



September 14, 2015

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: File No. S7-12-15**

Dear Mr. Fields:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Securities and Exchange Commission's (the "Commission") File No. S7-12-15, *Listing Standards for Recovery of Erroneously Awarded Compensation*.

We support the Commission's definition of the term *accounting restatement* as "the result of the process of revising previously issued financial statements to reflect the correction of one or more errors that are material to those financial statements." By using this definition, rather than referring to a definition in U.S. GAAP, the listing standards can be applied by entities regardless of the accounting framework followed.<sup>1</sup>

As an alternative to creating a separate definition and to help provide consistency in application, the Commission could also consider using the existing language set forth under Item 4.02(a) of Exchange Act Form 8-K to generally define both the term *accounting restatement* and to set the restatement date. Item 4.02(a) requires certain issuers to make specified disclosures "[i]f the registrant's board of directors, a committee of the board of directors or the officer or officers of the registrant authorized to take such action if board action is not required, concludes that any previously issued financial statements, covering one or more years or interim periods for which the registrant is required to provide financial statements under Regulation S-X (17 CFR 210) should no longer be relied upon because of an error in such financial statements..."

We also support the Commission's use of the word *material* in its definition of the term *accounting restatement*. We do not believe this would be confusing or redundant. There are many situations in which previously issued financial statements are revised to correct one or more errors that are not material to those previously issued financial statements. For example, an error could have accumulated over a number of years and would be material to correct in the current year but no previously issued financial statements are materially misstated. We believe the inclusion of the word *material* is important to clarify that the proposed listing standard would not apply to restatements that reflect the correction of immaterial errors.

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<sup>1</sup> If the Commission decides that the definition of the term *accounting restatement* should refer to U.S. GAAP, we believe the Commission would also need to address foreign private issuers that prepare their financial statements using International Financial Reporting Standards and other non-U.S. GAAP accounting frameworks. Additionally, we believe the term *material* should be referenced since that term is not specifically included in the U.S. GAAP definition.



We also support the Commission's proposal not to describe any type or characteristic of an error as material for the purposes of the listing standards. Materiality judgements are inherently subjective and should be based on the particular facts and circumstances.

We recommend that the Commission consider providing guidance with respect to the accounting period in which the compensation to be recovered should be recorded. We believe there are three principal alternatives: (1) recognize it in the period that corresponds to the period in which the compensation was originally recorded, (2) recognize it in the period of discovery of the material error in the previously issued financial statements, or (3) recognize it in the period the compensation is recovered.

In addition, if the terms of a share-based compensation award are subjective or discretionary, they may delay the establishment of a grant date under FASB ASC 718, *Compensation-Stock Compensation*, which would result in mark to market accounting. We believe the Commission should consider indicating in the adopting release that implementation of this rule should not impact the establishment of a grant date as defined by ASC 718. Additionally, we recommend the adopting release indicate how to measure the amount of clawback from equity-classified share-based payment awards under ASC 718.

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the SEC staff or the Commission may have. Please do not hesitate to contact John May (██████████) or Wayne Carnall (██████████) regarding our submission.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP