Via E-Mail

April 22, 2021

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Dear Mr. Chairman:

I am writing on behalf of the Council of Institutional Investors (CII) to congratulate you on your appointment to chair the U.S. Securities and Exchange Commission (SEC or Commission). CII is a nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately $4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families, including public pension funds with more than 15 million participants – true “Main Street” investors through their pension funds. Our associate members include non-U.S. asset owners with about $4 trillion in assets, and a range of asset managers with more than $40 trillion in assets under management.¹

We look forward to working with you and supporting your efforts to strengthen transparency and accountability in our markets for the benefit of long-term investors and working families.² CII’s priority issues for 2021 generally fall into three categories and are grounded in CII’s member-approved policies: (1) investor rights & protections; (2) corporate disclosure; and (3) market systems & structure.³ As indicated in the attached letter submitted in response to the SEC’s semiannual regulatory agenda, we believe there are a number of existing rulemaking proposals or petitions in all three categories that if pursued would improve corporate governance and strengthen transparency and accountability in our markets in the near term.

We also respectfully request that, as you make the important decisions regarding senior staff positions at the Commission, you give appropriate consideration to qualified individuals who share your commitment to “harness the core values of the Commission in service of investors,

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¹ For more information about the Council of Institutional Investors (“CII”), including its board and members, please visit CII’s website at http://www.cii.org.
² See Gary Gensler, Nomination Hearing, Senate Committee on Banking, Housing and Urban Affairs (Mar. 2, 2021), https://www.banking.senate.gov/imo/media/doc/Gensler%20Testimony%203-2-21.pdf (“That means strengthening transparency and accountability in our markets, so people can invest with confidence, and be protected from fraud and manipulation.”).
issuers, and the public.” As one example, we believe, consistent with the 2008 recommendation of the SEC’s Advisory Committee on Improvements to Financial Reporting (Committee), that a necessary qualification of the SEC Chief Accountant should be a deep understanding and appreciation for the needs of investors—the “primary consumers of financial reports.” We fully agree with the Committee’s conclusion that “investor perspectives should be given pre-eminence” in the development of financial accounting and reporting policies. With a qualified investor or investor representative leading the Office of the Chief Accountant, that long-sought goal is much more likely to be achieved. This goal is particularly timely and appropriate given the interest by investors in sustainability reporting and its interrelationship with financial accounting and reporting.

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4 Gary Gensler, Nomination Hearing, Senate Committee on Banking, Housing and Urban Affairs.

5 Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission 10 (Aug. 1, 2008), https://www.sec.gov/about/offices/oca/acifr/acifr-finalreport.pdf; see Council of Institutional Investors, Corporate Governance Policies § 2.13a Audit Committee Responsibilities Regarding Independent Auditors (updated Sept. 22, 2020), https://www.cii.org/files/policies/09_22_20_corp_gov_policies.pdf (“Investors are the ‘customers’ and end users of financial statements and disclosures in the public capital markets [and] [b]oth the audit committee and the auditor should recognize this principle”); Council of Institutional Investors, Policies on Other Issues, Independence of Accounting and Auditing Standard Setters (updated Mar. 1, 2017), https://www.cii.org/policies_other_issues#indep_acct_audit_standards (“Attributes that underpin an effective accounting or auditing standard setter include: . . . Accountability to Investors – A clear recognition that investors are the key customer of audited financial reports and, therefore, the primary role of audited financial reports should be to satisfy in a timely manner investors’ information needs (this includes having significant, prominent and adequately balanced representation from qualified investors on the standard setter’s staff, standard-setting board, oversight board and outside monitoring or advisory groups”).


April 22, 2021

Once again, congratulations on your appointment and thank you for your consideration of our views. If we can answer any questions or provide additional information, please do not hesitate to contact me.

Sincerely,

Jeffrey P. Mahoney
General Counsel

Attachment

CC: The Honorable Hester M. Peirce
    The Honorable Elad L. Roisman
    The Honorable Caroline A. Crenshaw
    The Honorable Allison Herren Lee