

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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October 17, 2006

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Release Nos. 33-8735; 34-54380; IC-27470; File No. S7-03-06

Dear Ms. Morris:

The U.S. Chamber of Commerce is the largest business federation in the world, representing the interests of some three million companies of every size and industry. We appreciate the opportunity to respond to the request for comments on the proposal to require disclosure with respect to three additional highly compensated employees of an issuer. Fundamentally, we believe such disclosure is unnecessary and has significant unintended negative consequences for both companies and the employees in question – and ultimately, for shareholders.

The Chamber provided extensive comments on the Commission's proposals earlier this year regarding revised disclosure on executive compensation (see letter dated April 7, 2006, www.sec.gov/rules/proposed/s70306/dchavern7512.pdf). In that letter, we made the following comment on the proposal to add disclosure with respect to the compensation of up to three additional non-executive officer employees:

The primary beneficiaries of this information would be competitors, gossips, and the press. This information would be of little use to investors. Personnel costs are part of product or service delivery costs. Just as contracts for other goods and services are disclosed only when material, we believe that compensation agreements for personnel, except for executive officers, should be judged no differently. For example, large complex financial services companies must employ a wide range of talent, some of which is highly specialized. Compensation

must be based on market factors for the required talent. For persons performing certain functions such as trading, the relevant competitors may include hedge funds and other sophisticated participants where market-based compensation may be higher than that paid to the senior managers of the corporation. Disclosing the compensation of three individuals who are non-executive officers does no more than give anecdotal information to shareholders, and does not inform shareholders in any analytically meaningful way.

We believe that this comment is equally applicable to the Commission's most recent release on this topic. Companies have many operational expenses that may exceed executive officer salaries: property, plant, equipment – and people. Shareholders should have good disclosure about the financial incentives of those officers with ultimate responsibility and decision-making authority for a company. However, there is no supporting rationale for disclosure about other employees. Curiosity in and of itself is not a compelling argument.

Further, the suggested limitation to employees with “responsibility for significant policy decisions” is without practical meaning. It is a vague standard that would subject companies to regulatory second-guessing and legal liability. What precisely is “policy?” Magazine editors, film directors, lead designers, chief researchers, managing traders, and many other senior employees make independent commercial and/or creative decisions that have a material impact on the financial performance of companies. What are the limits of the proposed standard? The Commission should not impose yet another requirement that it can't adequately define.

Additionally, we don't believe that any comfort can be drawn from the suggestion that employees not be named. It is incongruous to suggest that the targeted employees would be (i) so important to a business that additional disclosure is required, yet (ii) sufficiently anonymous that competitors and others would be unable to tie their identities to the disclosed compensation. If the Commission were to move forward with the disclosure requirement then entire cottage industries would spring-up to connect compensation disclosures to individuals.

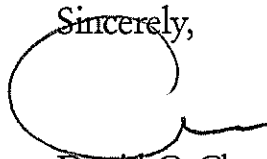
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Among other things, we believe that the suggested proposal would have the unintended consequence of making it more difficult and expensive for public companies to attract and retain highly-compensated employees, to the detriment of investors in those companies. Further, as in all contexts of compensation, one should not anticipate that more disclosure will necessarily lead to lower overall compensation. In fact, higher compensation for disclosed employees seems to be the more likely outcome. This is certainly true with non-executive employees who may well be the subject of competitive bidding within a particular industry.

Overall, the proposed rule would prove to be yet one more incentive for international and domestic companies to *not* offer securities to the public in the United States.

In summary, the Commission's proposal is a solution in search of a problem. The suggested additional disclosures are unnecessary, not materially important to investors, and potentially damaging to companies, individual employees, and the U.S. capital markets generally. There are many challenges to our capital markets that the Commission should address. Compensation of non-executive officer employees is not one of them.

Sincerely,



David C. Chavern
Vice President
Capital Markets Programs

cc: Christopher Cox, Chairman, U.S. Securities and Exchange Commission
Paul S. Atkins, Commissioner, U.S. Securities and Exchange Commission
Roel C. Campos, Commissioner, U.S. Securities and Exchange Commission
Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission
Annette L. Nazareth, Commissioner, U.S. Securities and Exchange Commission