



April 21, 2006

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-99303

Reference: File Number S7-03-06

Dear Ms. Morris,

The Committee on Corporate Finance (CCF) of Financial Executives International (FEI) is pleased to provide feedback regarding the Proposed Rule “Executive Compensation and Related Party Disclosure”. FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, tax executives and other senior financial executives. CCF is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations that relate to corporate finance. This document represents the views of CCF and not necessarily those of FEI.

In general, we support enhanced transparency in reporting of executive compensation. Transparency is good for shareholders and good for business, particularly if additional disclosures allow shareholders to look at compensation in the context of management’s performance in creating value for shareholders. However, we believe that some of the proposed provisions will be difficult to implement, and will likely prove confusing for investors. Therefore, our comments are limited to the operational difficulties in implementing some of the proposed provisions for companies.

Additional Disclosure Required for Up to Three Other Highest Paid Employees

We recommend that the SEC eliminate the proposed requirement to disclose the total compensation and job description for up to three employees who were not executive officers if their total compensation for the last fiscal year exceeded any name executive officer’s total compensation. The proposed requirement imposes a significant burden and cost to companies to have to track the compensation of perhaps tens of thousands of

employees across the globe just for purposes of this potential disclosure. In addition, disclosure of sensitive compensation information could cause damage to reporting companies' businesses by disruption of employee relationships and by providing advantageous information to competitors. The SEC's proposed solution of not disclosing identities or job titles but only job descriptions will not mitigate the potential damage.

Potential Double Counting of Compensation

Under the proposed rules, there is the possibility that some compensation would be double counted. Specifically, the proposed rules require that the Summary Compensation Table list stock option awards at the FAS 123R value (e.g., Black-Scholes) by individual for the total amount of the option grant in the year of the grant regardless of the vesting provisions. In the additionally required Equity Awards Table, disclosure must also include the realized value of options exercised and restricted stock vesting in that year. In this way, there can be double counting of option and restricted stock awards.

To illustrate, say, in 2006 an executive is awarded 10,000 options with a strike price equal to the market price but at a FAS 123R value of \$100,000 which vest over the next three years, one-third equally in each year. In the year of the grant, the intrinsic value of the options is zero and the executive receives no cash realization. In the next three years, the stock price rises and the executive exercises the options and sells the stock at a cash gain of \$200,000. Under the proposed SEC rules, the \$100,000 is reported in the Summary Compensation Table for 2006 and the \$200,000 is reported in the Equity Awards Table for the next three years. Without a clarifying explanation, the investor is left thinking that the executive received \$300,000 in compensation instead of the \$200,000 actually received. The ability of the Company to explain this double counting by an explanatory narrative may not be adequately clear to average investors and may be difficult to explain in plain English. The CCF thinks this double counting of compensation could be confusing to investors.

Additionally, if a stock grant is repriced or otherwise changes terms, it would be considered a new grant. Therefore, the amount of the original grant would be included in that year's summary compensation table and the repriced grant is included as if it was a new grant in the year the terms change, i.e., double counted. This could be misleading to investors. We believe that the use of reconciling tables or disclosures as proposed by the SEC to explain double counting will only serve to cause further confusion and will add unnecessary detail to an already lengthy disclosure subject.

"Single Number"

While the effort to provide "one number" as total compensation for executives in the interest of transparency and comparability is an admirable goal, it can be very misleading. There are many factors that go into determining an appropriate value for certain items that have no ready market value. Assumptions could vary from one company to another, causing the "number" to fluctuate and perhaps providing investors

with a false sense that the “number” is indeed comparable amongst companies. For example, valuation issues associated with change in control provisions will be particularly troublesome.

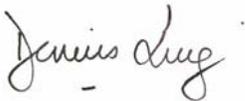
We believe that strong consideration should be given to providing the W-2 or other comparable tax reporting wage information (for non-U.S. jurisdictions) for such executives in lieu of the litany of perquisites and personal benefits. The W-2 or other tax reporting wage information is readily available and already includes much of the information that the table is attempting to value and capture without adding significant cost to track. The intent of the single number disclosure is for investors to better understand an executive’s full compensation and to include a more accurate representation of perquisites. The Internal Revenue Code has specific rules and regulations for determining “total wages” that companies already comply with. Combined with the proposed disclosure of compensation to be paid in the event of termination, retirement or change-of-control, this should capture most of the information that the SEC is currently proposing be included. It would also provide for easy comparison among companies. This would also make the implementation of the proposed requirements less complex and costly for tracking total compensation of employees other than executives to comply.

Conclusion

In summary, we’d like to reinforce that CCF fully supports the spirit of the proposal and believe that the recommendations noted above will enable cost effective implementation, without diminishing the value.

Thank you for considering our views. We would be happy to discuss at your convenience any of the observations and recommendations noted above.

Sincerely,

A handwritten signature in cursive script that reads "Dennis Ling".

Dennis Ling
Chair
Committee on Corporate Finance
Financial Executives International