

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090  
United States  
[www.sec.gov](http://www.sec.gov)

Chris Barnard

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- **17 CFR Parts 229 and 240**
- **File No. S7-13-11**
- **Listing Standards for Compensation Committees**

Dear Sir.

Thank you for giving us the opportunity to comment on your proposed rule: Listing Standards for Compensation Committees.

You are proposing a new rule and rule amendments to implement the provisions of Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), which adds Section 10C to the Securities Exchange Act of 1934 (Exchange Act). Section 10C requires the SEC to adopt rules directing the national securities exchanges (the exchanges) and national securities associations to prohibit the listing of any equity security of an issuer that is not in compliance with Section 10C's compensation committee and compensation adviser requirements. In accordance with the statute, the proposed rule would direct the exchanges to establish listing standards that, among other things, require each member of a listed issuer's compensation committee to be a member of the board of directors and to be "independent," as defined in the listing standards of the exchanges adopted in accordance with the proposed rule. In addition, Section 10C(c)(2) of the Exchange Act requires the SEC to adopt new disclosure rules concerning the use of compensation consultants and conflicts of interest.

The proposals reflect the statutory language of Dodd-Frank. The proposals in total seem reasonable, however I would like to suggest that you should consider the following issues / changes in order to strengthen the internal consistency within the regulations:

Please note that the comments expressed herein are solely my personal views

- Proposed Rule 10C-1(b) only applies to “compensation committees”, either directly in name or to any board committee that is “functionally equivalent to a compensation committee”. I agree with the substance-over-form principle that you have applied here. However, this principle should be extended to any structure, function, service or duty which performs oversight of executive compensation<sup>1</sup>. Therefore Section 10C should require the listing standards to apply to those independent directors who oversee executive compensation in lieu of a board committee. I strongly believe that doing so would be consistent with the spirit and intention of Section 10C of the Exchange Act.
- I am not convinced that directors affiliated with large shareholders should continue to be permitted to serve on compensation committees. Such a director may not be sufficiently independent for the purpose of serving on the compensation committee. A conflict of interest could arise when the director’s obligation to act in the best interests of all shareholders conflicts with the director’s or large shareholder’s own interest.

I hope that my input will be helpful to you.

Yours faithfully

Chris Barnard

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<sup>1</sup> Or any other functions typically performed by a compensation committee.