



Governance Insights

A biweekly newsletter for directors and investors

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President-elect Trump nominates Wall Street lawyer Jay Clayton as SEC Chair

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New York State DFS issues updated proposed cybersecurity regulation

The New York State Department of Financial Services (DFS) proposed cybersecurity regulation was updated on December 28, 2016. The proposed regulation will require financial services institutions (e.g., banks, insurance companies) subject to DFS' jurisdiction to create and maintain a cybersecurity program and written policy. The regulation is intended to protect consumer data as well as the security of the state's financial services industry.

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The Department of Labor's Employee Benefits Security Administration issued new guidance on proxy voting and other related activities by plan fiduciaries.

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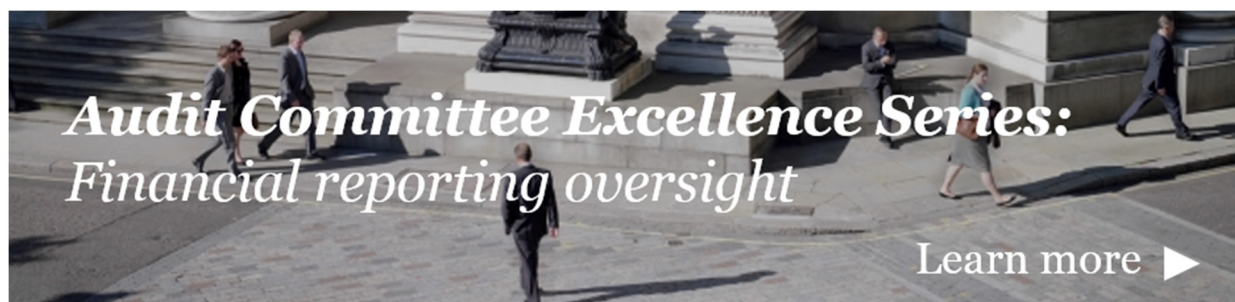
CAQ releases new revenue recognition tool for audit committees

The Center for Audit Quality (CAQ) released a new revenue recognition tool geared toward audit committee members to help them assess their company's progress on implementation of the new standard.

SASB report highlights room for growth in sustainability disclosures

In its inaugural State of Disclosure report, the Sustainability Accounting Standards Board (SASB) highlighted that while 81% of the 713 SEC filings the group analyzed included some information about sustainability, the information was not consistent, not always tailored to the specific company and didn't always include metrics.

See full articles below



Approaching the 2016 year-end financial reporting season

The 2016 calendar year-end financial reporting season is upon us and audit committees are preparing for their year-end meetings. In this paper, we highlight some of the financial reporting issues, SEC trends and other developments that audit committees should be thinking about.



PwC's 2016 Revenue recognition survey

The new revenue recognition standard can have a pervasive impact across an organization and is effective in 2018 for most companies. We asked more than 700 finance executives to share details about their readiness. Explore the results here. Choose the implementation topics of interest to you and filter the results by industry, company revenue, or company ownership. See more information, including analysis and insights from PwC on our revenue recognition survey top findings page.



What boards should have learned in 2016

Governance experts are now focusing their attention on the rising voices of investors and subsequently on shareholder engagement. This broad trend of “shareholder empowerment” creates the basis for this special episode and our 2016 reflection—one that touches everything from board refreshment to director evaluations. Paula Loop joins host TK Kerstetter on Inside America’s Boardrooms.

Main articles

President-elect Trump nominates Wall Street lawyer Jay Clayton as SEC Chair

Jay Clayton, a partner at law firm Sullivan & Cromwell LLP, is President-elect Donald Trump’s nominee to chair the SEC. Clayton’s background includes work on public and private mergers and acquisitions, regulatory proceedings, and capital market offerings. His clients have included Goldman Sachs Group, Inc. and Barclays PLC.

Upon the announcement of his nominee, President-elect Trump said, “Jay Clayton is a highly-talented expert on many aspects of financial and regulatory law, and he will ensure our financial institutions can thrive and create jobs while playing by the rules at the same time.”

New York State DFS issues updated proposed cybersecurity regulation

The New York State Department of Financial Services (DFS) proposed [cybersecurity regulation](#) was updated on December 28, 2016. The proposed regulation will require financial services institutions (e.g., banks, insurance companies) subject to DFS’ jurisdiction to create and maintain a cybersecurity program and written policy. The regulation is intended to protect consumer data as well as the security of the state’s financial services industry. The updates reflect DFS’ response to comments received after the regulation was initially posted in September 2016. The regulation includes requirements to:

- Appoint a chief information security officer to be responsible for overseeing and implementing the company’s program and enforcing the policy;
- Perform annual penetration testing and biannual vulnerability testing;
- Perform a periodic risk assessment of the company’s systems; and
- Implement written policies and procedures to address the security of information systems and nonpublic information either handled by or accessible to a third-party service provider.

This is the first such regulation in the country. After an initial thirty-day notice and public comment period, the regulation is due to become effective March 1, 2017, with several provisions having longer timelines for implementation.

For additional information on the proposed regulation, refer to PwC’s Financial crimes observer publication [*Cyber: New York regulator moves the goalposts.*](#)

Department of Labor issues new guidance related to proxy voting and shareholder engagement

The Department of Labor’s (DOL’s) Employee Benefits Security Administration issued new guidance on proxy voting and other related activities by plan fiduciaries. This latest bulletin ([Interpretive Bulletin 2016-01](#)) focuses on proxy voting, investment policy requirements, and shareholder engagement and replaces 2008 guidance that may have been interpreted as requiring cost-benefit analyses for each proxy vote or other use of shareholder rights (e.g., engaging with management of the companies in which the plan invests). The DOL has acknowledged that exercising shareholder rights does not always incur great costs and has increasing relevance to plans’ long-term value.

“Plan fiduciaries can often enhance and protect the interest of plan participants and beneficiaries by responsibly exercising their rights as shareholders,” [said](#) Assistant Secretary of Labor for Employee Benefits Security Phyllis C. Borzi. “This guidance removes perceived impediments to the prudent management of plans’ rights as shareholders, and encourages fiduciaries to manage those rights in the best interest of plan participants and beneficiaries.”

Interpretive Bulletin 2016-01 was published in the Federal Register and became effective on December 29, 2016.

AICPA Conference on SEC and PCAOB Developments highlights accounting hot topics

Non-GAAP measures, revenue recognition and auditor independence were among the topics of focus at December 2016's AICPA Conference on SEC and PCAOB Developments. Wes Bricker, SEC Chief Accountant, set the tone for the conference with his opening remarks, which emphasized the important roles that the preparers, audit committees, auditors and standard-setters play. Bricker highlighted the "important public interest that preparers, auditors, audit committee members, regulators and others serve in meeting investor needs for accurate, honest financial information." Other topics covered at the conference included: internal control over financial reporting (ICFR), SEC disclosure requirements, standard setting update (e.g., revenue recognition, leases), IFRS, cybersecurity, data analytics and sustainability.

For additional detail on the topics discussed, refer to [*PwC's In depth: Highlights of the 2016 AICPA National Conference on Current SEC and PCAOB Developments*](#).

CAQ releases new revenue recognition tool for audit committees

The Center for Audit Quality (CAQ) released a new revenue recognition tool geared toward audit committee members to help them assess their company's implementation progress of the new standard. [*Preparing for the New Revenue Recognition Standard: A Tool for Audit Committees*](#) includes the following sections:

- I. Understanding the New Revenue Recognition Standard
- II. Evaluating the Company's Impact Assessment
- III. Evaluating the Implementation Project Plan
- IV. Other Implementation Considerations

The tool summarizes the new standard to help audit committee members understand the background and provides questions for them to pose to management to better gauge their company's progress towards implementation ahead of the January 1, 2018 effective date (for public companies). The tool also includes a list of resources from other organizations that audit committees may find helpful.

SASB report highlights room for growth in sustainability disclosures

In its inaugural [*The State of Disclosure*](#) report, the Sustainability Accounting Standards Board (SASB) highlighted that while 81% of the 713 SEC filings the group analyzed included some information about sustainability, the information was not consistent, not always tailored to the specific company and didn't always include metrics. According to a December 2016 [article](#) on [www.CFO.com](#), 53% of filings included boilerplate language and only 24% of the analyzed reports had metrics and even those were inconsistent, creating difficulties for any reader trying to benchmark within an industry. "Although companies appear to have increasingly recognized the risks and opportunities involved in managing material sustainability issues," SASB board member Alan Beller said, "they have also struggled to communicate them effectively to their investors." Investors are increasingly indicating they want more information. In a separate [analysis](#) performed earlier in 2016, SASB reviewed the letters the SEC received in response to a request for comments on their Disclosure Effectiveness Initiative. SASB's analysis concluded that of the over 276 non-form comment letters received, two-thirds included concerns around sustainability-related disclosures.

CPE opportunity

Governance Insights Center quarterly webcast

Date: January 31, 2017

Time: 01:00 PM EDT

CPE: 1.0 hours

The private sector is abuzz with speculation on how the course of business may change come January 20 when a shift in power takes place in Washington. We invite you to join PwC's panel of experts, nearly 2 weeks post inauguration, for a webcast to explore how then President Trump's policies, priorities, and nominees for key positions may affect corporate governance. The webcast will address:

- **Regulatory environment** - What are the short- and long-term considerations post-inauguration? Will Dodd-Frank be repealed? How may the composition at the SEC change? What will be on the regulatory agenda for 2017?
- **Tax reform** - The President-elect has a detailed tax plan. What does it say and how could it change your course of business? Is tax reform a reality?

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