



November 2, 2016

Mr. Brent Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

File Reference No. S7-15-16
Re: SEC Release Nos. 33-10110; 34-78310, Disclosure Update and Simplification

Dear Mr. Fields,

The Public Companies Subcommittee of The Ohio Society of CPAs Accounting and Auditing Committee is pleased to provide comment on the proposed rule regarding disclosure updates and simplification (SEC Release Nos. 33-10110; 34-78310).

Overall, we are very supportive of the Commission's continued effort to update and simplify the disclosures requirements for public companies. We note that many disclosures are outdated, unnecessary, or duplicative. Many of these disclosures were required prior to the vast wealth of information currently available to investors and other financial statement stakeholders. In addition, many of the requirements are already required by existing US GAAP. We note that this release in combination with Concept Release No. 33-10064 are moving the in the right direction to simplify reporting requirements and yet continue to provide the users of the financial statements with the information required to make prudent investment decisions. By eliminating duplicative and extraneous information, we believe that filings will be more useful to financial stakeholders and will reduce preparation time and expenses for preparers. We therefore encourage the SEC to continue the initiative to simplify reporting requirements and to continue look for areas where simplifications and clarifications can be made. We would also encourage the Commission to look at potential incorporation in this proposed rule aspects of the aforementioned Concept Release No. 33-10064 after giving the appropriate weight to the comment letters received. We believe there are aspects of both that would be beneficial to better financial reporting. In addition, we support and encourage further work with the FASB to eliminate duplicate and contradictory disclosure requirements. Consistency between these two rulemaking groups is absolutely critical.

Comment item – Financial Statements should be the primary source of financial information

The SEC requires public companies to file documents that “disclose information about the companies' financial condition and business practices to help investors make informed investment decisions” (1). The Public Company subcommittee of the Accounting and Auditing committee of the OSCPA (“OSCPA”) believe financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) should be the primary source of financial information to the public.

“Section 108 of the Sarbanes-Oxley Act amended section 19 of the Securities Act to provide that the Commission “may recognize, as “generally accepted” for purposes of the securities laws, any accounting principles established by a standard setting body that met certain criteria.” The Commission has determined that the FASB satisfies the criteria in section 19 and, accordingly, the FASB's financial accounting and reporting standards are recognized as “generally accepted” for purposes of the federal

securities laws. See 2003 FASB Policy Statement.”(2). The OSCP A believes the SEC should continue to designate the FASB as the private-sector accounting setter for U.S. financial reporting purposes.

Since we believe financial statements prepared in accordance with U.S. GAAP should be the primary source of financial information that helps investors make informed investment decisions, the financial statements should maintain the “Disclosure Location - Prominence Consideration” of all financial disclosures. The OSCP A supports the relocation of financial information disclosures from outside to inside the financial statements. We also believe investors will benefit from subjecting all financial disclosures to annual audit and/or interim review, internal control over financial reporting, and XBRL tagging requirements. (3)

As stated, “One potential outcome of this feedback is a referral of these incremental requirements to the FASB for potential incorporation into U.S. GAAP.”(4). The OSCP A believes collaboration with the FASB is necessary for the SEC to obtain its objective of eliminating certain redundant, duplicative, overlapping, outdated, or superseded disclosure requirements. (5)

References

- (1) The SEC requires public companies to file documents that “disclose information about the companies' financial condition and business practices to help investors make informed investment decisions.”
(SEC website, About, What We Do, Introduction, <https://www.sec.gov/about/whatwedo.shtml>)
- (2) Section 108 of the Sarbanes-Oxley Act amended section 19 of the Securities Act to provide that the Commission “may recognize, as “generally accepted” for purposes of the securities laws, any accounting principles established by a standard setting body that met certain criteria.” The Commission has determined that the FASB satisfies the criteria in section 19 and, accordingly, the FASB’s financial accounting and reporting standards are recognized as “generally accepted” for purposes of the federal securities laws. See 2003 FASB Policy Statement.
(SEC Release No. 33-10110, footnote 46, pg. 17)
- (3) SEC Release No. 33-10110, Section II-B-1, pg. 30
- (4) SEC Release No. 33-10110, Section I-B-2, pg. 15
- (5) We are proposing amendments to certain of our disclosure requirements that may have become redundant, duplicative, overlapping, outdated, or superseded, in light of other Commission disclosure requirements, U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), International Financial Reporting Standards (“IFRS”), or changes in the information environment.
(SEC Release No. 33-10110, pg. 1)

Comment item – Consideration of proposed additions within SEC Release No. 33-10110

As mentioned above, we are very supportive of the Commission’s effort to remove the requirement for disclosures that are outdated, unnecessary or duplicative for public companies. In our review of the proposed rule we found that the majority of the content was focused on this effort. We would like to take this opportunity to caution the Commission against proposing new disclosure requirements and/or proposing amendments to existing disclosure requirements as part of this release. We feel that adding or amending disclosures as part of this release 1) may dilute the original intended message of this release and 2) may prevent impacted parties from providing focused commentary on these changes. As it relates to the latter point, we felt that when reading through the release the current suggested additions could be

easily missed. While this is certainly a nuance, we wanted to include the consideration as part of our formal comment letter.

The subcommittee appreciates the opportunity to comment on the proposed rule. If you have any questions, please contact any of us at the below email addresses.

Best Regards,

Jonathon Zavislak, CPA, Chair
OSCPA Accounting and Auditing Public Companies Subcommittee
[REDACTED]

Jamie Train, CPA, Member
OSCPA Accounting and Auditing Public Companies Subcommittee
[REDACTED]

Gregory Waina, CPA, Member
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