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April 28, 2020

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

Via Email to rule-comments@sec.gov

Re: File Number S7-01-20

Proposed Rule on Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the Securities and Exchange Commission's (SEC or Commission) January 30, 2020 Proposed Rule on *Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*. As mentioned in our comment letter¹ regarding the Commission's April 13, 2016 *Concept Release on Business and Financial Disclosure Required by Regulation S-K* (2016 Letter), we broadly support the Commission's efforts to modernize, simplify, and enhance the effectiveness of public company disclosure requirements in Regulation S-K through reducing duplicative disclosures and focusing on material information. We applaud the Commission's efforts in this regard and for taking prior comments on the 2016 Concept Release into consideration when drafting the current proposing release.

We are providing further comments on this proposing release, from our firm's perspective gained primarily from serving public companies as independent accountants, including interaction with the SEC staff in this capacity. In preparing our comments, we considered the goal of the SEC's Disclosure Effectiveness Initiative to make disclosure more effective and useful for investors and other stakeholders. We also understand that with advancements in technology, allowing financial information to be easily accessible, as well as changes in U.S. GAAP and IFRS Standards whereby disclosure requirements may overlap or be duplicative, there are opportunities for Regulation S-K disclosure requirements to be simplified or eliminated.

Selected financial data and supplementary financial information

The proposing release would eliminate (1) S-K Item 301 which currently provides up to 5 years of selected financial data and (2) S-K Item 302 which in part currently provides supplementary financial information covering the last eight fiscal quarters. As

¹ <https://www.sec.gov/comments/s7-06-16/s70616-244.pdf>

noted in the proposed rule, the principal objectives for eliminating Items 301 and 302 is to modernize and simplify disclosure requirements and reduce duplication, given the financial information is accessible through EDGAR with the exception of the fourth quarter information required in Item 302(a).

From reading comments received regarding the 2016 Concept Release, letters from the investor community generally expressed support for retaining Item 301 and/or Item 302. Specifically, the CFA Institute response letter² stated that they believe investors benefit from five years of selected financial data to show the effects that business cycles may have over a longer period of time and that supplementary financial information is relevant. While we do not object to the elimination of Items 301 and 302, we encourage the SEC to continue outreach to investors on the overall utility of selected financial data and supplementary financial information prior to finalizing rulemaking in this area.

If, after consideration of further input the Commission determines to retain Item 302, our 2016 Letter contains our observations regarding challenges that may face companies that file a follow-on registration statement after their IPO registration statement, but before they file their first annual report on Form 10-K. The Commission might consider relief for a newly public company to build-up its quarterly information (that is, to only report under Item 302(a) information included in Exchange reports subsequent to IPO registration statement effectiveness, similar to the accommodations given to EGCs with respect to selected financial data).

Finally, if Item 302 is eliminated, while we recognize that the proposed rule would still elicit disclosure of fourth quarter information, if material, or there is a material retrospective change to previously reported results, we believe including more explicit language in proposed Item 303 to reduce diversity in practice in disclosing the material information may be helpful for investors. However, we call your attention to PCAOB AS 4105, paragraph 6. This provides an auditor's responsibility for interim information that is required to be included in an issuer's annual report. Auditors' responsibility with respect to voluntary disclosure of interim information is less clear. In order to reduce the possibility of an investor expectation gap, we recommend the SEC coordinate with the PCAOB and for the PCAOB to consider clarifying auditing standards in this area.

Regulation S-K Item 303, Management's discussion and analysis of financial condition and results of operations

MD&A objectives

We continue to support the principles-based framework in MD&A and the focus on material disclosures that are relevant to financial statement users. In our 2016 Letter we stated that clearly established objectives could reduce immaterial and boilerplate disclosures in registrants' filings. The proposing release would establish a new paragraph, Item 303(a), to emphasize the objectives of MD&A by summarizing previous content in Instructions 1, 2, and 3 as well as clarify that a registrant should

² <https://www.sec.gov/comments/s7-06-16/s70616-375.pdf>

provide a narrative description of its financial statements that allow investors to see a registrant “through the eyes of management.”

In addition to stating the objectives of MD&A at the forefront, we continue to believe that substantial SEC staff guidance has been required to assist companies in improving the quality of their MD&A disclosures. While such guidance may be voluminous, we have found it to be helpful to preparers in determining the adequacy of MD&A disclosures. We believe that such guidance should be codified into one location, to aid preparers in locating and applying current guidance. We do understand the proposing release addresses some existing guidance. However, we recommend the staff take a comprehensive review of all existing MD&A guidance and provide clarity as to applicability of the existing interpretive guidance in any final rule. Further, some points in existing guidance may be included in Item 303 as additional objectives of MD&A.

Critical accounting estimates

We are supportive of the amendment to codify the existing 2003 MD&A Interpretive Release³ to explicitly require disclosure of critical accounting estimates in MD&A. The amendments are intended to eliminate the duplication between the disclosure of critical accounting policies in MD&A and the financial statements and to focus the MD&A disclosures on a discussion of the critical accounting estimates only. We also appreciate the amendment to add an instruction stating that the critical accounting estimates shall supplement, not duplicate, the accounting policies included in the financial statements; however, we recommend this statement be included in proposed Item 303(b)(4) instead of within the instruction to Item 303(b)(4) to more prominently highlight this distinction.

We 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,

/s/ Grant Thornton LLP

³ <https://www.sec.gov/rules/interp/33-8350.htm>