

SENT VIA EMAIL to rule-comments@sec.gov

September 21, 2015

Office of the Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

Re: SEC Concept Release and Possible Revisions to Audit Committee Disclosures  
(File #S7-13-15)

We appreciate the opportunity to comment on the SEC's Concept Release on possible revisions to audit committee disclosures *File No. S7-13-15* (the "Concept Release"). While we support the SEC's overriding objective to provide disclosures that may assist investors with their investment decisions, we are opposed to the Concept Release as we are concerned with the prescriptive nature of the proposed revisions to audit committee disclosures. As there are thousands of public companies, and they come in all shapes and sizes, individualized disclosures are critical. Further, many commenters noted the continued evolution of audit committee disclosures as many committees have expanded their disclosures recently. The SEC might be better served by further study of this trend to determine whether the action contemplated in this Concept Release is warranted. The Concept Release will, of its own accord, result in many audit committees enhancing their disclosures.

Raymond James Financial, Inc. (NYSE: RJF) is a leading diversified financial services company. The company went public in 1983 and the firm has been listed on the New York Stock Exchange since 1986 under the symbol RJF. During fiscal 2014, we generated approximately \$4.8 billion revenue and \$480 million of net income.

Our Audit and Risk Committee is composed of five independent directors and meets the requirements of applicable Securities and Exchange (SEC) and NYSE rules. Each Audit and Risk Committee member is both financially literate for Audit and Risk Committee purposes and qualifies as a financial expert. We are dedicated to providing high quality financial information to our investors, regulators and anyone else who is interested. In our opinion, the Audit and Risk Committee, along with the auditors, and management, all have important roles in ensuring that outcome. Furthermore, we believe that the strong interaction between all three is critical to this objective.

Should the SEC decide to proceed with new regulations, we would recommend the SEC consider the use of a principle-based rule rather than prescriptive disclosures. The SEC could require the disclosure of the substance of communications between an audit committee and investors rather than mandating what information an audit committee must disclose. In this manner, audit

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committees would be able to provide the information which it believes is most important and relevant based upon each company's particular situation, instead of what most likely will become standard boiler plate disclosures.

#### Audit Committee Oversight of the Auditor

A good example where principle-based disclosures would prove more valuable is the disclosures that focus on the reporting relationship between the audit committee and the external auditor. Information regarding this interaction could provide valuable insight into the audit committee's assessment of audit quality and independence. This may be of value to investors in assessing the audit committee's performance of its duties. Further, enhanced disclosure would provide a better picture of the level of communication between the auditor and the audit committee beyond that currently required. Unfortunately, prescriptive disclosure requirements concerning the content of these communications could result in a chilling effect on the flow of information between the external auditor and the audit committee.

Here again, we would recommended that any new requirements allow audit committees the ability to provide further transparency of their own practices through a principle-based requirement. We are very concerned that prescriptive requirements will dampen the open and candid conversations which currently exist between the audit committee and the external auditor.

This is but one example where we believe a principle-based approach would achieve both the SEC's objectives of further transparency and more fruitful disclosure of the communication between the audit committee and external auditors. By this same token, as the SEC further considers this issue, it is also important to consider whether further disclosures will truly benefit the investment community. As noted by some of the other commenters, there is concern that further disclosure may have reached the point of diminishing returns.

In conclusion, given our opposition to the Concept Release, we recommend the SEC simply stay the course and monitor audit committees disclosures to determine whether further regulation is truly necessary. Should the SEC decide to move forward, we strongly encourage a principle-based approach over the prescribed mandates contemplated in the Concept Release.

If you have any questions or would like to discuss this matter further please contact me at [REDACTED] or via email at [REDACTED]

Very truly yours,



Paul L. Matecki  
Senior Vice President  
General Counsel



# Defining Issues®

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## SEC Seeks Feedback on Audit Committee Reporting

The SEC recently issued a concept release inviting the public to comment on possible revisions to audit committee reporting requirements with a deadline for responses of September 8, 2015.<sup>1</sup>

### Key Facts

- The concept release is not a proposed rule. Instead, it seeks feedback that the SEC will consider when deciding whether rulemaking is appropriate. The concept release seeks feedback on 11 new disclosure topics categorized into three groups:
  - Audit Committee's Oversight of the Auditor;
  - Audit Committee's Process to Appoint or Retain the Auditor; and
  - Qualifications of Audit Firm and Certain Engagement Team Members.
- Companies and audit committees should consider submitting a comment letter because their comments can influence whether the SEC adopts more detailed audit committee disclosure rules, issues general guidelines, encourages disclosure to evolve voluntarily, or takes no action.

### Key Impacts

- Expanded reporting requirements could impact how audit committees exercise their oversight responsibilities and may impact committee members' liability exposure.
- The concept release discusses potential disclosures that may be challenging or controversial such as whether:
  - The substance of communications with the auditor could be conveyed with sufficient context, whether this requirement could unintentionally chill communications between the audit committee and the auditor, or whether it may reveal proprietary information about the company or audit methodology;
  - The confidentiality of nonpublic PCAOB inspection results could be undermined if information provided to audit committee members is disclosed; and
  - Required minimum disclosures could produce boilerplate information.

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<sup>1</sup> SEC Concept Release No. 33-9862, Possible Revisions to Audit Committee Disclosures, July 1, 2015, available at [www.sec.gov](http://www.sec.gov).

## Current Audit Committee Reporting Requirements

Disclosure requirements for audit committee reporting are principally contained in Item 407 of Regulation S-K and predate the current listing standards of the New York Stock Exchange and National Association of Securities Dealers. Item 407 disclosure requirements also predate the Sarbanes-Oxley Act of 2002, which established the PCAOB. As a result, SEC audit committee disclosure requirements do not reference all of the required communications included in PCAOB standards.

Additionally, while current audit committee disclosure requirements provide information about the role of the audit committee with respect to its oversight of the auditor, some believe that the current SEC disclosure rules do not provide investors with sufficient useful information and transparency about how the audit committee executes its responsibilities. Specifically, the current disclosures state whether the audit committee has:

- Reviewed and discussed the audited financial statements with management;
- Discussed with the auditor the matters required to be communicated under the auditing standards;
- Received the required written communications about auditor independence and discussed these with the auditor; and
- Recommended to the board of directors that the audited financial statements be included in the company's annual report on Form 10-K.

Other disclosures are also required, including whether the audit committee members are independent; whether the registrant has at least one audit committee financial expert; the number of committee meetings held and attendance; and whether the audit committee has a charter.

## Disclosure Topics for Feedback

The SEC is seeking comment on potential changes to required disclosures about an audit committee's role and responsibilities related to the audit and the auditor and other potential changes. The SEC wants to determine the extent to which modifications would enhance the usefulness of disclosures for financial statement users. The following chart lists the 11 disclosure topics that the SEC requested feedback on and identifies some of the points included in the SEC's concept release.

### Audit Committee's Oversight of the Auditor

#### Communications between the Audit Committee and the Auditor

**Question:** Would these disclosures provide useful information and would companies encounter compliance difficulties?

- Disclosure of communications considered in the audit committee's oversight role of the auditor's overall audit strategy, including:
  - Timing of the audit
  - Significant risks identified in the audit
  - Nature and extent of specialized skills used in the audit
  - Planned use of other independent accounting firms, internal audit, and other third-party participants
  - The audit committee's consideration of the audit firm's basis for determining that the firm can serve as the principal auditor

#### Frequency of Audit Committee Meetings with the Auditor

**Question:** Would additional disclosures be helpful?

- Description of specific meetings held with the auditor
- Frequency of private meetings with the auditor and the topics discussed

#### Discussion about the Auditor's Internal Quality Review and Most Recent PCAOB Inspection Report

**Question:** Would the confidentiality of nonpublic PCAOB inspection results be undermined by disclosing the information listed below? Would this information be useful to the investor?

- The nature of discussions held with the auditor about the results of the firm's internal quality review and most recent PCAOB inspection
- How the audit committee considered any deficiencies described in the inspection report

#### Auditor's Objectivity and Professional Skepticism

**Question:** Would additional disclosures about how, as part of its oversight of the auditor, the audit committee assesses, promotes, and reinforces the auditor's objectivity and professional skepticism be useful?

### Audit Committee's Process to Appoint or Retain the Auditor

#### Auditor Assessment

**Question:** Would additional disclosures about the auditor appointment or retention process be useful?

- The process and criteria used to assess the performance and qualifications of the auditor
- How the audit committee assessed the auditor's independence and objectivity
- The metrics used to measure audit quality
- The rationale for selecting or retaining the auditor
- A description of the nature of the audit committee's involvement in evaluating and approving the auditor's compensation

#### Audit Committee's Process for Auditor Selection

**Question:** If the audit committee sought a Request for Proposal (RFP), would these disclosures be helpful?

- The number of audit firms that received the RFP
- Criteria used to select the auditors who received the RFP
- Information used by the audit committee to reach its decision

#### Board of Director's Policy for an Annual Shareholder Vote on Auditor Selection

**Question:** Should additional disclosures be required about the board's policy, if any, and would additional disclosures promote informed voting decisions?

- The audit committee's consideration of the voting results in evaluating and selecting the audit firm

### Qualifications of Audit Firm and Certain Engagement Team Members

#### Disclosures about Engagement Team Members

**Question:** Would additional disclosures about the engagement team members be helpful? Would the disclosures have any liability implications?

- The engagement partner's name
- Names of key members of the engagement team
- Key team members' relevant experience and length of time in their current roles
- Known changes in key team members for the next audit

### Audit Committee Input to Select the Engagement Partner

**Question:** Would disclosure of the audit committee's input into selecting the engagement partner provide transparency and insight into the audit committee's exercise of its oversight responsibilities?

### Auditor's Tenure

**Question:** Would additional information about the auditor's tenure be helpful?

- Length of the audit relationship
- The audit committee's consideration of auditor tenure in retaining the auditor
- How tenure was considered in evaluating the auditor's independence and objectivity

### Other Firms Involved in the Audit

**Question:** Would additional information about other auditors be helpful?

- Names, locations, and planned responsibilities of:
  - Other affiliated accounting firms
  - Non-affiliated accounting firms
  - Third-party participants, such as tax advisors or actuaries, involved in the audit work

The SEC is also seeking feedback about the following potential matters:

- Could additional disclosures have the unintended consequence of chilling or overly formalizing communications between the audit committee and the auditor, or revealing proprietary information about the company or the audit methodology?
- If the SEC introduces certain required minimum audit committee disclosures, could this result in more boilerplate information being disclosed?
- What are the potential economic impacts of additional disclosures and should the requirements differ for smaller companies or foreign private issuers?
- Should expanded disclosures include other aspects of audit committee activities outside of the relationship between the audit committee and the independent auditor, such as the involvement in the oversight of financial reporting, the internal audit function, or internal control over financial reporting?
- Would additional disclosures promote audit quality? If so, how?

## Location of Audit Committee Disclosures in Filings

The concept release seeks feedback about where audit committee disclosure information should appear in filings and whether the audit committee report should be included in registration statements.

Disclosing the name of the engagement partner in the audit report has been the subject of PCAOB proposed rulemaking. Most recently, on June 30, 2015, the PCAOB issued a supplemental request for comment seeking feedback on the suggestion that a new Form AP, *Auditor Reporting of Certain Audit Participants*, could serve as an alternative reporting mechanism.<sup>2</sup>

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<sup>2</sup> PCAOB Supplemental Request for Comment No. 2015-004, June 30, 2015, Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form, available at [www.pcaobus.org](http://www.pcaobus.org). Comments are due by August 31, 2015.