

**From:** Dowling, Connor  
**Sent:** Monday, March 10, 2014 3:58 PM  
**To:** OFM Performance and Planning  
**Subject:** Draft SEC Strategic Plan for 2014-2018 (Release No. 34-71466)

Please see attached and let me know if you have any questions.

The Honorable Mary Jo White  
Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Draft SEC Strategic Plan for 2014-2018 (Release No. 34-71466)**

Dear Chair White:

The U.S. Chamber of Commerce (the “Chamber”) is the world’s largest federation of businesses and associations, representing the interests of more than three million U.S. businesses and professional organizations of every size and in every economic sector. These members are both users and preparers of financial information. The Chamber created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21<sup>st</sup> century economy. To achieve these goals, the CCMC has supported policies that promote an effective and coherent regulatory structure that fosters an even playing field and an environment conducive for investment and capital formation needed for businesses to grow and create jobs.

The CCMC appreciates the opportunity to comment on the Securities Exchange Commission’s (“SEC”) Draft Strategic Plan for 2014-2018 (Release No. 34-71466) (the “draft SEC strategic plan”). The CCMC supports the goals of the draft SEC strategic plan to:

- 1. Establish and maintain an effective regulatory environment;**
- 2. Foster and enforce compliance with federal securities laws;**
- 3. Facilitate access to information investors need to make informed decisions; and**

#### **4. Enhance the Commission’s performance through effective alignment and management of human, information, and financial capital.**

Our comments are focused on several varied areas which touch on each of these goals. In this letter and the accompanying attachments we provide constructive proposals to achieve these goals.

##### **I. Financial Reporting**

The CCMC supports the development of robust financial reporting systems and strong internal controls to promote efficient capital markets and capital formation. Accordingly, the CCMC agrees with the SEC’s initiatives to improve the quality and usefulness of disclosures and to update disclosure and reporting requirements to reflect the informational needs of today’s investors, which includes initiatives under Strategic Objectives 1.1 and 3.1 in the Draft. For example, to accomplish Strategic Objective 1.1, the SEC plans to improve the quality and usefulness of disclosures. And, to accomplish Strategic Objective 3.1, the SEC plans to update disclosure and reporting requirements to reflect the informational needs of investors. In this regard, the draft SEC strategic plan states: “In proposing changes for the Commission to consider, the staff will seek to modernize disclosure requirements and eliminate redundant reporting requirements.”

The CCMC believes that the modernization of financial reporting is long overdue and necessary in order to update the disclosure regime for the 21<sup>st</sup> century. We have encouraged the SEC to take a comprehensive approach to modernizing financial reporting policies and have made a number of suggestions for doing so in our letter to you dated October 9, 2013,<sup>1</sup> which we have included as an attachment to this letter. The CCMC is also a strong advocate of high-quality accounting standards and high quality audits, so we are pleased to see initiatives in both of these areas included in the draft SEC strategic plan under Strategic Objective 1.1. However, the initiatives described in the draft SEC strategic plan are quite general and it might be

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<sup>1</sup> Letter attached as Appendix A.

helpful to include more specifics about them in the final Strategic Plan. For example, it would be useful for all stakeholders to know more about the SEC's plans for:

Strengthening and supporting the Financial Accounting Standards Board's ("FASB") independence and maintaining the focus of financial reporting on the needs of investors;

Working to promote higher quality financial reporting worldwide and considering, among other things, whether a single set of high-quality global accounting standards is achievable;

Overseeing the Public Company Accounting Standards Board ("PCAOB") and its regulation of independent auditors through the PCAOB's inspection and disciplinary programs; and

Working closely with the PCAOB on the promulgation and interpretation of auditing standards to address current issues in the capital markets.

Starting with the leadership of Jack Brennan and Leslie Seidman and continuing with Jeff Diermeier and Russ Golden, the Financial Accounting Foundation ("FAF") and Financial Accounting Standards Board ("FASB") have made a series of process improvements that have increased communications with stakeholders. This has improved the accounting standard setting process. On the other hand, we have had continuing concerns that there is a lack of dialogue between the business community and the Public Company Accounting Oversight Board ("PCAOB"). In relation to the SEC's oversight of the PCAOB, we thought the SEC might find our letters of February 29, 2012 and October 5, 2012<sup>2</sup> to PCAOB Chairman Doty helpful and we have included them as an attachment to this letter. These letters suggest several ideas aimed at improving process and communications to help facilitate standard setting and oversight of auditing.

Additionally, the CCMC continues to believe that convergence of accounting standards is helpful to create a high quality set of accounting standards that reflects a

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<sup>2</sup> Letters attached as Appendix B and C.

true global marketplace. While some of the current projects are at a fork in the road and it is an open question if the proposed standards will converge, the CCMC believes that convergence is an important goal for the SEC to strive towards. The SEC is uniquely positioned to drive this process and we look forward to further discussions with you on this topic.

## **II. Update and Modernize Disclosures and Eliminate Redundant Reporting Requirements.**

The CCMC supports the need to modernize disclosures in order to fit the informational needs of today's investors. Our current system is still based in a 1930's regulatory regime and it is necessary to update this system to reflect the needs of 21<sup>st</sup> century investors and businesses that must raise capital from markets that did not exist when some of the enabling legislation was passed. While the CCMC will communicate with the SEC further about the need to and suggestions for how to overhaul corporate disclosures, we would like to draw your attention to an October 6, 2011<sup>3</sup> letter to the SEC on a retrospective review of existing regulations. This letter outlines a proposal for procedures and process enhancements to identify outdated regulations and requirements, as well as a system to test the effectiveness of new regulations.<sup>4</sup>

## **III. Proxy Advisory Firms-Retail Investor Issues**

The CCMC agrees with the aims of the draft SEC strategic plan to strengthen proxy structures and corporate governance systems. We thank the SEC for holding the proxy advisory firm roundtable last December. While this was helpful to have a public dialogue and frame issues around the advisory firm industry, the CCMC

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continues to believe that more should be done to build transparency and accountability in the development and dissemination of proxy advice. Accordingly, you will find attached **Best Practices and Core Principles for the Development, Dispensation and Receipt of Proxy Advice** ("Chamber principles")<sup>5</sup> released by the CCMC last year. The Chamber principles outline how proxy advice should be

<sup>3</sup> Letter attached as Appendix D.

<sup>4</sup> It should also be noted that the CCMC has filed a number of comment letters on the Concept Release of the U.S. Proxy System that raise issues of disclosure overload and suggestions on how to strengthen and modernize the proxy systems.

<sup>5</sup> Chamber principles attached as Appendix E.

developed and used by the firms, how that advice must correlate to the needs and responsibilities of the client, and how public companies should interact with proxy advisory firms.

While we recognize that the Chamber principles may not be the ideal solution in all cases or identify all of the problems surrounding the development and issuance of proxy advice, we believe that they are helpful as a starting point to facilitate the discussion and frame an agenda for action.

The CCMC also believes that the SEC should examine how to re-engage retail investors in the proxy process. Through several regulatory and market developments, retail investors have effectively been disenfranchised and barely participate in the proxy process. This means that shareholder proposals and director elections are missing an important voice and the viewpoints currently presented do not encompass the entire investor mosaic.

The CCMC has put forth several suggestions, in our letter of September 16, 2009,<sup>6</sup> as to how retail investors can be enfranchised and their participation rates increased in the proxy process. These suggestions, such as client directed voting, virtual meetings, and shareholder communications are important innovations that need to be examined by the SEC as part of a broader overhaul of proxy voting systems and disclosures.

#### **IV. Management Issues**

The CCMC believes that a strong and effective SEC is necessary for efficient capital markets that benefit both investors and businesses alike. Managerial improvements, prioritization, accountability, and allocation of resources are critical for the SEC to play this role. The CCMC has issued two reports: **Examining the Efficiency and Effectiveness of the U.S. Securities and Exchange Commission** and **U.S. Securities Commission: a Roadmap for Transformational Reform**<sup>7</sup> (“SEC reform reports”) that provide over 50 recommendations to improve the management of the SEC, change policies to allow the SEC to acquire the talent

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<sup>6</sup> Letter attached as Appendix F.

<sup>7</sup> The SEC reform reports are attached as Appendix G and H.

needed to understand and regulate the markets and enhance accountability to break silos and provide a focus on smart regulation bereft of internal turf battles.

The SEC reform reports are not a comprehensive list of changes, but provide a roadmap for transformational change to help regulate capital markets in the 21<sup>st</sup> century.

### **Conclusion**

This is just a brief overview of some of the CCMC's views on the SEC draft strategic plan and the attachments with this letter give much more substantive and constructive proposals to achieve the goals laid out by the SEC. We hope that you find these suggestions helpful and we are available to discuss these ideas with you and your staff in much greater detail.

Sincerely

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Tom  
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