

# *SEC Updates*

Marc Rosenbaum, Partner  
**December 2016**



# SEC Commissioners



*Chair*



**Mary Jo White\***  
(I)

*Commissioner*

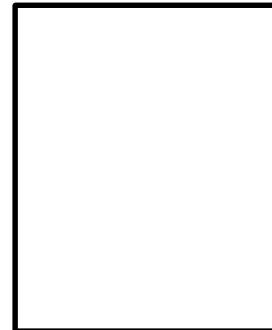


**Kara Stein (D)**

*Commissioner*



**Michael  
Piwowar (R)**



*Vacant*



*Vacant*

*Nominee*



**Hester Peirce (R)**

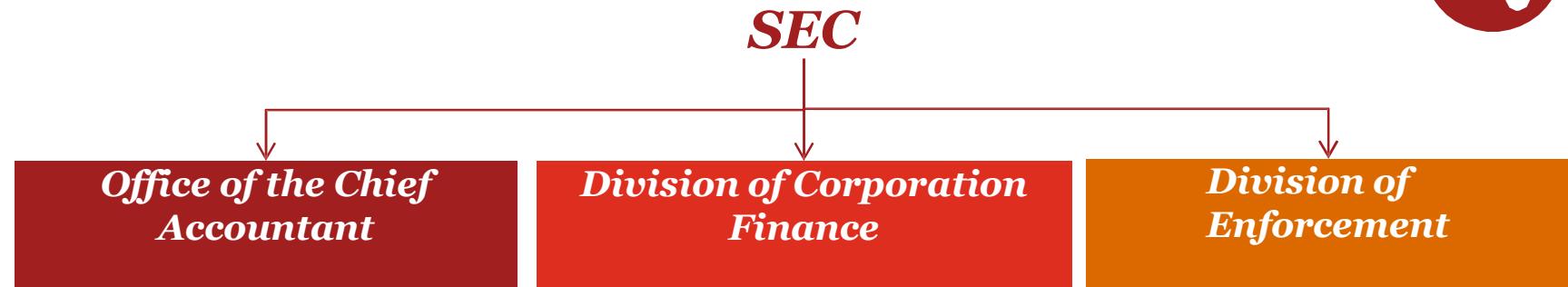
*Nominee*



**Lisa Fairfax (D)**

\* On November 14, 2016, Chair White announced her resignation from the SEC at the end of the Obama administration

# Organization structure



## ***James Schnurr*** ***Chief Accountant***

Considers company positions on accounting, financial reporting and auditing matters, particularly unusual, complex or innovative transactions

*Wes Bricker*, Interim Chief Accountant – Accounting

*Marc Panucci*, Deputy Chief Accountant – Professional Practice

*Julie Erhardt*, Deputy Chief Accountant – International

## ***Keith Higgins*** ***Director***

Ensures compliance in form and content of filings and considers registrant requests for waivers and interpretations of form and content

*Mark Kronforst*, Chief Accountant  
*Craig Olinger*, Deputy Chief Accountant

*Nili Shah*, Deputy Chief Accountant

## ***Andrew Ceresney*** ***Director***

Investigates possible federal securities law violations including misrepresentation or omission of important information about securities, manipulating the market prices of securities, insider trading and selling unregistered securities

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## ***Foreign Private Issuers – Craig Olinger, Deputy Chief Accountant***

***2012 = 945 foreign registrants***

***2013 = 940 foreign registrants***

***2014 = 912 foreign registrants (~500 IFRS / ~ 400 US GAAP)***

***2015 = 923 foreign registrants (~500 IFRS / ~ 400 US GAAP)***

	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>
<b><i>Canada</i></b>	<b>335</b>	<b>318</b>	<b>295</b>	<b>292</b>
<b><i>Islands</i></b>	<b>245</b>	<b>250</b>	<b>243</b>	<b>240</b>
<b><i>Europe</i></b>	<b>110</b>	<b>115</b>	<b>122</b>	<b>135</b>
<b><i>Israel</i></b>	<b>70</b>	<b>77</b>	<b>83</b>	<b>87</b>
<b><i>Asia/Ocean</i></b>	<b>85</b>	<b>77</b>	<b>80</b>	<b>81</b>
<b><i>South Am.</i></b>	<b>55</b>	<b>60</b>	<b>60</b>	<b>56</b>
<b><i>Other</i></b>	<b>45</b>	<b>43</b>	<b>29</b>	<b>32</b>

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## ***SEC Conference Key Themes – December 2016***

***Theme...same as last year***

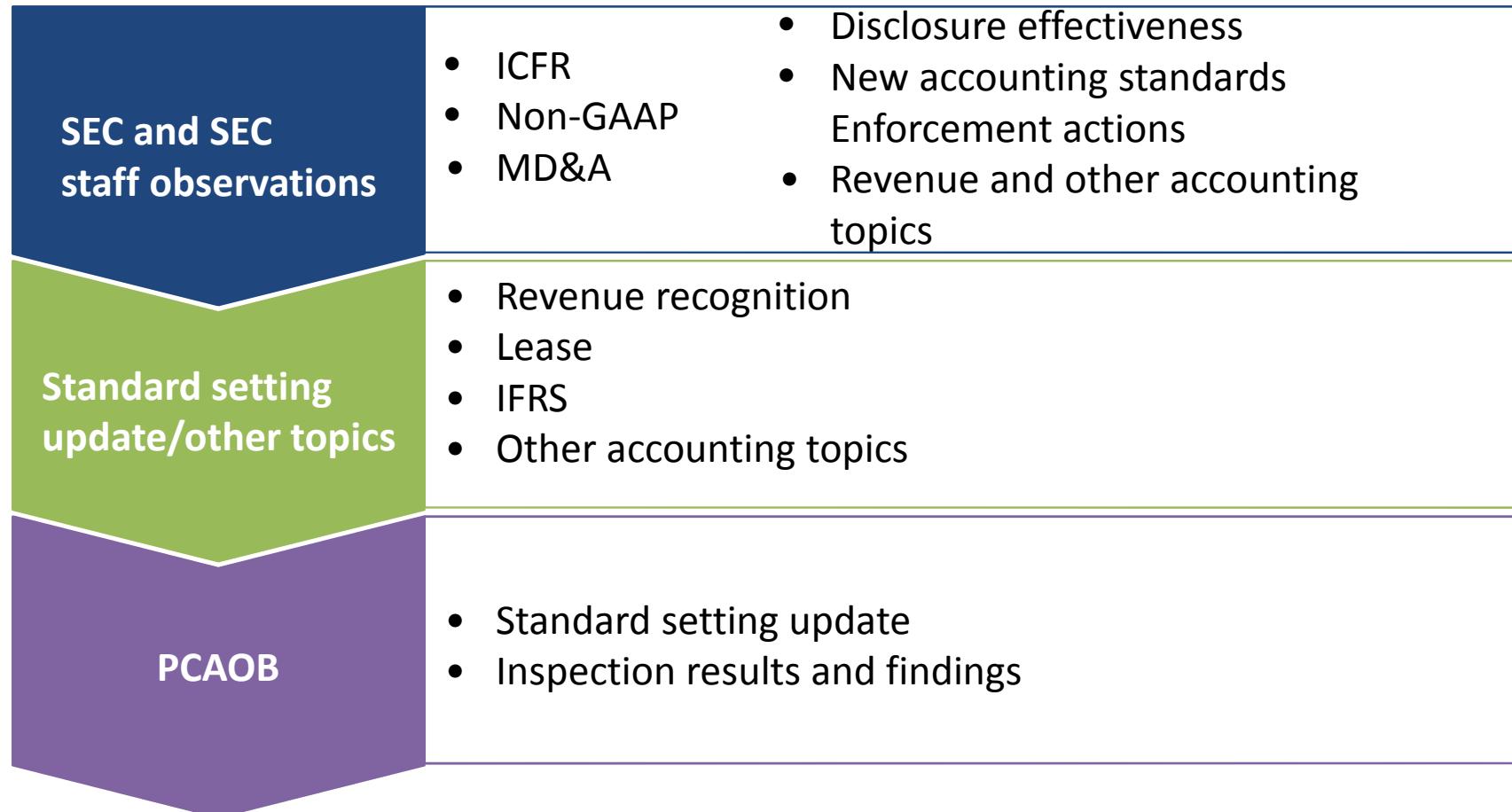
Title of SEC Chair White's 2015 keynote address –

**Maintaining High-Quality, Reliable Financial Reporting: A Shared and Weighty Responsibility**

Title of SEC Wes Bricker's 2016 keynote address –

**Working Together to Advance High Quality Information in the Capital Markets**

# ***SEC Conference Key Themes – December 2016***



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## ***SEC Conference – December 2016***

- ***SEC Areas of Focus for Comment Letters***
  - *Aggregation of Operating Segments*
  - *Tax Footnote Disclosures*
- ***PCAOB Areas of Focus***
  - *ICFR assessments*
  - *Review Controls*
  - *Assessing Risk (including risk of fraud)*
  - *Accounting for estimates, including fair value*
  - *Audit areas impacted by economic trends*
  - *Oversight of other engagement teams*

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## ***SEC Hot topics – Non-GAAP***

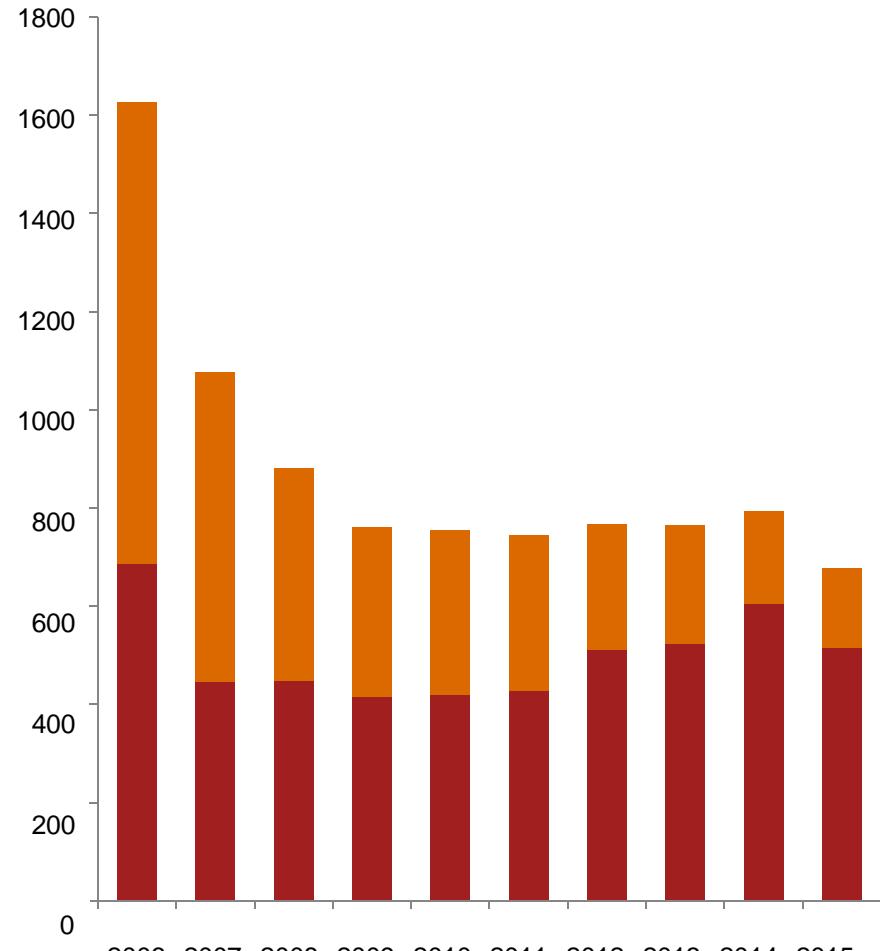
- Appropriateness and undue prominence continue to be areas where more progress is needed
- Audit committees should understand the non-GAAP measures used by management and the controls surrounding their preparation
- “Acceptable” non-GAAP measures were discussed during a panel specifically focused on non-GAAP measures
- Outreach underway to conclude on the appropriateness of adjustments for pensions and derivatives
- Non-GAAP measures are on the “radar” of international standard-setting and regulatory organizations as well
- PCAOB looking to focus on the auditor’s approach to non-GAAP measures to potentially inform future standard setting

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## ***SEC Hot topics – SAB 74 Disclosures***

- Several new accounting pronouncements were recently issued (e.g., revenue, leases, and credit losses)
- SEC staff expects enhancements to quantitative and qualitative disclosures in 2016 and 2017 filings on the impacts of the recently issued standards
- Disclosures should be used to facilitate discussions among the audit committee, preparers, and auditors to assess the design and implementation status
- Disclosures are important to investors and to assist them in assessing the impacts the new standards will have on the financial statements when adopted
- Presenters reiterated the SEC Observer's announcement at the September EITF meeting emphasizing the need to disclose the expected qualitative impact when the quantitative information is not yet known.

# Restatement and revision trends



Source: Audit Analytics; restatements & revisions from 10-K Filers

**Brown = restatements**  
**Red = revisions**

## *Top five causes of restatements and revisions*

1. Debt, quasi-debt, warrants & equity (BCF)
2. Cash flow statement
3. Tax expense, benefit, deferral and other issues
4. Liabilities, payables, reserves, and accrual estimate failures
5. Foreign, related party, affiliated or subsidiary issues

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# ***Hot topics***

## ***Proposed Amendment - Smaller Reporting Companies***

- On June 27, 2016, the SEC proposed amendments to its definition of a “smaller reporting company” (SRC), eligible for accommodations such as “scaled” disclosures in SEC filings. Changes proposed would increase number of companies qualifying as SRCs.
- Intended to promote capital formation and reduce compliance costs for smaller companies while maintaining investor protections.
- With certain limitations, a company with less than \$250 million public float, (or annual revenue of less than \$100 million if the company has no public float) would qualify as an SRC. Thresholds today are \$75 million and \$50 million, respectively.

## ***Audit transparency***

Disclosure of certain information on a new PCAOB form:

- Name of the engagement partner
- Names, locations and extent of participation of other accounting firms that took part in the group audit, if their work constituted 5% of more of total group audit hours
- Number and aggregate extent of participation of all other accounting firms that took part in the group audit whose individual participation was less than 5% of total group audit hours

***New PCAOB Form  
AP will be  
searchable and  
available on the  
PCAOB's website***

Effective dates for disclosure of:

- Engagement partner name - Audit reports issued on or after January 31, 2017
- Information about other accounting firms - Audit reports issued on or after June 30, 2017

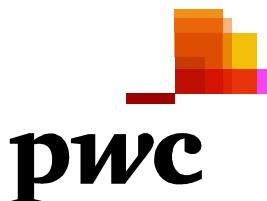
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***Thank you***

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