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July 25, 2018

By email: PerformancePlanning@sec.gov

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

*Re: Draft 2018-2022 Strategic Plan for Securities and Exchange
Commission, Release No. 34-83463*

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 that require action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs (AICPA). This letter represents the perspectives of the CAQ, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

The CAQ appreciates the opportunity to share our views and provide input on the Draft 2018-2022 Strategic Plan (Draft Plan) of the Securities and Exchange Commission (Commission or SEC). The CAQ supports the strategic goals outlined in the Draft Plan, and provides comments below on the following themes contained in the Draft Plan: (i) protecting the interests of Main Street investors; (ii) facilitating capital formation; and (iii) collaborating with internal and external stakeholders.

I. Protecting the Interests of Main Street Investors

The CAQ supports the Draft Plan's emphasis on deploying the Commission's resources in a way that "most benefits the long-term interests of [its] Main Street investors,"¹ as well as the Draft Plan initiatives discussed below that are designed to further this goal.

¹ Draft Plan, page 5.

A. *Reexamining the Content of Disclosures*

We support the Draft Plan's initiative aimed at reexamining business and accounting disclosure requirements with the goal of providing more "readable, useful, and timely information" to investors.² We commend the Commission's recent rulemaking initiatives aimed at evaluating and improving its disclosure requirements, including by leveraging technology to modernize and simplify requirements, and to improve the systems of disclosure through which investors receive the necessary information to make informed investment and voting decisions. The CAQ has provided comments on these recent initiatives, and we encourage the Commission to consider this input and that of others as it continues its ongoing efforts to reexamine ways to enhance business and accounting disclosure requirements for registrants.³

As reflected in our prior comments, we support a principles-based disclosure framework that articulates clear and understandable disclosure objectives, supplemented by guidance on how to apply the principles. We believe this approach would allow registrants to more effectively communicate material information to investors that is focused, relevant, and appropriate for a registrant's particular facts and circumstances. The flexibility offered by such a framework also should encourage registrants to tailor disclosures to their facts and circumstances and reduce redundant and overlapping disclosures. A principles-based approach also lends itself to a disclosure regime that can be consistently applied to all registrants.

B. *EDGAR Modernization*

The Draft Plan articulates an initiative to "[m]odernize design, delivery, and content of disclosure so investors, including in particular retail investors, can access readable, useful, and timely information to make informed investment decisions."⁴ We support this initiative, and commend the Commission for its ongoing commitment to modernize and enhance the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. As the Commission states, access to "timely, material, and quality business and accounting disclosure" is increasingly important as more Americans become responsible for their own investment choices.⁵ As reflected in our prior comments, the CAQ

² Draft Plan, page 6.

³ See CAQ letter in response to File No. S7-15-16 (October 3, 2016) available at <https://www.thecaq.org/sec-disclosure-update-and-simplification>; CAQ letter in response to File No. S7-18-16 (October 31, 2016), available at <https://www.thecaq.org/sec-regulation-s-k-disclosure-requirements-relating-corporate-governance-matters>; CAQ letter in response to Release No. 33-10064 (July 21, 2016), available at <https://www.thecaq.org/sec-business-and-financial-disclosure-required-regulation-s-k>; CAQ letter in response to File No. S7-20-15 (November 25, 2015) available at <https://www.thecaq.org/sec-effectiveness-financial-disclosures-about-entities-other-registrant>; CAQ letter in response to File No. S7-13-15 (September 8, 2015), available at <https://www.thecaq.org/sec-concept-release-possible-revisions-audit-committee-disclosures>; *Initiative on Rethinking Financial Disclosure*, CAQ and George Washington University (November 1, 2014), available at <https://www.thecaq.org/initiative-rethinking-financial-disclosure?sfvrsn=4>.

⁴ Draft Plan, page 6.

⁵ Draft Plan, page 6.

encourages the Commission to improve investors' access to business and accounting disclosures by enhancing EDGAR in several ways.⁶

First, the CAQ urges the Commission to consolidate and update current search features by improving their visibility and organization on the EDGAR platform. We agree with the Commission that EDGAR serves as an important technological vehicle for companies to convey critical public disclosures to investors.⁷ Consolidating and updating EDGAR's search features will permit investors to locate and access company disclosures more easily.

Second, we encourage the Commission to enhance EDGAR by improving output and interactive data functionalities. The Commission took a step toward these goals with recent amendments requiring the use of Inline XBRL for financial statement information and risk/return summaries, which will likely provide faster access to information in a more accessible format.⁸ We suggest utilizing and supplementing interactive data functionality with other data visualization and analytical tools.

Third, we encourage the Commission to add comparative tools to the EDGAR platform that allow investors to compare historical financial data for multiple companies. Comparative tools would help further the Commission's goal of protecting the interests of Main Street investors by providing additional context to the information that may be used in their investment decisions.

C. *Updating Outdated Rules and Guidance*

The CAQ also supports the Draft Plan's initiative to "[i]dentify, and take steps to address, existing SEC rules and approaches that are outdated." We commend the Commission for its ongoing efforts to modernize SEC rules and approaches, including its Disclosure Effectiveness Initiative⁹ and its recent proposal to amend the Loan Rule in the Commission's auditor independence requirements.¹⁰

These developments reflect thoughtful efforts by the Commission to reassess the rules, tools, methods, and approaches used in the past and adapt them to help promote continued

⁶ See CAQ letter in response to Release Nos. 33-10201; 34-78737, File No. S7-19-16 (October 5, 2016), available at <https://www.thecaq.org/sec-exhibit-hyperlinks-and-html-format>; CAQ, U.S. Chamber Center for Capital Markets Competitiveness, Financial Executives International, and the Business Roundtable joint letter in response to The SEC's Disclosure Effectiveness Initiative – EDGAR Modernization Suggestions (May 29, 2015), available at <https://www.thecaq.org/sec-disclosure-effectiveness-initiative-edgar-modernization?sfvrsn=2>.

⁷ Draft Plan, page 6.

⁸ See SEC Press Release on June 28, 2018, available at <https://www.sec.gov/news/press-release/2018-117>.

⁹ SEC Proposes Amendments to Update and Simplify Disclosure Requirements As Part of Overall Disclosure Effectiveness Review (July 13, 2016), available at <https://www.sec.gov/news/pressrelease/2016-141.html>. See related CAQ comment letter (October 3, 2016) available at <https://www.thecaq.org/sec-disclosure-update-and-simplification>.

¹⁰ Proposed Rule: Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationship, Release Nos. 33-10491; 34-83157; IC-33091; IA-4904; File No. S7-10-18 (May 2, 2018). See related CAQ comment letter (July 3, 2018) available at <https://www.thecaq.org/sec-auditor-independence-respect-certain-loans-or-debtor-creditor-relationships>.

effectiveness.¹¹ We applaud the Commission’s efforts to date in this regard and urge continued focus in this area.

II. Facilitating Capital Formation

One of the initiatives highlighted in the Draft Plan is the goal of “[i]dentify[ing] ways to increase the number and range of long-term, cost-effective investment options available to retail investors, including by expanding the number of companies that are SEC-registered and exchange-listed.”¹² We share the Commission’s goal of facilitating capital formation. In doing so, however, we encourage the Commission to pursue initiatives that further this goal without eroding proven investor protections.

We believe that the Sarbanes-Oxley Act of 2002 and the accompanying internal control over financial reporting requirements foster more reliable financial reporting and enhance audit quality to the benefit of investors. Among other things, strong control environments provide a foundation for company growth, improve companies’ reporting effectiveness and efficiency and help companies comply with applicable laws and regulations.¹³ We encourage the Commission to continue to embed these proven investor protections when taking steps to facilitate growth in capital formation.

III. Collaborating with Internal and External Stakeholders

Consistent with the Draft Plan’s theme of promoting collaboration among stakeholders, we support the Commission’s initiatives to “[e]nhance [its] outreach, education, and consultation efforts, including in ways that are reflective of the diversity of investors and businesses”¹⁴ and to promote collaboration within and across SEC offices.¹⁵ With respect to these goals, the CAQ urges the Commission to engage regularly in dialogue with key external stakeholders regarding regulatory initiatives, and we commend the Commission for its efforts to date in this regard.

In particular, we believe the Commission can help make strides toward the initiatives outlined in the Draft Plan through ongoing, focused collaboration with other domestic regulators and standard setters, such as the Public Company Accounting Oversight Board and the Financial Accounting Standards Board. We also believe that there is benefit in continuing to engage globally with foreign securities and audit regulators, and with key external stakeholders, such as public company audit committees, audit firms, and investors in companies of all sizes. We believe that collaboration with external stakeholders can help inform regulatory initiatives, help coordination among regulatory

¹¹ Draft Plan, page 3.

¹² Draft Plan, page 6.

¹³ See CAQ, Council of Institutional Investors, and CFA Institute joint letter to the House Financial Services Committee in response to the Financial CHOICE Act 2017 Discussion Draft, released April 19, 2017, (May 1, 2017), available at <https://www.thecaq.org/caq-cii-and-cfa-institute-submit-joint-letter-financial-choice-act>.

¹⁴ Draft Plan, page 6.

¹⁵ Draft Plan, page 10.

bodies both domestically and internationally, and help planned enhancements meet the needs of stakeholders.

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We appreciate the opportunity to comment on the Draft Plan. As the Commission and Staff gather feedback from other interested parties, we would be pleased to discuss our comments or answer any questions that the Commissioners or Staff may have regarding the views expressed in this letter.

Sincerely,



Cynthia M. Fornelli
Executive Director
Center for Audit Quality

CC:

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