



CENTER FOR CAPITAL MARKETS  
COMPETITIVENESS

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May 26, 2015

Ms. Teresa Polley  
President and CEO  
Financial Accounting Foundation  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: Three-Year Review of the Private Company Council**

Dear Ms. Polley:

The U.S. Chamber of Commerce<sup>1</sup> (“Chamber”) created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21<sup>st</sup> century economy. To achieve these goals, the CCMC has supported the development of robust financial reporting systems and encouraged efforts to improve standards and reduce complexity. The CCMC appreciates the opportunity to comment on the Financial Accounting Foundation (“FAF”) Request for Comment on the *Three-Year Review of the Private Company Council* (“RFC”).

As a member of the Blue-Ribbon Panel on Standard Setting for Private Companies (“Blue Ribbon Panel”),<sup>2</sup> the CCMC supported its findings and recommendations. The crucial decisions made by the Blue Ribbon Panel were that U.S. Generally Accepted Accounting Principles (“USGAAP”) must be the foundation of public company and private company report. However, the users and uses of public company and private company reporting are different and USGAAP must be

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<sup>1</sup> The Chamber is the world’s largest federation of businesses and associations, representing the interests of more than three million U.S. businesses and professional organizations of every size and in every economic sector. These members are both users and preparers of financial information.

<sup>2</sup> The Blue Ribbon Panel created by FAF, the American Institute of Certified Public Accountants (“AICPA”), and the National Association of State Boards of Accountancy (“NASBA”) to explore and make recommendations to resolve private company accounting issues.

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tailored to reflect those differences for to meet the needs of private company users. Even though the FAF decided to go down a different path than the recommendations of the Blue Ribbon Panel and created the Private Company Council (“PCC”), the CCMC has been fully committed to working with FAF to make this system successful for all stakeholders in private company financial reporting.

The CCMC applauds FAF for establishing the PCC in May 2012. The CCMC also commends FAF for its commitment to post-implementation review processes, such as this one, which allow for feedback from stakeholders to determine whether the PCC is meeting its primary responsibilities and mission; provide an assessment of the PCC’s continuing role and effectiveness; and address changes that might be made to improve the PCC’s effectiveness.

Since its formation, the PCC has established a number of alternatives in USGAAP for private companies that seek to decrease costs and complexity, while improving or maintaining the usefulness of USGAAP reporting to meet the particular needs of users of private company financial reports. The PCC has also provided input to FASB on projects under active consideration for the FASB’s technical agenda. This communication of private company assists the development of standards in a positive manner

Particularly noteworthy, the PCC has been an important impetus for the movement to simplify financial reporting for both public and private companies. The CCMC is pleased that FAF, the PCC, and FASB, like the Securities and Exchange Commission (“SEC”), are determined to reduce the complexity and overlap in financial reporting and disclosure requirements, mitigate disclosure overload, and enhance disclosure effectiveness.<sup>3</sup> The CCMC also appreciates that FASB is adding projects to its agenda to simplify USGAAP in certain areas for public companies based on feedback to and the recommendations of the PCC.

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<sup>3</sup> The CCMC has a similar initiative underway that emphasizes the importance of modernizing our financial reporting system. For example, the U.S. Chamber of Commerce held an event on July 29, 2014 on “Corporate Disclosure Reform: Ensuring a Balanced System that Informs and Protects Investors and Capital Formation” to discuss the state of corporate disclosure and hear from stakeholders and experts on how the business community can be part of the solution to improve the structure of disclosure requirements. We anticipate that our initiative will complement FASB’s initiative and we stand ready to assist in this effort.

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The CCMC would make several recommendations for possible improvements to the PCC. The RFC suggests that PCC members should develop their own informal networks to broaden the input considered by the PCC and FASB collectively. While the CCMC appreciates the spirit of this recommendation, we would like to emphasize the need for maintaining transparency in process, including those providing input to the PCC.

Further, the RFC recognizes that FAF should continue to seek individuals with the skills, expertise, and resources necessary to commit the time and energy to the PCC and advise FASB on active projects. In this regard, the CCMC understands that PCC members are not compensated. As the role of the PCC evolves and expectations for its involvement in the standard setting process increase, it might be appropriate for FAF to consider revisiting and revising the current model of uncompensated service on the PCC.

Mechanisms should also be established to allow the PCC to decide its project agenda in order to address the needs of private company users. This is not mutually exclusive from the ability of the PCC to work with FASB regarding on-going projects. Rather, this will allow the PCC to continue working on existing standards and exploring their efficacy for private company users and any tailoring that may or may not need to be done for an effective private company financial reporting system to meet the unique needs of its users.

The CCMC appreciates the work and dedication of FAF, the PCC, and FASB in addressing the needs of private company financial reporting. This is an issue of importance to the more than 20 million businesses that are private and the capital formation tools they need to develop and grow. We hope that you will consider these suggestions and look forward to continuing our dialogue on these issues of importance to investors and businesses alike.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long horizontal flourish.

Tom Quadman