



Grant Thornton

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via Email to rule-comments@sec.gov

January 2, 2018

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**Re: File Number S7-08-17
Proposed Rule, FAST Act Modernization and Simplification of Regulation S-K**

Dear Office of the Secretary,

Grant Thornton LLP appreciates the opportunity to comment on the Securities and Exchange Commission (“SEC” or “Commission”) October 11, 2017 Proposed Rule, *FAST Act Modernization and Simplification of Regulation S-K* (“Proposed Rule”). We continue to broadly support the Commission’s efforts to enhance the effectiveness of public company disclosures. We are providing our firm’s perspective gained primarily from serving public companies as independent accountants, including interaction with the SEC staff in this capacity. We encourage the Commission to continue its outreach to investors, registrants and other stakeholders as part of its Disclosure Effectiveness Initiative.

We understand the Commission’s objective in this proposal is to specifically address the SEC staff’s recommendations in the [Report on Modernization and Simplification of Regulation S-K](#), but we encourage the Commission to more broadly consider whether any of the comments received on its April 13, 2016 Concept Release, *Business and Financial Disclosure Required by Regulation S-K* (“Concept Release”) may also be addressed in this rulemaking effort. To the extent certain foundational issues, even if outside the initial scope of the Proposed Rule, can be solidified in any final rulemaking related to the proposal, we believe the Commission will be better able to build on that foundation in future Disclosure Effectiveness rulemaking activities. We address some of these foundational issues below.

Inclusion of disclosure objectives

In our firm’s comment letter on the Concept Release, we expressed support for an initiative to provide disclosure objectives for each Regulation S-K Item or Subpart, to potentially reduce immaterial and boilerplate disclosures in registrants’ filings.¹ We envision disclosure objectives that would set forth key attributes for preparers so that they may assess if they have provided

¹ [Grant Thornton LLP’s comment letter](#) on *Business and Financial Disclosure Required by Regulation S-K*, SEC File No. S7-06-16, page 2.

sufficient and necessary disclosure. We do not expect that the Commission would undertake to include disclosure objectives for every S-K Item or Subpart as part of this rulemaking exercise; however, to the extent that a particular S-K Item is targeted for change, we encourage the Commission to consider whether it would be beneficial to define disclosure objectives for those specific S-K Items contemporaneously. One potential area that is within the scope of this proposal and could benefit from clearly defined disclosure objectives is S-K Item 303, Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”). To address the MD&A disclosure objectives, we believe the Commission could simply incorporate the concepts included in [Commission Guidance Regarding Management’s Discussion and Analysis of Financial Condition and Results of Operations](#), Release No. 33-8350, under Section I.B., “Approach to MD&A” as an introductory section to S-K Item 303.

Materiality

We note certain of the proposed amendments to rules and forms specify disclosure be included ‘if material,’ while others do not specifically call out the ‘if material’ threshold. For instance, the proposed amendments to S-K Item 303 discuss “not material” as a filter to permit a registrant to omit discussion of the earliest of the three years presented. We believe that materiality is and always should be considered as a basis for the extent and sufficiency of disclosure. We believe that inclusion of the ‘if material’ phrasing in some S-K Items, but not others, may create confusion as to when materiality applies. With disclosure objectives in place, it may be unnecessary to include a specific reference to materiality in any individual S-K Item. Registrants remain responsible for assessing if all the information they have provided is sufficient to tell a complete story to investors and other stakeholders about the historical view of the company and its outlook for the future.

Cross-referencing and hyperlinking

Finally, as previously expressed in our comment letter on the Concept Release,² we encourage the streamlining of information included in documents filed with the SEC and are supportive of the use of hyperlinks and cross-referencing, but there are some challenges to consider with respect to auditor association which are more fully described in that letter. With respect to the items in the Proposed Rule, given the clarity provided regarding what constitutes the audited financial statements, we do support the Commission’s proposal prohibiting registrants from incorporating or cross-referencing information outside of the financial statements into their financial statements unless otherwise specifically permitted or required by the Commission’s rules. Additionally, if the Commission moves forward with requiring or permitting hyperlinks for any information incorporated by reference into a document filed with the SEC if that information is available on EDGAR, we agree that a clear description of the location within a hyperlinked document of the specific information incorporated by reference should be provided. This is critical in order for the auditor to understand what the “other information” is relevant to their professional responsibility, and what constitutes “a document” as referred to in

² [Grant Thornton LLP’s comment letter](#) on *Business and Financial Disclosure Required by Regulation S-K*, SEC File No. S7-06-16, pages 4-6.

paragraph .04 of PCAOB AS 2710, *Other Information in Documents Containing Audited Financial Statements*.

With the consideration and potential introduction of additional cross-referencing and hyperlinking within SEC filings, we continue to believe it is imperative that the SEC coordinate with the PCAOB as it determines what information may be incorporated by reference into an SEC filing, and with what information the auditor is associated. Further, the SEC, the PCAOB, and the auditing profession should work together on developing solutions to provide users more transparency into the auditor's responsibilities for other information and consider where expanded use of cross-referencing and hyperlinking may have unintended consequences. We note the PCAOB has included the auditor's role regarding other information in its latest Research Agenda,³ and look forward to participating in further discussion on this topic.

We appreciate the opportunity to provide our views related to the Proposed Rule and would be pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, at (312) 602-9080 or Bert.Fox@us.gt.com.

Sincerely,



³ [PCAOB Standard-Setting Agenda](#), December 31, 2017.