



Setting the global standard for investment professionals

13 April 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-9303

Re: “Executive Compensation and Related Party Disclosure (Ref. S7-03-06)

Dear Ms. Morris:

The CFA Centre for Financial Market Integrity (“CFA Centre” or the “Centre”)¹, in consultation with its Capital Markets Policy Council (the “CMPC”), is pleased to comment on the Securities and Exchange Commission’s (the “SEC” or the “Commission”) consultation paper, *Executive Compensation and Related Party Disclosure* (the “Consultation” or the “Proposals”). The CFA Centre represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and the efficiency and integrity of global financial markets.

The Centre strongly supports the proposals included in the Consultation and the purpose they are intended to serve. If approved, shareowners and investors would have better information about how companies and their boards of directors commit and distribute shareowner capital to pay themselves and senior management. These disclosures also will help investors better understand the economic implications of the long-term commitments made by their board representatives for the benefit of current and former company executives.

The proposed disclosures also could improve the corporate governance of listed companies by giving investors a base on which to judge the executive compensation decisions of company boards. This information will help shareowners determine whether the incentives of corporate management are aligned with their own and whether their board members are acting on their

¹ The CFA Centre for Financial Market Integrity is a part of CFA Institute. With headquarters in Charlottesville, Virginia, USA, and regional offices in London, Hong Kong, and New York, CFA Institute, is a global, non-profit professional association of more than 80,500 financial analysts, portfolio managers, and other investment professionals in 125 countries and territories of which nearly 68,000 are holders of the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 132 Member Societies and Chapters in 53 countries and territories.



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behalf. This will ultimately lead to more informed voting decisions by shareowners when considering board nominees.

While we applaud the work of the Commission and the thoroughness of the Consultation, the Centre also believes that the Commission could improve the disclosures and provides its suggestions below.

Suggestions to Supplement the Consultation

Internal Pay Equity

In discussions with the CMPC concerning the Consultation, a number of the non-U.S. Council members, supported by those from the United States, said they would like to see companies disclose the ratio of CEO total compensation to average employee compensation. While this ratio is often used for purposes other than shareowner information, the Council felt it could aide comparisons to non-U.S. companies, thus helping global market participants with their investment decisions.

The most likely place for companies to discuss this ratio is in the proposed Compensation Discussion and Analysis (CD&A) section. Ideally, the CD&A also should include a statement about whether they take internal pay equity into consideration and if they do not, why not.

Compensation Consultants Disclosures

The influence of compensation consultants has increased substantially since the Commission created the current disclosure guidance. This influence extends beyond the work performed for the benefit of the Compensation Committee (the "Committee") to include work for senior management in other areas of the company. This potential conflict of interest is exacerbated by the possibility that the remuneration for the work performed for senior management exceeds what they receive for work performed on behalf of the Committee.

Because of these conflicts, the Centre suggests that the Commission include a new disclosure specifically describing the compensation paid to such consultants. This disclosure should provide information in tabular form reflecting how much was paid to the consultant to develop the executive compensation plan, how much the consultant earned from the company for other services, and a total for all fees received from the company and its subsidiaries.

Additional Disclosures on Post-Employment Awards

The Centre urges the Commission to include a new section in the CD&A that discloses material changes to previously reported post-employment compensation awards and to any severance, retirement, and other such agreements made between the company and former named executive officers ("NEOs"). This information will make shareowners aware of changes current boards



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have made to such awards following the NEOs' departure and will allow them to compare the new, altered structure with the original plan discussed at the time of termination.

Responses to Specific Proposals

Executive and Director Compensation Disclosure

Compensation Discussion and Analysis

The Centre strongly supports the proposed introduction of a CD&A as part of a company's executive and director disclosures. It is hoped that companies will use this section to provide shareowners and investors with a narrative discussion of the processes through which compensation committees determine salary, incentives, post-retirement benefits, and other perquisites for senior executives.

To ensure that companies provide relevant compensation information to their shareowners, we encourage the SEC to establish a list of topics that must be covered in the CD&A. At a minimum, this list should include the topics listed under this section heading in the Proposals, namely:

- the objectives of the company's executive compensation programs
- what the executive compensation program is designed to reward
- a description of each element of executive compensation
- reasons why the company chose to pay each element of executive compensation
- factors for determining the amount (and, where applicable, the formula) for each element, and
- how each element and the company's decisions regarding that element fit into the overall executive compensation objectives and affect decisions regarding other elements.

Incentive Formulas and Performance Metrics

In the Proposals, the Commission asks whether performance targets should be excluded from the compensation disclosures because of the potentially "adverse effect on the company."² Indeed, many companies consider the formulas and metrics to determine executive compensation as proprietary information, and fear that disclosure will reveal unreported corporate activities or internal performance measures, or cause others to poach their senior executives.

² "Executive Compensation and Related Partly Disclosure," Securities and Exchange Commission, 27 January 2006, p. 19.



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The Centre generally supports disclosure of the formulas and performance metrics used to determine executive pay. A number of well-performing companies already disclose this information and do not appear to have suffered any negative competitive effects as a result of these best practices.

These disclosures are needed also because of the trend toward performance-based metrics for management remuneration. The reason for this trend is that increasingly shareowners want to make both the executives receiving this remuneration and the board members and committees that offer it more accountable. This level of accountability is much more difficult to achieve if relevant information about how compensation is determined is not available.

Furthermore, if a company is permitted to avoid disclosure for competitive reasons, we expect many to structure their compensation packages to take advantage of the exemption, thus leaving shareholders with a less than desirable understanding of the link between executive pay and performance. If companies are required to disclose their formulas, however, they are more likely to use practical and verifiable disclosure benchmarks.

The Centre recognizes that in some cases companies may have legitimate reasons for basing executive compensation on material non-public events, such as successful development of new products, completion of pending acquisitions, or similar corporate developments. The Centre also recognizes that disclosure of such information ultimately may harm shareowner wealth. However, these events or developments are typically part of a larger corporate strategy which can and should be disclosed in general terms. For purposes of executive compensation disclosures, therefore, the relevant disclosures would indicate, for example, that executive compensation is based equally on successful implementation of the strategic plan and generating return on equity exceeding 15% per year. This kind of information is sufficiently detailed to help investors gauge whether management is meeting its targets, while not disclosing specific corporate events that could affect the success of its strategy.

Clawback Provision

Companies should have to disclose whether or not they currently have a policy to recapture incentive pay when performance measures triggering the awarding of that incentive component are subsequently restated or changed in a manner that would have negated the original award (clawback provision). Companies that do not have such policies should have to disclose this fact and explain the reasoning behind their decision.

Compensation Committee Should Prepare and Sign the CD&A

Because the compensation committee (the "Committee") is responsible for researching and setting executive pay, it also should be responsible for the CD&A. As such, it should have to indicate that it supervised the preparation of the CD&A and that it confirms the CD&A is a full,



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fair, and accurate description of the compensation plan. Furthermore, because recent trends have made executive compensation one of the highest priorities of board oversight, the full board should have to indicate that it also has reviewed and approved the CD&A, in part as public reminder of its fiduciary duty to shareowners.

Statement of Relationship with Compensation Consultants

Companies should have to disclose and describe any relationships their Committees have with outside consultants, particularly compensation consultants. Such disclosures should include language clarifying who is responsible for hiring such consultants and who oversees those consultants. This disclosure should state whether the CEO, human resources employees, or any other officer affiliated with the company had input into hiring or influencing the compensation consultants used.

Statement of Long-Term Alignment of Executive Compensation with Shareowner Interest

Companies should have to state within the CD&A the framework they use to align the interests of management and shareowners. This disclosure, made under the Consultation's plain English requirements, should avoid boilerplate language and/or legal jargon that might obscure the details behind such a framework. The purpose of such an explicit description is to make sure that boards keep in mind the long-term interests of shareowners when setting such pay packages.

Performance Graph

The Centre not only supports the continued use of the performance graph currently required in proxy disclosures, but recommends that the Commission require issuers to place it immediately in front of the Summary Compensation Table (the "SCT" or the "Summary Table"). While it is understood that this information is available elsewhere, it provides a valuable and easily understood comparison of the relative performance of the company's stock against its peers and the market in general. By placing it immediately before the SCT, investors will have an opportunity to gauge how the company's share price performance compares with the share price performance of its peers and with the trends in executive pay within the company.

Compensation Tables

Compensation to Named Executive Officers in the Last Three Completed Fiscal Years – The Summary Compensation Table and Related Disclosure

The Centre is strongly supportive of the Commission's proposal for inclusion of the SCT. This support extends to the proposal to require companies to use the same methodology to value stock-related awards as is required for preparation of audited financial reports. The linkage will



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not only help to avoid confusion among users of these statements but also to reduce costs that allows issuers to develop and use just one valuation in both places.

Likewise, the Centre is strongly supportive of the proposed requirement for issuers to include a total compensation figure for the current period. In the past investors have had difficulty determining for any particular year how much senior executives received in total compensation, or the size of future liabilities created by boards to compensate these individuals. If approved, these tables will finally allow shareowners and investors to determine whether the returns on investment in executive management are sufficient relative to the risk they are incurring for these compensation packages. The Centre applauds the Commission for taking steps to provide this vital information to the market.

The Commission's proposal to reorganize the compensation tables is another step the Centre supports. By devoting a table and discussion to each of the three new categories — compensation within the last fiscal year; holdings of equity-based interests; and retirement and other post-employment compensation — shareowners will get a clear and comprehensive picture of whether their interests are served by companies' compensation policies.

Finally, we are pleased that the SEC intends to keep the rolling three-year format in disclosing the compensation of NEOs. We believe this information gives shareowners a proper historic perspective when evaluating the compensation practices of companies.

Total Compensation — Column (c)

As noted above, the Centre strongly supports the inclusion of a total compensation column in the Table for all NEOs. Too often in the past, shareowners would have to search through a number of documents and footnotes, if available at all, to uncover different aspects of compensation. We believe that a total compensation column will serve as a good starting point for shareowners who wish to investigate whether their interests are being served by a company's compensation policies.

Salary and Bonus — Columns (d) and (e)

As currently proposed, companies would have to disclose in the salary and bonus columns compensation that is earned, but for which payment will be deferred, with the amount deferred appearing in a footnote. Currently this is only disclosed if the officer elects the deferral. The Centre supports this proposal and agrees with the Commission's implied view that this information should be disclosed regardless of who decides to defer the compensation.

The Centre also agrees with the proposed change to Form 8-K to eliminate the delay in disclosing salary or bonus when calculation is not available as of the most recent appropriate date. We also support the footnote disclosures that call on companies to provide the date that salary and bonus information is expected to be determined and requiring them to explain why

such a delay has occurred. Combined, these disclosures will enable shareowners to evaluate what the company is telling them and to decide on an investment course.

Stock Awards and Option Awards — Columns (f) and (g)

As noted above, companies would have to use the same methodology for valuing all stock-related and option-like awards in the proposed compensation disclosures as is required by FAS 123R. The only material difference in the reporting requirements between FAS 123R and those included in the Consultation is that the Commission would require companies to report the full grant-date fair value in the year of the award, rather than an amortized amount as is required by the accounting rule.

The Centre reiterates its strong support for this proposal. The direct links between financial statement reporting and reporting for CD&A purposes benefits both investors (reduced confusion) and issuers (reduced cost by creating a single value for these instruments). For investors, in particular, these disclosures are a significant improvement over current rules where awards are only disclosed if they are above market or constitute preferential earnings. We believe the proposed standard will provide a more complete representation of earnings from these awards.

Non-Stock Incentive Plan Compensation — Column (h)

The Centre supports the disclosure of non-stock incentive plan compensation in the Summary Table as proposed in the Consultation. While the SCT will not indicate the full value of the award at the date of grant, the Centre is satisfied that until a method for valuing such awards is developed the Commission will require issuers to disclose “the grant of an award... under such a plan” in the “supplemental Grants of Performance-Based Awards Table in the year of grant.”³ This disclosure will alert shareowners of the granting of the award and provide them with an opportunity to review its basic structure. In subsequent years, issuers will disclose the value of the awards as they accrue through the SCT, regardless of whether any payment is made.

All Other Compensation — Column (i)

The Centre supports the Commission’s proposal to include all compensation not reported elsewhere in the SCT. This includes support for the proposal to capture all compensation in the table, no matter how de minimis, with a \$10,000 limit for requiring itemized disclosure of specific items.

The Commission inquired whether a supplemental table covering various All Other Compensation items — earnings on deferred compensations, tax reimbursements, discounted

³ Ibid., p. 37



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securities purchases, payments/accruals on termination plans, contributions to defined contribution plans, increases in pension accrual value, insurance premiums, and other —would enhance the understanding of Column (i). The Centre strongly supports the inclusion of this table as the tabular presentation will enable investors to quickly understand the various items contained in Column (i). Furthermore, because the information is presented in a standard table it will allow investors to quickly compare the compensation awards across a number of companies.

Earnings on Deferred Compensation

The Commission proposes to require disclosure of earnings on compensation deferred on a basis that it is not tax-qualified in the All Other Compensation Column. Currently, these earnings must be disclosed only to the extent of any portion that is above-market or preferential. The Centre strongly supports this proposal.

Increase in Pension Value

Likewise, the Centre approves of the proposal to include the increase in actuarial value of defined benefit plans accrued during the year in the All Other Compensation Column. This method of measurement presents shareowners and investors with a more meaningful estimation of pension benefits owed to an executive than is available from the current method of disclosure. The Centre believes there is no need for a separate column for this item if the items are adequately footnoted.

Perquisites and Other Personal Benefits

The Commission proposes to create a threshold of \$10,000 for disclosure of perquisite and other personal benefits in this category. While the Centre supports the proposed threshold, it is concerned, nonetheless, that issuers could easily circumvent disclosure.

For example, a company may provide all executives with use of a luxury suite for baseball, basketball, and football games. If each item is valued at less than the \$10,000 threshold for each executive, the company could avoid disclosing any of these items, even though the aggregate cost per executive and for each type of activity might far exceed the stated threshold.

To prevent any misinterpretations of this specific part of the proposals, the Centre suggests that the Commission provide guidance that calls on companies to aggregate items by category (use of company plane, entertainment, homes, automobiles, etc.) for each year.

The Centre also believes the Commission should require companies to pro-rate the cost of these items to reflect the estimated benefits received by NEOs. For example, if the CEO's personal use of the company plane accounts for 25% of the 10,000 hours of usage for the year and the total



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cost of the plane is \$1 million, then the company should assign \$250,000 of its total cost as a perquisite to the CEO.

Narrative Disclosures to Summary Compensation Table and Supplemental Tables

The Commission has proposed requiring companies to provide a narrative disclosure as a supplement to the Summary Table. The Centre supports fully this proposal. If issuers fulfill their disclosure requirements properly, the additional transparency will enhance investor understanding of the costs and future liabilities. This, in turn, will help them make more-informed investment decisions.

The Centre also agrees with and supports the use of the list of topics included in the Consultation under this heading that companies should cover in this narrative.

Supplemental Annual Compensation Tables

The Commission's proposals to create eight tables to supplement and coordinate with the information contained in the SCT are a significant step forward for shareowners and investors in their quest to understand executive compensation. The information proposed for the tables will help illuminate the compensation policies of public companies, and enable shareowners to determine whether those policies are appropriate. To that end, the Centre expresses its support for inclusion of all six of the supplemental awards tables listed below:

- Current Year Performance-Award Grants
- Existing Performance-Award Grants
- Current Year Grants of All Other Equity Awards
- Options Exercised and Vested
- Retirement Plan Potential
- Non-Qualified Defined Benefit Plans

While strongly supportive of the structure and information included in these supplemental tables, the Centre believes there are additional disclosures that the Commission could require that would benefit investors. The majority of these recommendations are described in the paragraphs below covering a specific table. However, some cover a number of different tables and therefore are described in the paragraphs that immediately follow.



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Linking the Supplemental Tables to the Summary Compensation Table

In order to make the proposed tabular disclosures more useful and clear to shareowners, the Centre suggests that the Commission require issuers to clearly link the tables with the SCT. To accomplish this goal, we specifically recommend that the Commission add three columns to the Grants of Performance-Based Awards and Grants of All Other Equity Awards tables that disclose the following grant-date information about the awards:

- fair value
- exercise price, and
- share price.

The Commission notes concerns about “double-counting” in the tables, presumably as it relates to reporting the same number in different tables. The implication of these concerns is that investors will become confused when seeing the same information in separate tables and conclude that they should include the information twice in their analyses.

The Centre does not believe this a realistic concern. Rather, providing the grant-date fair value of current-year option awards in both the SCT and the relevant supplementary tables would enable investors to see the direct link between the different tables and, ultimately, avoid potentially double counting.

Grants of Performance-Based Awards Table

While the Centre supports the inclusion of a table that provides a more thorough tabular description of the performance-based awards included in the SCT, it is concerned that the current proposal may not provide shareowners with a way to understand its link to the SCT. To give this understanding, the Centre suggests that the Commission add a column to the table that discloses the grant-date exercise price for all options. For stock awards, the disclosure should include the share price on the grant date.

This information is relevant because it provides an effective alert to investors about changes to the exercise price the board may have granted since the options were initially offered to the executive. The repricing of options is a significant concern to shareowners.

Outstanding Equity Awards at Fiscal Year-End

In general, the Centre supports the inclusion of the Outstanding Equity Awards at Fiscal Year-End Table to disclose existing obligations from previously awarded compensation. The requirement that all issuers disclose what options are in-the-money as of the proxy date is particularly valuable. Investors have an interest in knowing this information as it can provide insights into the degree of dilution they may face as a result of prior compensation awards.



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The Centre also supports the Commission's proposal to continue disclosure of awards that have been transferred by an executive. We believe that all details of such transfers, including the identities of the individuals to whom such awards are transferred, must be disclosed. Nonetheless, the Centre does believe that it is necessary to require companies to value out-of-the-money options and stock appreciation rights, as well.

Post-Employment Compensation

The Centre strongly supports the proposed disclosures and supplementary table related to post-employment compensation for currently serving executives. Currently this segment of compensation is difficult for investors to uncover and comprehend. By putting it into a stand-alone supplementary table, the Commission will shed new light on these arrangements, thereby giving shareowners improved perspectives with which to consider the quality of board compensation decisions.

The Centre also approves of the format proposed for the Retirement Plan Potential Annual Payments and Benefits Table. We strongly support the recommended narrative disclosure that may reveal information to shareowners regarding non-qualified defined contribution plans and other deferred compensation that may not have been previously available.

Other Potential Post-Employment Payments

The revisions to require disclosing information concerning "termination or change in control provisions" is a positive step forward in the transparency of post-retirement costs and liabilities. Recent experience has shown that large executive exit packages sometimes contain attributes that surprise shareowners and even some board members. A better understanding of the specific circumstances that will trigger termination or change-in-control payments and the estimated amounts of those payments under such circumstances will enable shareowners to hold individual board members, compensation committees, and entire boards more accountable for their executive compensation decisions.

The Centre believes this information is important enough to warrant presenting it in a tabular format, with an accompanying narrative scenario analysis. This type of presentation would enable investors to easily find and understand the benefits to executives and costs to the company under a number of different circumstances.

Officers Covered

Named Executive Officers (NEOs)

The Centre agrees with the requirement to report on the compensation awarded to the chief executive and financial officers. As events in recent years have shown, individuals in these two



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positions can have significant consequences on the financial condition and performance of listed companies. For these reasons alone it is imperative that investors are able to determine whether the incentives offered by the board to these executives are appropriate prior to investment and while owning the shares. Likewise, the Centre supports inclusion of the next three highest-paid company executives, regardless of position.

Identification of Most Highly Compensated Officers; Dollar Threshold for Disclosure

The Centre believes the proposed \$100K total compensation threshold as a floor for executive pay disclosure is fair and reasonable. Using the “total compensation” number also better reflects a true picture of executive compensation given the myriad incentive structures, deferred compensation options and other payments that executives are granted outside the standard salary and bonus framework.

Compensation of Directors

The Centre agrees with the Commission’s proposal for a tabular format for the disclosure of director compensation. It also supports the reporting on most of the same compensation categories as is required in the Summary Table.

However, the Centre is concerned that only including director compensation for one year will not provide investors with adequate information about the incentives the board has offered its own members. Therefore, instead of the one-year report implied by the Consultation, this disclosure should use the same three-year rolling format currently used in the SCT for NEOs.

Likewise, the compensation committee should discuss the compensation of directors in a special section of the CD&A. This narrative should discuss the decision-making processes behind director compensation, including the justification for current compensation levels of directors as well as the reasons behind equity-based awards if such awards are given. If equity-based awards are granted to board members, the company should have to provide the equity awards table, option exercise table and stock vesting table required to illuminate NEO compensation.

Beneficial Ownership Disclosure

The Centre supports the proposed requirement that companies disclose in footnotes the use of shares pledged as security by NEOs, directors and director nominees. As noted in the Consultation, the loans to executives of WorldCom, which were collateralized by WorldCom shares, could have affected the decisions and judgment of the company’s management. This proposal will help ensure that shareowners are at least aware of such arrangements.



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Certain Relationships and Related Transactions Disclosure

The Centre supports the Commission's proposals to improve the transparency of potentially conflicted relationships with a company or between a company and insiders or interested external parties. This support extends to the interpretation that all indebtedness transactions with directors, senior executives, significant shareowners, and immediate family members constitute related-party transactions, and therefore require disclosure. The Centre also is pleased that the Commission has included these groups in recognition that not all related persons are covered by existing Sarbanes-Oxley prohibitions against indebtedness transactions.

This section of the Consultation does contain some items that the Centre does not support. First, it does not support the Commission's proposal to increase the required level of disclosure for all related-party transactions to \$120,000 from \$60,000. The Centre believes that any benefit that amounts to between \$60,000 and \$119,000 is still a significant benefit that can influence behavior.

For example, an attorney with a small law firm sitting on the board of a locally based public company may consider a \$60,000 retainer for legal services an important asset. If the board were forced to consider a matter that sets the interests of shareowners of the company against those of the senior executives who sign an annual contract with the firm, the retainer could affect the board member's decision, even if it is below the \$120,000 threshold.

Such related-party transactions, especially those given to the same executives or directors each year are indeed significant and should trigger disclosures, especially at smaller public companies where such amounts would have a greater impact on a company's bottom line. Consequently, the Centre urges the Commission to leave the disclosure standard at \$60,000.

Procedures for Approval of Related-Party Transactions

The Centre agrees that companies should describe their policies and procedures regarding the review, approval, or ratification of related-party transactions. Companies should be required to disclose these policies to shareowners and investors and these policies should address both the types of transactions and people covered.

Promoters

Public companies should be required to disclose in Form S-1 the compensation paid to any employees who are affiliated with an executive officer who receive compensation that is greater than the lowest of the five highest-paid NEOs.

Corporate Governance Disclosure



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The Centre agrees with the Commission's proposal for a consolidation of governance disclosures in Item 407, provided that such consolidation does not result in a loss of any information. We believe that consolidation of this information can aid shareowners and investors in developing a fuller understanding of a company's corporate governance profile.

Treatment of Specific Types of Issuers

SME Disclosure Requirements

CFA Institute has long held the view that all companies whose shares are publicly traded should have to meet the same reporting and disclosure standards, regardless of the size of the enterprise, domicile, or industry. To this end, the Centre opposes the suggestion that small and medium-sized enterprises (SMEs) should receive exemptions to rules regarding the disclosure of executive compensation, related-party transactions and other items contained in the Consultation. Such information is particularly relevant to investors in SMEs given the higher percentage of overall expenses represented by compensation. Nonetheless, the cost of computation and disclosure of such information is minimal and it is unlikely that CD&As of SMEs would be as detailed as large firms because of the simpler nature of their compensation practices. Shareowners of these companies deserve the same level of disclosures that is provided by all other issuers.

Plain English

While the Centre supports the Commission's proposed Plain English requirements, it is concerned that simply asking for plain English disclosures will not, by itself, result in any change in the language used in corporate disclosures. Prior efforts at establishing plain English disclosures have reverted to boilerplate legalese in many cases. We believe, therefore, that the SEC should offer guidance where applicable and provide safe harbors to corporations in order to avoid boilerplate language that often only obscures the corporate policies described.

Concluding Comments

The Centre is strongly supportive of the Commission's proposal to enhance executive compensation disclosures. Moreover, we are equally supportive of the "principles-based" structure used to achieve full compliance with these new disclosure requirements. As noted above, we believe the Commission could further enhance the value of the Consultation to investors if it were to adopt the various suggestions and proposals outlined above. We believe these suggestions will enhance the understanding of all investors.



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The Centre appreciates the opportunity to comment to the SEC on its consultation, *Executive Compensation and Related Party Disclosure*. If you or your staff have questions or seek clarification of our views, please feel free to contact James C. Allen, CFA, at +1.434.951.5558 or james.allen@cfainstitute.org.

Sincerely,

A handwritten signature in black ink that reads 'Kurt N. Schacht'. The signature is written in a cursive style and is positioned to the left of a vertical red line.

/s/ Kurt Schacht

Kurt Schacht, CFA
Managing Director
CFA Centre for Financial Market Integrity

A handwritten signature in black ink that reads 'James C. Allen'. The signature is written in a cursive style and is positioned to the right of a vertical red line.

/s/ James C. Allen

James C. Allen, CFA
Senior Policy Analyst
CFA Centre for Financial Market Integrity



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