

SEC FLASH REPORT

SEC's Advisory Committee on Improvements to Financial Reporting Releases Draft Final Report and Holds Public Meeting

July 14, 2008

On July 11, 2008, the Securities and Exchange Commission's (SEC) Advisory Committee on Improvements to Financial Reporting held a public meeting to discuss and deliberate its draft report detailing recommendations to reduce the complexity of the financial reporting process and increase the usefulness of financial information to investors. The Advisory Committee's draft report can be viewed in its entirety at <http://www.sec.gov/about/offices/oca/acifr/acifr-dfr-071108.pdf>.

The report contains detailed recommendations covering five major themes:

- (1) Increasing the usefulness of information in SEC reports, while minimizing burdens on preparers
- (2) Enhancing the accounting standards-setting process to make it more effective and efficient
- (3) Improving the substantive design of new accounting standards by better articulating the underlying objectives and principles, avoiding all-or-nothing bright-line tests, and moving away from industry-specific guidance to a focus on the underlying business activity
- (4) Delineating authoritative interpretive guidance from the non-authoritative literature
- (5) Clarifying guidance on financial restatements and accounting judgments

The Advisory Committee, chartered by the SEC in July of 2007, has developed recommendations they believe can be adopted in a reasonable period of time by the Public Company Accounting Oversight Board (PCAOB), the SEC or the Financial Accounting Standards Board (FASB). To help ensure the recommendations reflect the broad range of interested stakeholders, the Advisory Committee membership includes a diverse group of parties, such as chief financial officers, audit firm executives, former regulators, audit committee members as well as members of the investment community. The scope of the report is limited to matters related to SEC registrants and is organized into four chapters:

- Chapter 1 addressed issues around substantive complexity
- Chapter 2 focuses on the standards-setting process
- Chapter 3 provides recommendations for improving the audit process and compliance
- Chapter 4 suggests ways to improve the delivery of financial information.

The Advisory Committee has scheduled a meeting on July 31, 2008, where they will vote on whether to issue their final recommendations to the SEC Chairman. We expect the final report will be issued in August and, once it is issued, we will issue a Flash Report covering the final recommendations in more detail at that time.