

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

Securities Act of 1933

Release No. 33-10297/January 31, 2017

Securities Exchange Act of 1934

Release No. 34-79912/January 31, 2017

**ORDER REGARDING REVIEW OF FASB ACCOUNTING SUPPORT FEE FOR
2017 UNDER SECTION 109 OF THE SARBANES-OXLEY ACT OF 2002**

The Sarbanes-Oxley Act of 2002 (the “Act”) provides that the Securities and Exchange Commission (the “Commission”) may recognize, as generally accepted for purposes of the securities laws, any accounting principles established by a standard setting body that meets certain criteria. Consequently, Section 109 of the Act provides that all of the budget of such a standard setting body shall be payable from an annual accounting support fee assessed and collected against each issuer, as may be necessary or appropriate to pay for the budget and provide for the expenses of the standard setting body, and to provide for an independent, stable source of funding, subject to review by the Commission. Under Section 109(f) of the Act, the amount of fees collected for a fiscal year shall not exceed the “recoverable budget expenses” of the standard setting body. Section 109(h) amends Section 13(b)(2) of the Securities Exchange Act of 1934 to require issuers to pay the allocable share of a reasonable annual accounting support fee or fees, determined in accordance with Section 109 of the Act.

On April 25, 2003, the Commission issued a policy statement concluding that the Financial Accounting Standards Board (“FASB”) and its parent organization, the Financial Accounting Foundation (“FAF”), satisfied the criteria for an accounting

standard-setting body under the Act, and recognizing the FASB’s financial accounting and reporting standards as “generally accepted” under Section 108 of the Act.¹ As a consequence of that recognition, the Commission undertook a review of the FASB’s accounting support fee for calendar year 2017.² In connection with its review, the Commission also reviewed the budget for the FAF and the FASB for calendar year 2017.

Section 109 of the Act also provides that the standard setting body can have additional sources of revenue for its activities, such as earnings from sales of publications, provided that each additional source of revenue shall not jeopardize, in the judgment of the Commission, the actual or perceived independence of the standard setter. In this regard, the Commission also considered the interrelation of the operating budgets of the FAF, the FASB, and the Governmental Accounting Standards Board (“GASB”), the FASB’s sister organization, which sets accounting standards used by state and local government entities. The Commission has been advised by the FAF that neither the FAF, the FASB, nor the GASB accept contributions from the accounting profession.

The Commission understands that the Office of Management and Budget (“OMB”) has determined the FASB’s spending of the 2017 accounting support fee is sequestrable under the Budget Control Act of 2011.³ So long as sequestration is applicable, we anticipate that the FAF will work with the Commission and Commission staff as appropriate regarding its implementation of sequestration.

The Commission understands that FASB recently conducted a review of its Investor Advisory Committee (“IAC”). We anticipate that the FASB will keep the Commission

¹ Financial Reporting Release No. 70.

² The Financial Accounting Foundation’s Board of Trustees approved the FASB’s budget on November 15, 2016. The FAF submitted the approved budget to the Commission on November 22, 2016.

³ See “OMB Report Pursuant to the Sequestration Transparency Act of 2012” (P.L. 112-155), page 222 of 224 at: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/stareport.pdf.

informed of IAC-related actions, including any efforts the FASB undertakes to improve the functioning of the IAC. In this regard, the Commission requests that the FASB provide the Commission with quarterly updates of its efforts to reach a broader set of investors as well as the IAC's recommendations, funding, membership, meetings, research, and substantive public sessions.

The Commission understands that the FASB continues to take steps to implement improvements to the performance and management of its standard-setting process. The Commission requests that the FASB provide the Commission with timely updates throughout the year on the progress of this initiative as well as on any significant recommended or anticipated changes to processes or funding.

The Commission requests that the FASB conduct an assessment of the efficiency and effectiveness of the U.S. GAAP Financial Reporting Taxonomy and report the findings, including suggested improvements, to the Commission prior to the FAF's approval of the FASB's 2018 budget and associated accounting support fee for review by the Commission. The Commission also requests that the FAF provide information to the Commission regarding the nature, timing, and extent of public solicitation of potential candidates for FASB Board member vacancies.

After its review, the Commission determined that the 2017 annual accounting support fee for the FASB is consistent with Section 109 of the Act. Accordingly,

IT IS ORDERED, pursuant to Section 109 of the Act, that the FASB may act in accordance with this determination of the Commission.

By the Commission.

Brent J. Fields
Secretary