

File Number S7-13-15

TO:Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

FR: James Boakes



Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**RE: POSSIBLE REVISIONS TO AUDIT COMMITTEE DISCLOSURES**

I am an investor and take great personal interest in reviewing the Annual Reports and associated financial statements I received from my investee companies. I read the captioned proposed regulatory draft with great interest. I think that each of the key points is: reasonable, prudent, achievable and cost effective. I have no doubt whatsoever, that if implement, registrants and consumers of SEC filed financial statements will believe that they will have a higher level of confidence in the underlying business operations and their associated systems of internal controls.

However, this “belief” is both illusionary and misguided; accordingly this Proposal SHOULD NOT BE IMPLEMENTED!

On Page 229 of his book “Risk Savvy – how to make good decisions”, Dr. Gert Gigerenzer has prepared the following chart:

|  |                              |                        |
|--|------------------------------|------------------------|
| Environment:                           | Unstable, globally connected | Stable and predictable |
| Rick Factors                           | Many                         | Few                    |
| Available Data                         | small                        | large                  |
| -----                                  | -----                        | -----                  |
| Resulting Optional Solution should be: | SIMPLE                       | COMPLEX                |

“Well, if it can be thought, it can be done, a problem can be overcome,” — E.A. Bucchianeri  
*Brushstrokes of a Gadfly*

Making the existing more complex, without addressing the root causality of the underlying issue – will not produce the (much) needed reforms and associated controls. The basic issue / root causality of ALL Public Company Governance Issues is the simple fact that the “responsibility” of Board of Directors greatly exceeds its “authority”. The “responsibility” of Directors to effectively and efficiently control senior management and influent business operations has been eroded by State sanctioned liability protections. The lack of “authority” arises from the lack of collective corporate ownership by individual Directors (either directly or indirectly – i.e., by proxy).

PLEASE NOTE: It has been my personal experience that in small, closely held private companies – wherein Directors have a financial direct stake in the success of the enterprise – such matters do not (usually) arise; as everyone has a vested financial interest in the efficient and effective control of the enterprise.

This uneven balance of “responsibility to power” which currently exists within Boards of Directors of Public Companies, allows the Chief Executive Officers (an employee) to exercise disproportional (dysfunctional) power over the Directors. Consider: In May/2013, Bloomberg News reported that JPMorgan Chase & Co

CEO & Chairman Jamie Dimon threatened to resign from the company, if he was not permitted to retain both positions.

The simplest solution which would - less formally but much more efficiently – address the underlying concerns expressed by the SEC in this Proposal; would be to: annually grant Directors shareholder proxies proportional to their Directorship. The SEC would be obligated to create a “clearing house” mechanism in order to implement this provision.

Directors would thus be sufficiently empowered to challenge management with respect to the internal controls and business operations; as well as being personally motivated with respect to the responsibility of their Directorship.

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