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Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

File Number S7-15-16

Dear Mr. Fields:

I am pleased to have the opportunity to comment on the SEC's Proposed Rule: Disclosure Update and Simplification. I support the Commission's efforts to eliminate redundant and duplicative disclosures. I applaud its stated goal to facilitate the disclosure of information to investors, while simplifying compliance efforts, without significantly altering the total mix (and presumably reducing the quality) of information provided to investors.

I am an independent security analyst who covers both equity and fixed income securities. I focus on certain industries, such as utilities and real estate, but I consider myself a generalist. I have reviewed many SEC 10-K and 10-Q filings over the years and have participated on committees and task forces that have followed and provided input on accounting standards and financial reporting issues.

Although I recognize that the Commission is looking for input on specific disclosure requirements that overlap and duplicate similar requirements under U.S. GAAP or IFRS, I have insufficient time and lack the knowledge of the interplay between SEC disclosure requirements and GAAP to be able to offer useful inputs on the specific changes that the SEC is proposing.

Instead, I would like to offer a few general observations on the Proposed Rule to express my concern that the new regulatory mechanism that the Commission is implicitly proposing runs the risk of removing or weakening important investor protections.

I assume that these overlapping and duplicative disclosure requirements were put in place after 1973. That raises the question of why they arose in the first place. Presumably, the Commission could have worked with the FASB to avoid such overlap and duplication, but it did not. Your proposal should make clear why this happened.

It seems to me that there can only be a few explanations for these overlapping and duplicative disclosure requirements. First, the Commission may have decided that incorporating them into its own rules and regulations would give them greater weight (i.e. raise the potential risks for those issuers that fail to comply). Second, to the extent that the SEC's requirements are more stringent than the FASB's, the Commission might have decided to supersede the FASB indirectly, in order to preserve the FASB's independence. (However, the specific items included

in your Proposed Rule do not appear to be in conflict with FASB requirements, as far as I can tell at a quick glance.) Third, it is also possible that the SEC simply decided to write its own requirements without considering the FASB's parallel effort (but this too seems unlikely).

Duplicative and overlapping requirements should not necessarily be a problem for issuers as long as they are not in conflict. As noted above, inclusion of these disclosure requirements in SEC rules and regulations gives them added weight, which helps to ensure that they are followed. The Commission can still keep its own disclosure requirements and modify them to avoid duplicative disclosures either by specifying the location of non-FASB disclosures or by allowing issuers to determine for themselves where non-FASB disclosures should be located.

By eliminating its duplicative and overlapping disclosure requirements, the Commission is delegating more of the responsibility for setting disclosure requirements to the FASB. As a practical matter, it makes sense for the SEC to rely upon the work of an independent body comprised of the various constituencies - users, auditors and preparers - in establishing accounting standards and financial reporting requirements; but it is still risky to do so without formal SEC input at some point in the process to shape and/or approve the requirements that FASB adopts.

Continuation of the "collegial" relationship that has existed between the SEC and FASB will not necessarily ensure investor protection. For example, there are many instances over the years when the FASB has dropped proposed disclosure requirements due to preparer objections. In theory, a potential final say from the SEC should provide an important counterweight to ensure that the justifiable needs of investors and other users are met, especially since users are underrepresented in the standard setting process.

Accordingly, I think that before the Commission opts out of the process of setting financial statement disclosure requirements, it should restructure its relationship with the FASB, either by getting formal representation on the Board (by appointing one or more of its members) or by establishing a formal process by which it approves FASB decisions (and thereby incorporates them into its own disclosure requirements) or both. As it stands right now, the Commission's only other oversight mechanism is to withdraw its designation of the FASB as the private-sector standard setter, which would be a very difficult task and a huge undertaking that should only be considered as a last resort.

Thank you for the opportunity to comment. I am available to answer any questions that you might have about the thoughts and recommendations that I have expressed in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen P. Percoco". The signature is fluid and cursive, with the first name being the most prominent.

Stephen P. Percoco