November 12, 203
Ms. Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Dodd-Frank Section 953(b), File Number S7-07-13

Dear Ms. Murphy:

I am a third-year law student at Stanford Law School writing to comment on the SEC's proposed rule implementing Section 953(b) of the Dodd-Frank Act.

Specifically, this letter responds to the SEC's request for comments on whether there are "any circumstances where it would be inappropriate to permit a registrant to use a consistently applied compensation measure to identify the median employee?" Federal Register Vol. 78, No. 190 at 60573. The following three examples illustrate how a consistently applied compensation measure could distort identification of a company's median employee, undermining the value of the pay ratio disclosure to investors.

First, a company's median could become distorted over time if that company initially chose a cash-based compensation measure, if it offered a majority of its employees stock options, and if the value of its stock increased over time. Assume, for example, that in its early stages, a company derived its median using an easily administrable, low-cost, cash-based methodology, like salary, wages and tips reported on a W-2 form. If the company provided a majority of its employees stock options and the value of its stock steadily increased, the W-2-based compensation measure would fail to reflect many employees' total compensation in years when they exercised their options. Depending on how many employees exercised or sold options in a given year, this distortion could potentially affect identification of the median employee.

Second, if a company used a cash-based compensation measure that did include cash received when employees exercised or sold their stock options, its cash-based methodology would fail to reflect changes in wealth in years when employees chose to keep their options rather than exercise them. In years with low rates of exercising stock options, for example, this measure would undervaluate many employees' compensation, potentially affecting identification of the median employee.

Third, a wealth-based compensation measure could also fail to capture certain changes in income, potentially distorting a company's median over time. For example, if a company's compensation measure included the value of stock options, regardless of whether employees chose to exercise those options, its compensation measure could appear artificially high in years of low exercise rates and artificially low in years of high exercise rates.

Lastly, a company's median could become unrepresentatively high over time if it used a cash-based compensation measure, maintained salaries, and gradually cut benefits for a significant proportion of employees.

These scenarios demonstrate that a consistent compensation measure could lead to distortive disclosures of the median employee's total compensation over time. Such distortions could undermine the value of the disclosures to investors seeking a company-specific metric of pay equity over time. *Id.* at 60573. Accordingly, permitting changes in a company's compensation measure may increase accuracy.

Thank you for this opportunity to comment on your proposal.

Sincerely,

/s Lara Tumeh
Stanford Law School
Class of 2014