is ultimately added to U.S. GAAP, we would encourage the Commission to delete not only Instruction 1 but also Instructions 2 and 3 of Item 302(b). We also encourage the Commission to consider working with the FASB to further reduce redundancies between ASC 932 for public companies and Regulation S-K and develop one cohesive set of supplemental unaudited disclosures that is presented outside the financial statements. Finally, we believe the disclosure requirement should apply to SRCs. It is our understanding that the current section of Item 302(b) that exempts SRCs from providing the oil and gas information under ASC 932 may have been an unintended consequence when the Commission took the concepts of Regulation S-B and incorporated them into Regulation S-K and Regulation S-X. Accordingly, we suggest the Commission consider amending Item 302 irrespective of any incorporation of the requirement into U.S. GAAP to clarify that this guidance applies to SRCs.

Outdated Requirements – Section IV of the Proposing Release

Topic	Observations
1. Stale Transition Dates	We support the proposed deletion of the disclosure requirements.
2. Income Tax Disclosures	We support the proposed deletion of the disclosure requirements.
6. Foreign Private Issuer (FPI) Initial Public Offering (IPO) Age of Financial Statements	We support the proposed deletion of the disclosure requirements.

Superseded Requirements – Section V of the Proposing Release

Topic	Observations
1. Auditing Standards	We support the proposed amendments. We recommend clarifying under what circumstances a filer of a Form 10-Q could have its financial information reviewed in accordance with standards other than PCAOB standards.
2. Statement of Cash Flows	We support the proposed amendments to the disclosure requirements.

[24] ASC Subtopic 932-235 *Extractive Activities – Oil and Gas: Notes to Financial Statements.*

Topic	Observations
3. Gain or Loss on Sale of Properties by REITs	We support the proposed deletion of the disclosure requirements.
4.a. Consolidation – Difference in Fiscal Periods	We support the proposed deletion of the disclosure requirements.
4.b. Consolidation – Bank Holding Company Act of 1956	We support the proposed deletion of the disclosure requirements.
4.c. Consolidation – Intercompany Transactions Generally	We support the proposed deletion of the disclosure requirements.
4.d. Consolidation – Intercompany Transactions in Separate Financial Statements	We support the proposed deletion of the disclosure requirements.
4.e. Dividends Per Share In Interim Financial Statements	We support the proposed amendments to the disclosure requirements.
4.f. Interim Financial Statements – Pro Forma Business Combination Information	We support the proposed amendments to the disclosure requirements.
5. Development Stage Entities	We support the proposed deletion of the disclosure requirements. We also recommend the definition of development stage entity be deleted from Rule 1-02(h).
6. Insurance Companies – Statutory Accounting Requirements, Reinsurance Recoverable, and Separate Account Assets	We support the proposed amendments to the disclosure requirements.
7. Bank Holding Companies – Net Presentation and Goodwill	We support the proposed deletion of the disclosure requirements.
8. Discontinued Operations	We generally support the proposed amendments to the disclosure requirements. However, we believe the SEC should consider different revisions to Item 302 to better accomplish the disclosure objective outlined. In lieu of the proposed changes, we recommend the SEC change Item 302(a)(1) to

Topic	Observations
	require the supplementary quarterly financial information to disclose "income (loss) from continuing operations" where it previously had required "income (loss) before extraordinary items and cumulative effect of a change in accounting principle". Presenting "income (loss) from continuing operations" as well as "net income (loss)" would highlight the effects of discontinued operations. We are unclear what income statement line item was intended by the proposed amended regulation text which currently refers to "income (loss)". We also recommend the SEC reconsider what interim period financial metrics it requires to be disclosed on a per share basis and make them consistent with measures that are presented on the face of the interim income statements.
9. Pooling-of-Interests	We support the proposed amendments to the disclosure requirements.
10. Statement of Comprehensive Income	We support the proposed amendments to the disclosure requirements.
11. Extraordinary Items	We support the proposed amendments to the disclosure requirements.
12. Cumulative Effect of Changes in Accounting Principles	We support the proposed amendments to the disclosure requirements.
14. Selected Financial Data for Foreign Private Issuers that Report under IFRS	We support the proposed amendments to the disclosure requirements.
15. Canadian Regulation A Issuers	We support the proposed amendments to the disclosure requirements.
16. Non-Existent or Incorrect References	We support the proposed amendments to the disclosure requirements.