

# COMMITTEE ON CAPITAL MARKETS REGULATION

September 8, 2015

Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

VIA ELECTRONIC MAIL: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: File Number S7-13-15, Concept Release on Possible Revisions to Audit Committee Disclosures (July 1, 2015), Release No. 33-9862; 34-75344

Dear Sir or Madam:

The Committee on Capital Markets Regulation (the “**Committee**”) is grateful for the opportunity to comment on the concept release by the Securities and Exchange Commission (the “**SEC**”) regarding possible revisions to audit committee disclosures (the “**Concept Release**”).<sup>1</sup>

Founded in 2006, the Committee is dedicated to enhancing the competitiveness of U.S. capital markets and ensuring the stability of the U.S. financial system. Our membership includes thirty-four leaders drawn from the finance, investment, business, law, accounting, and academic communities. The Committee is chaired jointly by R. Glenn Hubbard (Dean, Columbia Business School) and John L. Thornton (Chairman, The Brookings Institution) and directed by Hal S. Scott (Nomura Professor and Director of the Program on International Financial Systems, Harvard Law School). The Committee is an independent and nonpartisan 501(c)(3) research organization, financed by contributions from individuals, foundations, and corporations.

The SEC seeks comment on whether certain changes and additions to audit committee reporting requirements regarding their responsibilities vis-à-vis independent auditors would improve these disclosures’ usefulness for investors.<sup>2</sup> In particular, the SEC seeks feedback on disclosure requirements regarding audit committee: (1) oversight of independent auditors; (2) processes for choosing independent auditors; and (3) consideration of independent auditor qualifications.<sup>3</sup> The SEC also requests comment regarding the location of audit committee disclosures in annual reports,<sup>4</sup> and issues particular to smaller public companies<sup>5</sup> and emerging growth companies.<sup>6</sup>

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<sup>1</sup> Securities and Exchange Commission Concept Release No. 33-9862; 34-75344 File No. S7-13-15 RIN 3235-AL70 (July 1, 2015) [hereinafter, “Concept Release”]

<sup>2</sup> See, e.g., Concept Release at 5, 29.

<sup>3</sup> Concept Release at 29-48.

<sup>4</sup> Concept Release at 48.

<sup>5</sup> Concept release at 50; See Rule 12b-22 of the Exchange Act [17 CFR 240.12b-2]; See Item 407(g) of Regulation S-K (17 CFR 229.407(g)).

<sup>6</sup> Concept Release at 51-55.

We support the SEC's goal of promoting "effective and independent" audit committees.<sup>7</sup> By monitoring and strengthening the quality of audits, audit committees provide an important service to investors. Accurate and comprehensive independent audits and financial reporting are indeed vital to the functioning of capital markets. The Committee therefore supports audit committee disclosures, to the extent that they promote audit committee independence and reliable, rigorous audit procedures.

While the Committee has not conducted a detailed evaluation of each of the proposed disclosures, a particular concern was noted with respect to disclosures regarding "the nature or substance of the required communications between the audit committee and auditor"<sup>8</sup> and "the extent to which additional matters were discussed with the auditor."<sup>9</sup> Requiring detailed disclosures regarding the content of auditor communications risks chilling such communications. For example, if "the extent to which additional matters were discussed with the auditor" had to be disclosed, such matters may not be discussed, and a firm may miss the opportunity to detect and correct a potential problem in its early stages. The clear danger of this result greatly outweighs the possible benefit of this additional public disclosure.

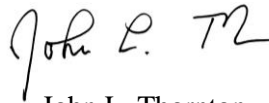
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Thank you very much for your consideration of our views. Should you have any questions or concerns, please do not hesitate to contact the Committee's Director, Prof. Hal S. Scott (████████████████████) or the Executive Director of Research, John Gulliver (████████████████████) at your convenience.

Respectfully submitted,



R. Glenn Hubbard  
Co-CHAIR



John L. Thornton  
Co-CHAIR



Hal S. Scott  
DIRECTOR

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<sup>7</sup> Concept Release at 4,6.

<sup>8</sup> Concept Release at 33.

<sup>9</sup> Concept Release at 33-34.