

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

+ + + + +

INVESTOR ADVISORY GROUP

+ + + + +

MEETING

+ + + + +

THURSDAY, OCTOBER 27, 2016

The Advisory Group met in the Hamilton Ballroom of the Hamilton Crowne Plaza Hotel located at 1001 14th Street, N.W., Washington, D.C., at 9:00 a.m., Steven B. Harris, Chairman, presiding.

PRESENT

STEVEN B. HARRIS, Chairman
 MARY BERSOT
 CURTIS BUSER
 DR. JOSEPH V. CARCELLO
 KEVIN G. CHAVERS
 LINDA de BEER
 SARAH DEANS
 DR. PARVEEN P. GUPTA
 NORMAN J. HARRISON
 MICHAEL J. HEAD
 AMY MCGARRITY
 PETER H. NACHTWEY
 LAWRENCE M. SHOVER
 DAMON A. SILVERS
 ANNE SIMPSON
 MICHAEL A. SMART
 TONY C. SONDHI
 JUDGE STANLEY SPORKIN
 ROBERT M. TAROLA
 LYNN E. TURNER
 GARY G. WALSH

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
 1323 RHODE ISLAND AVE., N.W.
 WASHINGTON, D.C. 20005-3701

SEC REPRESENTATIVES

MARY JO WHITE, Chair
WESLEY R. BRICKER
BRIAN CROTEAU

PCAOB BOARD MEMBERS

JAMES R. DOTY, Chairman
LEWIS H. FERGUSON
JEANETTE M. FRANZEL
JAY D. HANSON

PCAOB STAFF

MARTIN BAUMANN
MARY SJOQUIST

CONTENTS

Welcome and Introductions	4
Introduction of Working Group Topics	6
Report from the Working Group on Non-GAAP Measures	31
Open Discussion: Non-GAAP Measures	93
Report from the Working Group on ACAP Recommendations	155
Open Discussion: ACAP Recommendations	195
Report from the Working Group on Auditor's Reporting Model	233
Open Discussion: Auditor's Reporting Model	246
General Discussion	256
Closing Remarks	307
Adjourn	308

1 P-R-O-C-E-E-D-I-N-G-S

2 8:59 a.m.

3 MR. HARRIS: All right. So first of all I'd like
4 to welcome everyone. This is our Seventh Annual Meeting
5 of the Investor Advisory Group. And, you know, it goes
6 without saying that, you know, I appreciate your time,
7 the effort, and the devotion that you've put into this.
8 I know you have busy schedules. And a number of you have
9 traveled very significant distances to be with you -- be
10 with us here today. And it goes without saying that
11 that's appreciated.

12 You know, Mike came back from Spain last night.
13 I know Linda comes from South Africa. And I know that
14 Sarah Deans is from the U.K. Hopefully not forgetting
15 people. I know that there are others who have come from
16 California. But this means a great deal to us. We do
17 it once a year. And I'd encourage all of you to be
18 aggressive in your comments. It goes without saying we're
19 especially appreciative, to put it mildly, to Chair White
20 who has taken the time out of an unbelievably busy
21 schedule to join us.

22 I know it means a lot to you. It means a lot to

1 us. And, hopefully, you know, you will hear a fairly
2 lively discussion this morning I think on a topic of
3 considerable interest. I mean we've got three topics.
4 But the non-GAAP has really, you know, raised the
5 attention and the focus of a number of members here and
6 is by no means uniform in terms of where I anticipate
7 people will be coming out. So I look forward very much
8 to what everybody has to say.

9 At the outset, I'm required to issue the normal
10 disclaimer which I think everybody's heard before. No,
11 the old members, not the new members have heard before.
12 That the comments and the views we express are our own --
13 I'll say that for the Board and the staff -- and do not
14 necessarily reflect the views of other board members or
15 the staff of PCAOB.

16 I've already extended a warm welcome to Chair
17 White. But I also similarly want to welcome Wes Bricker.
18 He's the interim chief accountant, you know, at the SEC.
19 Wes, thank you very much. I think it's your first, and
20 we very much welcome you.

21 And, Brian, thank you for your yeoman's years of
22 service. And I think it's public, so if I can offer you

1 congratulations and I wish you the very best of whatever
2 you decide to do next. We do wish you good fortune and
3 much success in the future.

4 In order to achieve the best results for
5 investors, the PCAOB must work very closely with the
6 Commission, and particularly with the Commission's Office
7 of Chief Accountant. And for this reason we appreciate
8 the cooperative relationship that exists between our two
9 organizations.

10 This is the first Advisory Group meeting for some
11 here. And I would like to recognize our new members, and
12 then we'll go around the table and everybody can
13 introduce themselves and their organizations. But they
14 are Mary Bersot, Kevin Chavers, Sarah Deans, Linda de
15 Beer, Dr. Parveen Gupta, Amy McGarrity whom I haven't met
16 yet or spoken to but I know, I recognized you at dinner
17 last night, and, and Michael Smart.

18 In a moment I'll ask everybody to go around the
19 table to introduce themselves and the organizations
20 you're with. But for now, I'd like to express my
21 appreciation to all of you for participating in today's
22 meeting and for your hard work and your respective -- on

1 your respective working groups. And I especially want
2 to tip my hat to the working group leaders. That's not
3 to say to everybody, but the working group leaders really
4 do put a ton of effort into making these, from my
5 perspective, successful meetings and substantive
6 meetings. And it is a lot of work.

7 Today we'll be discussing the following topics:

8 Non-GAAP financial measures and their relevance
9 to assessing company performance; recommendation to the
10 2008 Bush Administration Treasury Department's Advisory
11 Committee on the Auditing Profession, and the Auditors
12 Reporting Model. But before we start, and for the
13 benefit of our new members and those who may not know a
14 great deal about the PCAOB's Investor Advisory Group, I
15 will briefly discuss the history of the IAG. And it will
16 be brief.

17 And then I will share some of the topics we have
18 considered over the years. I'll discuss a few of our
19 accomplishments. And then we'll go straight to the
20 agenda, copies of which you have in your packets. So I'm
21 not going to outline them for the, the listening
22 audience.

1 By way of background, the first Investor Advisory
2 Group meeting was held in May 2010. The group was formed
3 "to provide a public forum specifically for the Board to
4 obtain the views of and advice from the broad investor
5 community on audited oversight matters affecting
6 investors."

7 And at that meeting I also mentioned that
8 regulators often hear more from the regulated than from
9 the investment community directly.

10 As the Sarbanes-Oxley Act makes clear, the PCAOB
11 was created to "oversee the audit of public companies in
12 order to protect the interests of investors and further
13 the public interest in the preparation of informative,
14 accurate, and independent audit reports." And that's a
15 closed quote.

16 In other words, the Board's most important
17 stakeholders under the Sarbanes-Oxley Act are investors.
18 For seven years now this group has faithfully reported
19 the perspectives of a variety of investor
20 representatives, and in doing so, has served as a vital,
21 tangible connection to what a number of us consider to
22 be our most important constituency.

1 Over the years we discussed a number of topics,
2 including lessons learned from the financial crisis,
3 foreign inspections, greater transparency in governance
4 of audit firms, greater transparency of the audit
5 process, and auditor expertise and responsibilities.
6 Other topics have included the role of audit committees;
7 the audit firm business model; audit quality indicators;
8 auditor independence, objectivity and professional
9 skepticism; and going concern.

10 Each of these topics has prompted the subsequent
11 meaningful consideration by the Board and, in a number
12 of instances, Board action. By way of example, the Board
13 has acted on the issue of transparency by providing
14 engagement partner identification. Currently considering
15 amending the audit reporting model. And we have issued
16 a concept release on audit quality indicators.

17 Further, partly in response to various
18 recommendations from the IAG, the PCAOB has increased its
19 efforts to obtain access to the audits conducted by
20 foreign-registered accounting firms for the purpose of
21 conducting inspections; published on our website, a list
22 of our issuer clients of PCAOB registered firms in

1 jurisdictions where the PCAOB is denied access; issued
2 a report on the observations of our inspectors and
3 related -- related to audit risk areas affected by the
4 financial crisis; and issued audit practice alerts on a
5 variety of topics, including the audit implications of
6 breakdowns in the mortgage foreclosure process; audits
7 of internal control over financial report; auditing
8 revenue and improper alteration of audit documentation.

9 The Board has also issued timely guidance on hot
10 issues for auditors and boards of directors such as the
11 Audit Committee dialog issued last year; and expanded the
12 inspection reports to provide more information about the
13 audits inspected.

14 These are a few examples of how your
15 recommendations have made a difference on how the
16 Investor Advisory Group's input has helped the Board
17 establish its priorities and advance its efforts to
18 protect investors. Clearly, more needs to be done, and
19 the Board looks forward to your suggestions throughout
20 the day today.

21 Just as in the past, the Board intends to
22 carefully consider the views you express and the topics

1 you have chosen. And that's you who have chosen topics.
2 We have not chosen. You have chosen for us for today's
3 discussion.

4 Today's agenda. I would now like to turn to
5 Chairman Doty with respect to any remarks he may wish to
6 make, then Chair White, and then to other board members
7 who may wish to make statements.

8 So starting with you, Mr. Chairman.

9 MR. DOTY: Thank you, Steve. And I join you in
10 thanking everyone for being here. I'm greeting 70
11 members among our 12, and we welcome all of you.

12 As Steve indicates, I believe the PCAOB has
13 accomplished a great deal in a short life of less than
14 14 years. And there are some major achievements there.
15 But they could have been accomp -- they could not have
16 been accomplished without the sustained interest and
17 support of investors, including those here.

18 In addition, I want to especially acknowledge how
19 much it's meant to me to have the support of Chair Mary
20 Jo White. I could not have begun to do this job without
21 the access to her wisdom and her counsel and the ability
22 to see her on matters of importance to all of you. Thank

1 you for being here today, Chair White, and for your
2 dedicated attention to the role of the Audit Committee
3 and the audits and the Commission's investor protection
4 mandate, and for your advice and encouragement over these
5 years.

6 It's clear PCAOB accomplishments are attributable
7 directly to Congress' foresight in conferring on the
8 PCAOB the responsibilities and powers set forth in the
9 Sarbanes-Oxley Act to register, inspect, set standards
10 for, and when necessary, discipline the auditors of
11 public companies and, of course most recently, to include
12 brokers and dealers in that regime.

13 In my view, independent oversight has changed the
14 landscape for the better for investors and capital
15 markets. And here I want to submit for the record my
16 written remarks this morning which contain a bit of a
17 list of that. And really only say that I believe
18 inspections have improved audits. They have changed the
19 firms' attitudes in their execution. There's a lot of
20 work to be done. There's been a positive difference;
21 more work to be done.

22 Emerging research on our inspections indicates

1 that when we find efficient audits, engagement teams
2 raise their game without a commensurate increase in fees
3 but with a statistically significant production in
4 restatements.

5 We have also, I think, generated outstanding
6 standard-setting agendas and executing all those, as
7 Steve has mentioned.

8 I think the awareness of the role of the PCAOB is
9 now firmly established in the public mind. And emerging
10 research is suggesting that this is helping to build
11 public confidence in the audit and the investing.

12 I've mentioned research, and I believe that
13 credible, insightful research is going to be very
14 important to our ability to continue to affect our
15 message -- mission rather. I firmly believe that by
16 improving audit quality we've played a part in helping
17 to avoid more financial reporting failures that would
18 have occurred and, in turn, to help our economy and our
19 capital markets be resilient and grow.

20 I believe we have to continue to expand and
21 improve and evolve the audit as a mechanism for capital
22 formation. And we need to shape the audit and audit

1 oversight to meet the needs of investors. And our
2 discussion today and our continuing relationship with all
3 of you will help us do that.

4 So with that I yield my time. Thank you.

5 MR. HARRIS: Chair White.

6 MS. WHITE: Thank you very much.

7 First, I'm delighted to be here. I don't think
8 I get the medal for traveling the furthest. I think some
9 of the rest of you have that. But it's, it really is
10 important to me to be here.

11 I want to just start by first thanking Chairman
12 Doty for your continuing strong leadership of the PCAOB;
13 Steve Harris for your chairmanship of this group. And I
14 might just, you know, make also thanks -- finish my
15 thanks and then I want to make a comment up front about
16 how, just how critically important I think the PCAOB is
17 and give you one sort of, you know, anecdote to show you
18 what I say about the PCAOB in other venues as well.

19 But first, very important thanks to Lew, to
20 Jeanette and Jay, and all of your very hard and very
21 productive work on the Board, as well as the entire PCAOB
22 staff, your dedication and your service to raising audit

1 quality. And then not at all, you know, last but not
2 least I mean really all of you, new members and old
3 members, for your dedication and service to raising audit
4 quality. And it just, it just could not be more
5 important.

6 You know, having been fortunate enough to attend
7 some of your prior annual meetings, I am always impressed
8 by the very thoughtful dialog that takes place here, and
9 as well as what is obviously the behind-the-scenes work
10 that goes on all year and the preparation, you know, for
11 these meetings, which is certainly, if nowhere else,
12 reflective, reflected in the briefing materials that I
13 have reviewed.

14 So here's my little anecdote. I mean as one of
15 the things that sort of struck me as being Chair of the
16 SEC that I was a little surprised at in my first year --
17 that's about four years ago now -- but is how much
18 international work that I have. And part of that is the
19 SEC is, obviously, a member of IOSCO, which are our
20 fellow securities regulators from around the world. Big
21 task forces on and groups working on audit quality, as
22 you should be working on audit quality.

1 I think maybe the Chairman has heard me say this
2 before, but I say it every time I'm in those meetings
3 talking about that when they're sort of trying to figure
4 out, you know, what to do, what needs to be done, what
5 the priorities are. You know, nobody has what we have
6 here in terms of the PCAOB, in terms of what that's done
7 and continues to do to raise audit quality. I mean it
8 just, you know, there's not, there's just no comparison.
9 There's a lot of good work being done in Europe and
10 elsewhere, but just, but just know what kind of
11 organization you're advising, you know.

12 So with that, you know, just commentary, let me
13 go on. I mean, again, for this group you don't need me
14 to tell you or anyone else to tell you that the
15 credibility of financial reporting depends on the
16 thorough audits performed by independent, skeptical and
17 skilled auditors. Investors heavily rely on auditors.

18 And, again, I'm very pleased in particular by the
19 PCAOB's outreach to investors for their input, and that
20 obviously includes you folks and the IAG, which is
21 enormously important.

22 You know, again, as Steve has alluded to, and

1 your agenda obviously reflects on its face, you have a
2 very full day of discussion on very important topics.
3 And I can only be here for the initial part of the
4 discussion on non-GAAP measures. But I thought what I'd
5 do quickly -- and I will try to do it quickly -- is just
6 offer a couple of thoughts on each of the major agenda
7 items that you have today. I'll be getting a full
8 briefing on the discussion, but I won't be here
9 personally for all of it.

10 So starting with non-GAAP measures, which is what
11 you're starting with, you know, that's one that, you
12 know, continues to have, it has and continues to have a
13 lot of attention at the Commission, as it should. We
14 have taken a number of steps in response to growing
15 concerns that I have and others have had about the
16 appropriateness of certain reporting practices in this
17 area.

18 As I know many of you are aware of, earlier this
19 year the SEC staff updated its non-GAAP reporting
20 guidance to further assist issuers in really
21 understanding and complying with the disclosure
22 obligations in this area.

1 Wes Bricker, our tremendous interim chief
2 accountant, Mark Kornforst, the chief accountant in the
3 Division of Corporation Finance, have also been very
4 active in speaking out on the subject to provide guidance
5 and views about what works and what doesn't, what's
6 permissible and what isn't. So we're going to be, you
7 know, continuing to devote an awful lot of attention in
8 this space to really improve usefulness and the
9 reliability of the information being provided to
10 investors.

11 Because I think I said to Anne yesterday when we
12 were talking on a different topic, I mean it's, you know,
13 and I try to make this clear when I talk about this,
14 investors want this information. It's useful. But, you
15 know, when you say "this information" you obviously want
16 it provided in the right way and in the most, you know,
17 reliable way that you can.

18 So I look, you know, forward to hearing your
19 perspectives in this, this area, which really has an
20 awful lot of my attention and others at the Commission.

21 Your agenda also includes, as Steve said and as
22 it reflects, a status report on the important

1 recommendations from the ACAP Committee from 2008. And
2 I look forward to hearing your perspectives on all of
3 that, but in particular on which matters continue to be
4 of most importance and priority to either undertake or
5 continue, that are already underway, including by the
6 Commission. Obviously there are a number of constituents
7 there represented in terms of the recommendations.

8 A number of the recommendations have been
9 implemented or partially implemented. And the report and
10 recommendations in addition to the specific
11 recommendations really has been an important resource for
12 the SEC and the PCAOB over the years. They've informed
13 major standard setting initiatives, including the
14 auditors' reporting model work, as well as the PCAOB's
15 Audit Quality Indicator Project. The report and its
16 recommendations have also informed the PCAOB's strategic
17 planning efforts over the years.

18 I mean, since these recommendations were included
19 in the report to Treasury in 2008, obviously much has,
20 you know, transpired since then, so I think it is
21 important for all of us, you know, as part of the
22 analysis you're doing today and before today and after

1 today, and all of us are doing, is to consider the
2 changes that actually have, you know, taken place since
3 2008, and in the context of today's regulatory knowledge
4 and experience.

5 I mean one, one example is, obviously, the PCAOB
6 now has for over a decade, you know, engaged in its
7 inspection program. So it has that decade-plus of
8 experience to draw on in helping to inform its strategic
9 planning and standard setting efforts. And I want to
10 sort of echo what Chairman Doty said about just how much
11 positive impact I think that inspection program is
12 having. I mean and it's more and more every year.
13 Really quite, quite significant.

14 So I look forward to full download on that
15 discussion from Wes -- and I have my wrong glasses on --
16 but Brian Croteau who is also down the table. So I was
17 glad someone introduced him so I knew he was here. But
18 and Brian, and what Steve said about Brian I echo in, you
19 know, every way I can. You know, your contributions to
20 the agency and audit quality really across the board,
21 Brian, has just been remarkable.

22 Auditors' Reporting Model, obviously that's your,

1 I understand your third major topic on the agenda today.
2 Critically important. It's received substantial
3 attention over the past few years.

4 As you know, the PCAOB exposed its initial
5 concept release in 2011; more recently issued its new
6 proposal in May 2016. Throughout the process -- and this
7 is very good -- there's been active involvement and
8 feedback from a number of stakeholders, including through
9 roundtable discussions, input from this advisory group
10 and many comments.

11 So I know that the PCAOB staff is working very
12 diligently considering the feedback that it's gotten on
13 this as it develops a final rule. So we at the SEC
14 really look forward to continued progress on the PCAOB's
15 efforts to improve the content of the auditor's report
16 for the benefit of investors.

17 So before I really do stop talking and let you
18 get to your agenda, let me just take this opportunity to
19 just very briefly say a couple of words on the excellent
20 cooperation between the PCAOB and the Commission in
21 overseeing the public company auditing profession and
22 auditing. I really believe, without question, that that

1 cooperation, the hard work that's done by the staffs at
2 both organizations, has contributed directly to
3 significant improvements in audit quality.

4 You know, one example, and I'll start with
5 enforcement, I mean the SEC's Division of Enforcement has
6 something that's called the Financial Reporting and
7 Auditing Fraud Group. And it focuses on financial
8 reporting and audit failures. And, of course, the
9 Division also has its Operation Broken Gate. I didn't
10 name that one. I wish I had. But it's an initiative to
11 identify auditors who neglect their duties in the
12 auditing standards. Really a lot of energy and a lot of
13 thought has gone into that initiative.

14 Recent examples of SEC audit enforcement cases
15 done in close coordination with the PCAOB include charges
16 against three national firms and associated partners for
17 deficient audits, and numerous sanctions of other firms
18 extending from that operation, the Broken Gate
19 Initiative.

20 In addition, and can't do enough in this space,
21 our enforcement staff has been very active in bringing
22 cases against auditors for violations of the independence

1 rule. Recently two cases brought against a large firm
2 and three former partners for auditor independence
3 failures due to inappropriately close personal
4 relationships. That's, you know, that's an area not for
5 its interest value in that sense of the word but, you
6 know, it's obviously an area that needs attention. And,
7 again, it points out that this is certainly continuing
8 importance of focusing on the independence of auditors
9 and, you know, failures of independence; could not be
10 more important.

11 Other examples outside of enforcement where you
12 really can see, I think, quite clearly the impact of the
13 PCAOB's work on improving audit quality. Inspections
14 Program we've mentioned. The focus on the importance of
15 the Audit Committee's oversight role, and improvement in
16 the transparency of drivers of audit quality. All of
17 those have contributed to improvements in audit quality
18 and really deserve not only to be praised but to be
19 continued.

20 It's important for the positive momentum, the
21 tremendous achievements of the PCAOB to continue to keep
22 pace with the investor expectations, as well as the new

1 and emerging reporting risks that always lie ahead and
2 do lie ahead. It's incumbent upon all of us, obviously
3 including the Commission, to continue to monitor our
4 current environment to identify and understand the issues
5 to be addressed, as well as the range of potential
6 approaches to best address those issues.

7 So we at the Commission will continue to work
8 very hard and collaboratively with the PCAOB and other
9 stakeholders to do just that.

10 So, as I said, I'll get a full briefing on
11 today's proceedings. Thank you again for your commitment
12 to assisting the PCAOB in its just critical mission to
13 protect investors. And thank you for having me.

14 MR. HARRIS: Well, thank you, Chair White, first
15 of all for your support and encouragement of the work
16 that we do together, and the work that you especially do
17 at the Securities and Exchange Commission.

18 And now I'd like to recognize board members who
19 may wish to make brief statements. And I know Jeanette
20 would like to make a statement. And then I recognize
21 Lew, if you would like to make a statement, and Jay, for
22 whatever statements you'd like to make.

1 Jeanette.

2 MS. FRANZEL: Thanks, Steve. And congratulations
3 on seven years of heading up this group.

4 And I must say I'm very impressed by the
5 individuals on this group and the group collectively.
6 And I thank all of you for spending your valuable time
7 to advise us and the PCAOB's very important mission.
8 This is extremely important to us.

9 I look forward to the agenda today. A lot of
10 these issues are near and dear to my heart. Many of
11 these have been longstanding issues for years, some even
12 decades. And it's really important that we, we deal with
13 these issues and move forward because there are plenty
14 of emerging issues on the horizon that I'm sure we'll be
15 discussing in our future meetings.

16 In that regard, I'm very pleased that our new
17 standard setting process involves a more formal mechanism
18 for serving the environment and identifying emerging
19 risks and doing research on these issues prior to perhaps
20 setting up a project or determining what actions need to
21 be taken. And so I look forward to having those types
22 of discussions with you in the future.

1 Chair White mentioned new financial reporting
2 pressures. And, of course, that always puts a little
3 extra risk into the auditing process. And then the
4 auditing process itself is changing drastically in terms
5 of use of technology in the audit, use of data analytics,
6 and even artificial intelligence. So there should be
7 some very important issues for us all to be deliberating
8 about going forward.

9 I also want to thank the SEC staff and Chair
10 White for their support and attendance here today. And
11 I look forward to today's discussion.

12 MR. HARRIS: Lew, do you have any comments?

13 MR. FERGUSON: Yes, I'd just like to thank you
14 all for the work, thank you all for the work that you do
15 here. We are very, very grateful for it. And I am
16 reminded that when I first came on the PCAOB, one of the
17 very first meetings I came to was a meeting of this group
18 of the Investor Advisory Group.

19 I remember there was a panel led by Joe Carcello
20 in the early days of the Auditors' Reporting Model. And
21 as I listened to the discussion I thought, wow, there are
22 really some smart and thoughtful people who are helping

1 us here. And this is going to be great fun.

2 So, again, just to say thank you for the work
3 you're done for us.

4 MR. HARRIS: Jay?

5 MR. HANSON: Thanks. I'll just echo the other
6 comments my fellow board members have made, and Chair
7 White. And thank you all for coming here. And I'll
8 again acknowledge Brian Croteau and all the work that he
9 has done and the close relationship we've had. We're
10 going to miss him a lot. And the difficult job that Wes
11 Bricker has stepped into as interim chair. And I look
12 forward to the spirited discussion today.

13 MR. HARRIS: And with that, why don't we get
14 started. First of all, if we can go around the table and
15 everybody briefly introduce themselves and the
16 organizations they're with, that would be helpful. And
17 then we'll get started with the program.

18 So, Marty, why don't we start with you and just
19 go that way around.

20 MR. BAUMANN: Hi. I'm Marty Baumann. I'm the Chief
21 Auditor and Director of Professional Standards at PCAOB.

22 MR. NACHTWEY: Pete Nachtwey, CFO, Legg Mason.

1 MR. BRICKER: Wes Bricker, Office of the Chief
2 Accountant at the SEC.

3 MR. BUSER: Curt Buser, CFO, the Carlyle Group.

4 MR. SMART: Michael Smart, Managing Partner, CSW
5 Private Equity.

6 MS. SIMPSON: Anne Simpson, Investment Director
7 for Sustainability at CalPERS. And I'm also on the board
8 of the Council of Institutional Investors.

9 MR. HARRISON: Norman Harrison, Senior Managing
10 Director of FTI Consulting.

11 MS. DEANS: Sarah Deans. I'm at Exane BNP
12 Paribas.

13 MR. CARCELLO: Joe Carcello, Professor and
14 Department Head at the University of Tennessee.

15 MS. BERSOT: Mary Bersot, founder and owner of
16 Bersot Capital Management.

17 MR. SHOVER: Larry Shover, CIO of SFG
18 Alternatives. Also contributor to Fox Business News.

19 MR. HEAD: Michael Head, retired chief audit
20 executive at TD Ameritrade, and currently instructor at
21 Texas A&M in the Accounting Department.

22 MR. GUPTA: I am Parveen Gupta, Professor at

1 Lehigh University.

2 MR. CROTEAU: Brian Croteau, Deputy Chief
3 Accountant in the Office of the Chief Accountant at the
4 SEC for I guess about two more weeks, as you've now
5 figured out.

6 (Laughter.)

7 MR. WALSH: I'm Gary Walsh, principal and
8 portfolio manager at Luther King Capital Management.

9 MR. TURNER: Lynn Turner, Trustee of Colorado
10 PERA.

11 MR. TAROLA: Good morning. I'm Robert Tarola.
12 I'm President of Right Advisory, LLC, which is a
13 turnaround consulting firm, and chair of the audit
14 committee of two public companies.

15 MS. DE BEER: Good morning. I'm Linda de Beer.
16 I'm the person that won the prize for traveling the
17 furthest. I'm an independent non-executive director on
18 number of listed companies in South Africa. And I was
19 also previously the Chairman of the Consultative Advisory
20 Group of the IAASB. So I've been involved in auditing
21 standards for a long time. I also lecture a little bit
22 on auditing and accounting standards at the University

1 of the Witwatersrand at Johannesburg.

2 MR. CHAVERS: Good morning. I'm Kevin Chavers,
3 Managing Director at Blackrock in the Public Policy
4 Group.

5 MS. MCGARRITY: Good morning. I'm Amy McGarrity.
6 I'm a global equities product specialist at William Blair
7 Investment Management.

8 MR. SONDHI: I'm Tony Sondhi. I'm President and
9 founder of A.C. Sondhi & Associates, which is a financial
10 consulting and investment advisor firm.

11 MR. HARRIS: Well, thank you very much. And if
12 all of you before you speak could give your name for the
13 listening audience that would be helpful. So to the
14 extent that you make comments, if you could indicate who
15 you are, that would be helpful for the record.

16 Now turning to the schedule, I'd like to ask each
17 of our working group heads to give a five to ten minute
18 overview of their presentations. And then we'll go into
19 the topics in much greater detail. But given the Chair's
20 time schedule, I think it's very important that she
21 really gets the bottom line of what the working group
22 heads would like to deliver in terms of messaging. And

1 then, as I say, we can go into, you know, far greater
2 detail throughout the entire day.

3 And with that, I'd like to start with Tony
4 Sondhi. And, Tony, you've bitten off a lot. And this,
5 the working group on non-GAAP I was, I was somewhat
6 surprised because when, Curt, you mentioned that that was
7 a topic that you thought we ought to bring up I wasn't
8 clear in my own mind in terms of how interested so many
9 of you would be and, quite frankly, some of the diverse
10 viewpoints that you would bring to this issue.

11 And, Tony, I've been following a little bit of
12 the email traffic as you coordinated with your group.
13 So I know you've got a tough lift. But with that, if you
14 could outline for the Chair and everybody here, just
15 start us off, you know, what you'd most like the SEC and
16 Chair White to hear, that would be terrific.

17 MR. SONDHI: Steve, thank you.

18 I'd like to begin by saying simply that, as Steve
19 has just pointed out, there is just an avalanche of
20 material that had to be used in order to develop the few
21 points that we're going to make. It's very difficult to,
22 you know, overstate the importance. I think it's

1 absolutely critical.

2 I'm going to begin by telling you a little bit
3 about the non-GAAP measures. And then I'm going to ask
4 Anne Simpson to say a very few words on sustainability,
5 and then Linda De Beer will tell us a little bit about
6 integrated reporting, because those are the three issues
7 that I was asked, our team was asked to address.

8 The non-GAAP measures, in essence, if you think
9 about the definition, these are measures that exclude
10 items that would have to be included in the most
11 comparable GAAP measure, or they would include items that
12 are not allowed or permitted in the comparable GAAP
13 measures.

14 Now why do we have such a proliferation and such
15 an enormous increase in non-GAAP measures? And I think
16 it's fair to say that the demand from the investors' side
17 is rather significant. Analysts are asking about it.
18 They want this information. And management equally is
19 intent on providing this information.

20 What management, in a sense, is doing in
21 presenting the non-GAAP measures is effectively giving
22 us an alternative perspective of performance that in a

1 sense come from two sources: one, there's a demand from
2 analysts and users, from investors, and; second, they're
3 trying to make up for the shortcomings of the GAAP model.
4 And we do have quite a few of those. In a sense,
5 management also provides this information, the non-GAAP
6 measures, because they use them internally. They use
7 them to communicate their perspectives, how they're
8 managing the business to the board of directors, for
9 example.

10 So in that sense there's rather critical
11 relevance or importance from both sides, management and
12 the investors. And as I pointed out, there certainly has
13 been a proliferation of these. There's a plethora of
14 these non-GAAP measures out there: adjusted income,
15 earnings per share, EBITDA measures, various types of
16 adjustments that got into EBITDA, three cash flow
17 measures.

18 So the objective has been to develop and provide
19 information that gives a different perspective on
20 performance, it gives you a different perspective on
21 liquidity, it gives you a different sense on the
22 valuation. And certainly, as I said before, investors,

1 analysts use them. Those are forecasts. And as
2 everybody knows here, they have also become a rather
3 significant component of earnings conference calls.

4 There clearly are limitations to the GAAP model
5 that we have. There's an inconsistent measurement
6 framework. The business structures, the tax structures,
7 those are not necessarily always well reflected.

8 Many years ago when the FASB issued the standard
9 on segment reporting, the analysts and my colleagues at
10 the CFA Institute were very pleased because we had a big
11 role in working on those. And we were very happy to see
12 that additional information. However, it has not
13 provided the type of information we would like to have.
14 And, clearly, the performance measures in a segment basis
15 are being augmented these days by -- with these non-GAAP
16 measures.

17 The other aspect that I wanted to be very clear
18 about is that over the last few years, as I said, there's
19 been a tremendous increase, from 2010 to 2015. Last
20 year, for example, it was reported that two-thirds of the
21 DOW 30 were reporting adjustments to GAAP earnings per
22 share. And the difference between the adjusted earnings

1 per share and the GAAP earnings per share had exceeded
2 30 percent in 2015. And that compares to just under 12
3 percent the previous year. So that year on year growth
4 is rather significant.

5 Now, if you think about how all of that works
6 out, you see, as Chair White has pointed out, there has
7 been an increase in attention from the SEC. She herself
8 in speeches has pointed this out. Mr. Bricker, his
9 colleagues, Jim Schnurr, the others have all been talking
10 about this. Mr. Schnurr pointed out that some of the
11 increase was troubling.

12 Some of the more recent work that you've done,
13 both the May 2016 compliance and disclosure initiatives,
14 the additional Q&A, the information that you provided,
15 the increase in enforcement, that and the work that
16 you've been doing has been very well done from an
17 investor's perspective.

18 At the same time, even with all that increase,
19 what -- and let me also point out some of the most
20 critical things that the SEC has been concerned with:
21 the tailored accounting principles; the adjustments to
22 certain measures and then offering those as liquidity

1 measures; not properly or comprehensively adjusting for
2 the tax consequences of some of those adjustments. But
3 the, in essence I think, the issue with non-GAAP measures
4 from the perspective of the analyst, the user, the
5 investor, is that there are no common definitions.
6 They're inconsistently applied over time within the same
7 firm at times. They certainly do not allow us to compare
8 companies.

9 The SEC, certainly through Reg G, other
10 initiatives requires a reconciliation. The
11 reconciliations do not always provide the type of
12 information -- very often they do, but they don't always
13 give us the kind of information we would like to have.

14 But let me very clear about something. From an
15 investor's perspective, and certainly from mine, I would
16 not want to limit the use of non-GAAP measures. It gives
17 me a perspective into management. It tells me something
18 about management, the way they're running it, that I find
19 absolutely critical. I use that with my analysis of GAAP
20 measures to understand companies better.

21 And so from that perspective, if we think about
22 where we are, despite the regulations, despite the

1 increased enforcement, the fundamental question is
2 whether we ought to have, you know, the information
3 that's provided, whether that ought to be audited.

4 If we look at the existing auditing guidance we
5 find that it does not cover the gap, the non-GAAP. And
6 bear when I said "gap" I mean G-A-P. So fundamentally,
7 the point there is that if this is as useful as
8 management and analysts feel it is, then we ought to do
9 something about auditing.

10 So we've considered various approaches to this.
11 Some people have suggested that we ought to limit the
12 number. And I'm against that. I think my team is
13 against that. I don't want to limit it because I prefer
14 that people and managers tell me how they're running the
15 company and what their perspective is.

16 I'd like more information. I've never thought
17 that there was any such thing as a disclosure overload.
18 But, and I'm an analyst at heart, so I would never say
19 that. So but I use it. I read it, I use it, and I find
20 it very, very helpful.

21 So I don't want to limit them. I'm not sure that
22 we could come up with robust definitions that would be

1 applicable across the board. Even if we were that good
2 at coming up with those, they would not stand the test
3 of time. Things change. It's a dynamic world out there.
4 I think we need to permit that freedom and that, that
5 ability to express what's going on.

6 But don't get me wrong, there are also some very
7 serious concerns. The banking regulators, for example,
8 they've been looking at leveraged loans. And that area
9 is not under your end. And from that perspective, when
10 we look at some of the more recent examples that were
11 cited in the Wall Street Journal article a few days ago,
12 the amount by which they've increased -- and this goes
13 to the tailored accounting principles that you've talked
14 about -- the increase at the time of the acquisition by
15 the acquirer, the adjustments that are made to EBITDA,
16 that always brings to mind, you know, that these are
17 flexible definitions. And then they change over time,
18 it would be good to have some sort of a structure which
19 allows us to view what's going on.

20 I think that if companies want to change what
21 they're using, add or no longer use a particular non-GAAP
22 measures, it would be useful to have them continue to

1 provide it for some period of time so that we can see the
2 trends.

3 If you take that one step further in terms of
4 what else we could do, another suggestion involves
5 allowing industrial organizations, industry bodies to
6 validate those. I'm not sure that that can actually
7 work. That type of self-regulation has obvious
8 limitations, and we don't see that working.

9 So that leaves us with two other possibilities,
10 one of which is to mandate their inclusion in the
11 footnotes of the financial statements, thereby making
12 them audited. Now, from that perspective, if I look at
13 the FASB's agenda consultation paper, it is not
14 heartening. Their recommendations with respect to
15 segment reporting, their recommendations with respect to
16 additional disaggregation of information, their
17 recommendations with respect to segment reporting do not
18 add up to a point where they would help us with this.

19 So the IASB has been working on the same thing.
20 There are other organizations internationally that have
21 talked about different definitions, and so on. You can
22 see, by the way, all of this information in the

1 background material that you have to our presentation.
2 Yet, I don't think I don't, we don't see suggestions or
3 recommendations that are going to help us with this.

4 So that leaves us with the inclusion in
5 footnotes. Or the alternative would be that they would
6 be covered by supplemental information, so that then AS
7 17 could be applied to it. The current auditing
8 standards, as you heard at the Standard Advisory Group
9 Meeting in May, those leave a lot to be desired. So we
10 do need a very, very strong sort of assist there. We
11 have to bring them into the fold of reporting.

12 The last point I want to make is that earnings
13 conference calls have been also very, really worrisome
14 because at times it's hard to see what's GAAP and non-
15 GAAP. The presentations can at times be difficult to use
16 as well. So it would be very help to have that.

17 So that's what I wanted to say about non-GAAP
18 measures. And, Anne, if you would take a couple minutes
19 and tell us about sustainability amendment, if you would.
20 Thank you.

21 MS. SIMPSON: Anne Simpson. Thank you very much.

22 I first of all want to absolutely agree with this

1 idea that you can have too much of a good thing with
2 disclosure. This is too much fresh air. I don't know
3 what the analogy would be. And thank you, Tony, for
4 summing up where the group's got to on the non-GAAP
5 conundrum.

6 Linda has presented, has prepared some slides on
7 a related topic which is also non-GAAP, defined only by
8 what it isn't, but which is going under the moniker of
9 integrated reporting. And that is a movement in the
10 investment community to try to capture elements which are
11 relevant to value creation, and also to understanding
12 risk.

13 And we're at the early stages of this work but we
14 have some rude awakenings to report. In companies where
15 the management of financial capital, we would say at
16 CalPERS human capital and natural capital, has not been
17 handled in a way that's suitable for a long-term
18 investor's point of view.

19 We've seen rapid collapses in value. You know,
20 they're thinking about some players in the coal industry
21 not anticipating the impact of clean air regulations,
22 links to climate change ambition, to new international

1 agreements, as an example. We've seen a major financial
2 institution mismanaging, in our view, human capital where
3 we have an incomplete disclosure about the incentives,
4 the compensation, from what's driving conduct at the
5 worker level, not at the senior executive level, but with
6 dire consequences for the business.

7 And another example, health and safety. We've
8 seen health and safety and mismanagement of global supply
9 chains. You know, famously in South Asia some terrible
10 collapses of buildings and fires in the retail sector.
11 And the largest company concerned certainly in our
12 portfolio claiming that this didn't affect them, and yet
13 labels from that company were found in the wreckage.

14 So we think this need for integrated reporting is
15 really a function of the expansion of the complexity, the
16 global reach of businesses, the multi-faceted nature of
17 risk. And certainly for us, in the wake of the financial
18 crisis, understanding that we need companies to manage
19 financial capital, human capital and physical capital for
20 the long term. And the only way that we can get a window
21 into the competence, the independence, the quality of the
22 board is through disclosure, which is of course

1 absolutely the agenda for the SEC and the PCAOB,
2 hopefully not at the Broken Gate, but making sure that
3 the flow of information is reliable, reasonable, timely,
4 relevant and so forth.

5 So I'll just point to two examples which we find
6 very encouraging. One is that some years ago the SEC,
7 at the request of a group of shareholders -- investors
8 I should say -- did develop guidance on climate risk.
9 I think the SEC is ahead of the game. This is in the
10 world of the Kyoto and the Copenhagen Agreements which
11 really stumbled forward. They didn't have the impact
12 that was intended.

13 But now we have the Paris Agreement, which has a
14 number attached to it. Here is the number, 2 degrees,
15 that we need to limit global warming, which implies new
16 strategies for the corporate sector in many areas, not
17 just for the energy sector. And that's a terrific
18 foundation. And we hope in due course there will be an
19 opportunity to refresh that guidance. It's extremely
20 important. And it will have new relevance because of the
21 Paris Accord.

22 Secondly, we'd like to flag our need as investors

1 to understand more on human capital. And the theme for
2 us is diversity and inclusion. We have compelling
3 studies indicating that companies which embrace and
4 understand diversity and inclusion are better positioned
5 to recruit talent, but they're also better positioned to
6 repel the forces of group think, which is nearly what
7 took us over the cliff in the financial crisis.

8 So, again, the disclosure in this arena is, is
9 poor, feeble even. And the disclosure that we'd need
10 would really enable owners of companies to hold boards
11 accountable, not just for their own composition, but also
12 for our diversity and inclusion are handled right through
13 the corporation.

14 So thank you for the good work that the SEC is
15 doing. Critical role certainly for the PCAOB. Because
16 if we don't have standards and assurance in these
17 critically new areas of information we're, unfortunately,
18 too often in the grip of a PR exercise. And information
19 coming out in different, different channels at different
20 times, not connected to the financials.

21 So really our, you know, our vision is of a
22 holistic, forward-looking report. And understand that,

1 you know, investors can walk and chew gum. We can
2 understand different dimensions of corporate reporting.
3 But we do need an improvement in the quality and
4 comparability, which is why we're now looking to standard
5 setters to pick up the material things in this arena.

6 So, Linda, I don't know if you --

7 MR. HARRIS: Well, Anne, first of all, thank you
8 very much.

9 MS. SIMPSON: Thank you.

10 MR. HARRIS: And then when we go into the
11 discussion later on, maybe you can tie it to the
12 assurance and the related function and what we ought to
13 be doing in that area in terms of the PCAOB, but not now.

14 And then, Linda, if you could very briefly,
15 because we'll have, you know, time afterwards to develop
16 the discussions, and I want to get to the other two, but
17 if you could give the Chair the oversight and the
18 overview, that would be extremely helpful.

19 MS. DE BEER: Sure. Thank you. And, Steven, I
20 will be brief because we will obviously go into more
21 detail.

22 And I think when it comes to the points that Anne

1 made, and when you talk about integrated reporting, and
2 you think how does this all fit into non-GAAP measures,
3 the reality is that the companies are moving forward in
4 the way in which they report. And the non-GAAP measures
5 is one element and a very important aspect to address.
6 Because more and more reporting beyond just financial
7 reporting will happen. And the reality of it is that
8 investors will look at that and make decisions on the
9 basis that they need some level of comfort -- if I, not,
10 if I don't use the word "assurance" -- but some level of
11 comfort that the information is useful and reliable.

12 And when it comes to something like integrated
13 reporting, it goes way beyond financial information into
14 future looking information, strategy, and all sorts of
15 other aspects. There are also now a whole host of other
16 assurance providers that give assurance on risk and
17 health and safety.

18 And bringing it back then to the PCAOB, as you
19 mentioned, Steve, it does beg the question as to what is
20 the role of audit standard setters, what's the role of
21 audit regulators being sure that those processes work
22 appropriately. I don't believe that the disclosure will

1 always be the same for every type of company. But at
2 least that is a level of comfort that investors and
3 others can get out of those processes and out of the
4 reliability of the information. So we'll obviously go
5 into that a little bit, in a little bit more detail later
6 on.

7 MR. HARRIS: Well thank you very much.

8 And the next topic is the ACAP recommendations.
9 And we've had two co-leads: one, Lynn Turner, and then
10 the other Parveen Gupta.

11 So, Lynn or Parveen, do you want to take the lead
12 and spend maybe five to ten minutes giving the overview
13 of that?

14 MR. TURNER: I'll be short and get us back on
15 track.

16 So first of all, Mary Jo, Madam Chairman, thank
17 you very much. And, Wes, thank you for your help on the,
18 on the letter. We did send out -- well, let me start by
19 saying, as everyone knows, or a lot of people know, ACAP
20 was a U.S. Treasury-formed committee formed by then
21 Treasury Secretary Hank Paulson, really at the request
22 of the auditing profession to look at their

1 sustainability.

2 But Damon and myself were members of that
3 committee, along with others. And they issued, after a
4 year of deliberation, public hearings around the country,
5 issued a number of recommendations. I'd say generally
6 the recommendations could be summed up as what was
7 necessary to change how the firms thought, approached and
8 conducted audits, staffed those audits, in order to
9 improve the quality of the product that they delivered
10 to the public, consistent in a manner with what the
11 Supreme Court has said that product should be.

12 And in doing so felt that the best thing to
13 improve the sustainability of the firms was to in fact
14 improve the quality. And if you issued a quality
15 product, then that would be the best way to ensure the
16 sustainability of the firms. And so recommendations were
17 made in three areas. There were three subgroups that
18 committee put together. Damon chaired one of those
19 subgroups on competition and concentration.

20 I served on the one on firm finances and
21 structure. There was another one on human capital.

22 As our group went back through those, we asked

1 then for the various organizations assigned to implement
2 that for their written response. And they all provided
3 it. American Accounting Association, AICPA, SEC, PCAOB
4 -- thank you, Gordon and Jim -- as well as NASBA, all
5 provided us written response of their view on the
6 progress. So that was most helpful.

7 But at the end of the day when we looked at it we
8 did see a number of the key and critical things really
9 haven't yet been accomplished. One was making the
10 quality of audits much more transparent to investors.
11 We each year have to vote on these auditors, putting them
12 in a position to where they can make an informed vote,
13 because today there's no way those folks are informed at
14 all. There's just basically nothing out there.

15 Second, the creation of a national fraud center
16 at the PCAOB. There was a lot of debate and discussion
17 about this at the time. Correspondence back and forth
18 with the PCAOB itself at the time, and creation of a
19 center that could improve and innovate on ways to improve
20 audits and detection of fraud was certainly one of the
21 top issues at the time.

22 Improving the quality of the audit report. Jim

1 has noted the progress that has been made. And,
2 hopefully, we'll see, soon see some more progress.
3 Europe, of course, has jumped ahead of us substantially
4 on this. All you have to do is look at some of the
5 European reports. And I give them great kudos over
6 there. There have been some very, very good reports come
7 out, out of there that the investor community has weighed
8 in on.

9 And also enhancing firm transparency and
10 governance. On the transparency side Europe, again, is
11 well ahead of us with their directive on that.
12 Governance, not much has really happened. It's a sticky,
13 tough subject. But, clearly, more needs to be done in
14 that respect.

15 And, finally, on human capital I give the AICPA
16 and CPA -- AICPA and AAA tremendous kudos for putting
17 together commissions to try to improve the accounting
18 education. But at the end of the day there's been really
19 slow, grinding progress, if you will, in terms of
20 actually changing curricula. And so we'll talk about
21 that. And it's only if we can get the changes in the
22 curricula that we'll see the accounting education change.

1 And that really hasn't occurred. Progress on that edge,
2 in accounting education, universities is slow, slow,
3 slow. So.

4 MR. HARRIS: Well, thank you, Lynn. And,
5 Parveen, we'll get to you. But thank you very much also
6 for your co-leading this. And then we'll look forward
7 to the discussion later in the day. And I want to
8 express my appreciation to you for working on this with
9 Lynn and to your entire working group efforts.

10 And then, Joe, I know you co-led this with Sarah
11 Deans. And, Sarah, you know this issue back and forwards
12 from the U.K. We very much welcome your comments. But,
13 Joe, you've been an absolute stalwart going back for time
14 immemorial it seems. And you've done the, the outreach
15 and to the, to the investor community.

16 So why don't I leave it to you to give us the
17 overview. And then later on today we'll get into the
18 substance.

19 MR. CARCELLO: Steve, I've decided it's time for
20 a fresh face, and time for someone who actually is in a
21 market that has seen this for three years. So although
22 Sarah and I worked very closely on this with the rest of

1 our group, Sarah's going to present our overview.

2 MR. HARRIS: Well, Sarah, coming from the U.K.,
3 we welcome the opportunity to hear from you. And once
4 again, thank you for your leadership and work in the U.K.
5 on this. And so take it away. It's not that Joe's a
6 broken record; we love hearing from him. But, Sarah, you
7 are a new face. So take it from there and then we'll
8 look forward to the larger discussion.

9 MS. DEANS: Thank you. This is Sarah Deans. I'm
10 new to the group, as you said, so I'd like to firstly say
11 how honored I am to join this group. So thank you very
12 much for that. And I'm very pleased to be here today.

13 And this is a topic, as you know, that's rather
14 close to my heart. So we're talking about, and the
15 subgroup talked about the re-proposed new standard from
16 the Board in May, the auditor's report on audited
17 financial statements on which the auditor expresses an
18 unqualified opinion. And this is a proposed auditing
19 standard that would enhance the form and content of the
20 auditor's report to make it more relevant and informative
21 to investors and other financial statement users.

22 One area that we focused on a lot, and talked

1 about in our comment letter -- we submitted comment
2 letter back in August on this as a working group -- was
3 the area of critical audit matters. So the requirement
4 for auditors to include a description of critical audit
5 matters, that is any matter that relates to accounts or
6 disclosures that are material to the financial statements
7 and involved especially challenging subjective or complex
8 auditor judgment.

9 Now, as has been mentioned, in the U.K. we've had
10 something somewhat similar. It's not an identical rule
11 but a requirement for the last three years that audit
12 reports should discuss the key risks and material
13 misstatements. And I think that has been, from the U.K.
14 perspective, a very positive experience. Certainly I can
15 speak directly on this, I have to confess, in the past
16 I didn't much look at auditor reports. Most times I
17 didn't look at them.

18 Now when I look at a company and I pick up the
19 annual report, it's one of the first things I look at.
20 It's very helpful. So it's certainly an area where I
21 think from that international perspective, and as you've
22 certainly gone through something somewhat similar, and

1 clearly there are other developments internationally as
2 well. So we have the IWSB's work, we have the EU
3 forthcoming new requirement. So we're going to be having
4 something similar across Europe next year.

5 So to come back to what the working group
6 discussed. We talked about critical audit matters. We
7 realized this is a relatively late stage in the project's
8 process so that's why we focused on this area. And I'll
9 comment during our presentation today.

10 If I look at sort of our view as rule, because
11 clearly we believe this represents a meaningful
12 improvement, we're very supportive of the proposed
13 auditing standard. And if I refer back to the mission
14 of PCAOB to protect the interests of investors and
15 further the public interest in the preparation of
16 informative, accurate and independent audit reports, to
17 me I cannot say -- and I think the working group agreed
18 -- how this could not be helpful in that mission,
19 particularly in regard to informative auditor reports.

20 So if we have that information. One thing that
21 we'll talk about is clearly the information provided has
22 to be bespoke to the company. We can't have just

1 standard boilerplate that doesn't inform anything.

2 And I don't want to overrate the U.K. experience.
3 Clearly we have had instances where reports are not as
4 helpful as they could be, but we think it's going in the
5 right direction.

6 So the working group strongly supports the
7 proposed auditing standard. However, there is something
8 regarding it we'll discuss this afternoon, if it will be
9 possible to add some additional wording perhaps to
10 encourage the discussion of findings. Because that's
11 where in the U.K. the experience has been particularly
12 helpful, to have auditor reports that not only talk about
13 critical audit matters or key risks and material
14 misstatements, but go further not just in describing work
15 that the auditor did but actually saying what the auditor
16 found, the findings.

17 We don't have that across the board, but where we
18 have it's been helpful. And I realize that may be
19 difficult, but if that's something the Board could
20 consider, the working group was very keen on that.

21 Joe, what have I left out there?

22 MR. CARCELLO: No, you did a great job of hitting

1 what were the important issues.

2 MR. HARRIS: Well, with that, thank you for
3 those, that overview.

4 And, Tony, I know that I think you originally
5 came up with well over 100 slides. But if you could now
6 start the discussion. And thank you very much for
7 streamlining the presentation. And we'll get into that
8 and spend an hour on the substance of the new non-GAAP
9 measures. And please proceed as you see fit.

10 MR. SONDHI: So are we going to put the slides
11 that are there or no?

12 MR. HARRIS: However you'd like to proceed,
13 that's fine.

14 (Pause.)

15 MR. SONDHI: Okay, this is just sort of as an
16 introduction what the existing regulations are. And it's
17 Reg G with some amendments to what's provided in 8-Ks and
18 the item 10(e). And, of course, that's been effective
19 since 2003.

20 And it also talks about the prominence of the
21 non-GAAP measures. It discusses, you know, how they're
22 to be presented versus comparable GAAP.

1 And then so this is our team, as you know.

2 Too, there are some additional requirements that
3 are worth talking about. And this is where the
4 requirements and the regulations ask management to tell
5 us what they believe their presentation and how, why it
6 provides useful information with respect to the financial
7 condition, results of operations.

8 And then to the extent that it is important or
9 material, it also asks for a statement disclosing the
10 additional purposes, if any, for which the registrant's
11 management uses that non-GAAP financial measure, or the
12 ones that they're disclosing. And lately, as I pointed
13 out earlier with the Compliance and Disclosure
14 Initiatives and then the initial work that the SEC has
15 done, there have been requests for additional
16 information, clarification about these aspects that we've
17 seen over the last several months.

18 Okay, the use, as I have pointed out in my
19 initial comments, has grown rather significantly since
20 2010. There is an enormous number of academic studies.
21 Investor reports, brokerage houses, investment bankers,
22 all of them have weighed in with rather significant, very

1 comprehensive analyses at times. There are also several
2 articles in the media. You can find material from the
3 major accounting firms. There are discussions on what
4 types of internal controls should be provided, what the
5 disclosure requirements and how they should be
6 considered, given the changes in the Compliance and
7 Disclosure Initiatives.

8 And then I just picked one. Although, and
9 there's no reason why this is more informative than
10 others, but you can find studies of the S&P 500. You can
11 find studies of other aggregations. FactSet had pointed
12 out that in 2015, 67 percent of the 30 companies in the
13 DOW were providing non-GAAP information adjustments to
14 GAAP EPS. And that, they also point out, is the
15 difference between non-GAAP and GAAP EPS in fiscal 2015
16 was 30.7 percent relative to 11.8 percent in fiscal 2014.

17 So that certainly shows an enormous increase.
18 And if you look back it's, I believe, the highest since
19 2010, according to most studies.

20 I also have pointed out that the SEC has noted
21 concerns. And their most important concerns recently
22 are, or among those are the use of individually tailored

1 accounting principles. And certainly there has been in
2 fact an effort to look for the types of adjustments that
3 companies are making to revenues. And although this
4 started with tech companies, I'm starting to see quite
5 a few others. Software as a service or cloud computing
6 companies did a lot of work on these types of revenue
7 adjustments.

8 And they've long had that problem or that issue
9 with the way GAAP handles subscription revenues. So from
10 that perspective we see a tremendous amount of adjustment
11 going on.

12 There's also non-GAAP per-share measures that are
13 presented as liquidity measures.

14 And then finally you have the tax treatment
15 issues.

16 Public companies, private equity firms, analysts,
17 other investors have all increased their use of the
18 number and the types of non-GAAP measures used over the
19 last several years. And to a great extent this does
20 reflect a growing dissatisfaction with GAAP measures of
21 profitability, operating performance, and liquidity.

22 Both U.S. and international regulators have

1 expressed their disquiet with this issue as well. There
2 are several proposals out there. The, if you look at --
3 and then there's this other side where the banking
4 regulators have recently expressed an enormous amount of
5 concerns with respect to this, particularly with the
6 adjustments that companies are making to EBITDA.

7 Now a very important reason for this, of course,
8 is that these leveraged loans, which are supposed to be
9 limited to six times EBITDA, those have been subsequently
10 sold and they're acquired by other mutual funds, EFTs --
11 ETFs rather I should say, and so on. These are not
12 currently subject to the SEC oversight, which raises
13 concerns about lending risks and certainly about
14 valuation and liquidity risks as well.

15 Federal examiners have recently raised concerns
16 about several leveraged loans. And I point out, give you
17 two of them. UFC, which took its -- or the acquirer of
18 UFC adjusted their initially reported EBITDA of 170
19 million upwards to 300, and as a result was able to go
20 out and borrow \$1.8 billion. A significant portion of
21 that increase from 170 to 300 comes from including future
22 licensing revenues.

1 Solar Winds is another company that went from 178
2 to 322, with resulting borrowing of 1.6 billion. And
3 there again there's a substantive pulling forward of
4 recent price increases to a full year to be included in
5 that, in the previous year's EBITDA.

6 So these are some of the concerns. The
7 definition then, in essence, as I pointed out, non-GAAP
8 financial measures normally exclude components of
9 measures that are required in GAAP. And the second
10 bullet point, as you see, basic definition that is they
11 either exclude amounts that are included in the most
12 directly comparable non-GAAP number, or they include
13 amounts that would otherwise be excluded from non-GAAP
14 numbers.

15 The most commonly used non-GAAP measures are some
16 sort of an adjustment to net income, a recomputation or
17 presentation of the core operating expenses and,
18 therefore, allowing users to adjust or recalibrate the
19 margins that are reported under GAAP, free cash flow
20 numbers. And there are probably at least as many
21 definitions of free cash flow as there are people who
22 employ them. And very often even that changes over time.

1 And then, of course, there is the EBITDA or
2 variously adjusted EBITDA which has led some people to
3 call EBITDA or to say that the abbreviation stands for
4 something a little bit different because it's not just
5 limited to adjusting depreciation, amortization. It has
6 started over the last several years, it has included
7 adjustments for various other debits, restructuring
8 expenses being probably the most comment. And so there
9 are some rather significant changes.

10 In keeping with the regulations, companies do
11 provide us with reconciliations. And the reconciliations
12 are very often to comparable GAAP numbers such as gross
13 profit or income or loss from operations.

14 Free cash flow I do acknowledge, realize is not
15 a GAAP number, and nor is EBITDA.

16 Net income or loss, diluted earnings per share,
17 so these are some of the reconciliations that we see.

18 Some of the rationales offered by management for
19 providing this information: additional or alternative
20 view of operating performance. They're used internally
21 and for communications with the board of directors in
22 respect to financial performance. And they often provide

1 much more meaningful metrics than the GAAP measures do,
2 which is one of the most -- is a fairly common rationale
3 provided.

4 And then they also give you a management
5 perspective which enables comparison to their peers and
6 it facilitates analysis by investors. Investors, of
7 course, also very often will forecast these adjusted GAAP
8 numbers or non-GAAP numbers.

9 And there are certainly data aggregators that
10 accumulate and report on those types of forecasts.

11 So what are some of the limitations of GAAP
12 measures? And certainly one of the more important ones
13 is the use of inconsistent measurement frameworks. So
14 there are disagreements with respect to where fair value
15 ought to be used or not used and so on. And there are
16 other disagreements with the estimates that are used with
17 the types of the way amortizations are required. They
18 do not necessarily compare value-relevant information,
19 consolidation, proportion consolidation and the equity
20 method of accounting. For investments many companies
21 will tell you distort their performance measures,
22 liquidity metrics and the capital allocation decisions

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 that are made internally.

2 The amount and the timing of non-cash charges and
3 benefits are either incorrectly or inadequately depicting
4 performance. And they affect the ability to understand
5 liquidity measures that are used by management and
6 analysts.

7 And then, finally, another reason is, that the
8 management has offered, is that they're very often not
9 sufficiently robust to capture differences between
10 business models, tax structures and other types of
11 dynamic shifts in business conditions. And clearly, as
12 you can -- as you know, given the amount of time it often
13 takes to develop accounting standards, this does create
14 issues. The new revenue standards and the adjustments
15 that are being made in the last -- have been made in the
16 last few months to that, the new leasing standard, all
17 of these are emblematic of the kinds of problems that we
18 have with respect to GAAP.

19 The FASB and the IASB have both responded. The
20 FASB recently issued an agenda consultation paper. And
21 that has discussed financial statement presentation,
22 including the income statement and some changes to the

1 statement of cash flows, comprehensive income, other
2 comprehensive income, segment reporting. And all of
3 these suggested improvements that have been -- that are
4 considered in the agenda consultation paper, the
5 addition, proposed addition of new metrics or
6 disaggregations through subtotals, these are all
7 suggestions or recommendations or considerations of the
8 FASB in alleviating this issue with respect to non-GAAP
9 measures.

10 The IASB has also discussed changes to and
11 additions to subtotals in the income statement, and
12 consideration of measures like earnings before interest
13 and taxes.

14 As I pointed out earlier, please keep in mind
15 that there is much more detail about each of these in the
16 background material that I have provided.

17 So let's take a look at some of the
18 characteristics of non-GAAP financial metrics. Clearly
19 they are a critical means of communication for
20 management. They're also very useful signals of
21 management behavior, as I pointed out earlier.

22 Industry organizations and leadership often

1 discusses and proposes ways of presenting these. And
2 these are often used as non-GAAP measures.

3 Investors certainly use non-GAAP measures
4 extensively as inputs or adjustments to valuation models.
5 And you will also find a number of academic and
6 investment house or brokerage house analyses of whether
7 non-GAAP measures are useful in predicting value and
8 predicting underpriced or overpriced securities. So
9 there is a lot of that information out there.

10 Some of the limitations:

11 There are no common or uniform definitions;

12 Inconsistent application by companies over time
13 within, for example, the same company, between comparable
14 companies in an industry, and across industries or
15 jurisdictions. So certainly the ones that are favored
16 in this country may not be the ones favored elsewhere;

17 Limited or no clear comparability results;

18 And very often the metrics exclude some, at least
19 from some analysts' perspective, probably the most
20 critical and recurring investment expenditures such as
21 amortization of the intangibles by companies that engage
22 in multiple acquisitions over very short periods of time,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 or certainly recurring expenses such as share-based
2 compensation expense by companies that often use equity
3 and share-based compensation for large and very often
4 significant portion of compensation to their employees.

5 So some of the inferences and conclusions that we
6 could draw from this in essence, therefore, are that GAAP
7 and non-GAAP financial measures together have the ability
8 to provide a more comprehensive picture or perspective
9 on how management runs the company, and how the board of
10 directors governs the business.

11 It's also very important to keep in mind that it
12 would be helpful if GAAP and non-GAAP measures
13 consistently were consistently applied and accurately
14 reported and, of course, also presented this way.

15 And then, finally, it's critical to keep in mind,
16 therefore, that it would be helpful to have non-GAAP
17 measures or audited non-GAAP measures.

18 And if we take a look at some of the audit
19 requirements that are in place that may be used, if you
20 think about 2710, then other information on other
21 information documents containing audited financial
22 statements, there the auditor is required to read the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 other information to try to identify any material
2 inconsistencies, and then determine whether revisions are
3 required. And then, if needed, provide an explanatory
4 paragraph in the auditor's report, communicate that to
5 management and the audit committee if there is a material
6 misstatement. You do not see a lot of those examples out
7 there.

8 In August 2013 PCAOB certainly had issued a
9 proposed auditing standard which was the auditor's report
10 and audit of financial statements, which added certain,
11 some -- or which proposed certain additional
12 requirements.

13 We can also look at another auditing standard
14 which looks at the responsibilities regarding certain
15 types of filings. Now there, though, that particular
16 standard does not require any specific procedures. It
17 does not address the auditors responsibilities with
18 regards to those performance metrics. And those
19 responsibilities of the auditor do not extend to
20 corporate earnings releases, investor presentations, or
21 other communications with analysts or the public. So
22 there is, in essence, a shortfall, a gap with respect to

1 the auditing of these types of measures.

2 So these are some of the questions that we've
3 identified. And should standard setters prescribe
4 definitions of common non-GAAP financial metrics? And
5 should non-GAAP financial metrics be given equal
6 prominence? Should they be audited? And if yes, should
7 all non-GAAP measures that are used, regardless of how
8 they're disclosed or presented by audited, so that you
9 simply put an umbrella requirement around them?

10 I've also received a -- we did a, the CFA
11 Institute conducted a survey. And that simply shows you
12 that the number of investors who are interested in non-
13 GAAP measures and being audited is rather significant.
14 A very small number that, you know, under 10 percent that
15 didn't. But if you look at the different types of
16 analysts that were surveyed by the Institute, the demand
17 for that is certainly clear.

18 So some of the recommendations that we've
19 discussed. If you consider whether we ought to prescribe
20 definitions.

21 ESMA in Europe has discussed this. Certain other
22 regulatory agencies have talked about it elsewhere. The

1 problem I think is, and we feel is that it's difficult
2 to define non-GAAP measures in such a way that they would
3 fit all existing business models, tax structures. And
4 those definitions would certainly need to be dynamic and
5 robust enough to meet the needs over time. And that
6 clearly is not, not an easy exercise.

7 Limiting the number and use of non-GAAP measures.
8 Those may result in a significant loss of information for
9 investors. And they would also, I think unnecessarily
10 constrain management's ability to explain how, what they
11 are doing with the resources that they are charged with
12 managing.

13 Non-GAAP measures, third possibility, should be
14 independently validated through self-regulation. And
15 really, to many of us at least, it was unclear how this
16 could actually be managed.

17 The last two proposals that we've considered I
18 think are fairly useful. One would be to require
19 disclosure in presentation of non-GAAP measures in
20 financial statements, in footnotes for example. And that
21 would ensure that they're consistently calculated and
22 audited.

1 There are, however, problems. And because if you
2 look at the way the FASB's consultation paper recommends
3 or makes suggestions, look at what the IASB is doing,
4 it's not clear to me that we can get there.

5 The other possibility is -- by the way, please
6 don't get me wrong, I'm just saying that the proposals
7 as they are don't seem to be. It's a consultation paper,
8 which is an invitation to comment. Clearly comments will
9 be received. There are public roundtables that will be
10 held. And there will be a significant change in those
11 proposals over time. Because I've seen, and everybody
12 here knows, that the FASB does pay attention, they do
13 listen, they do use the comment letters that are
14 provided. So I do expect there will be changes. The
15 question is whether we can get on a timely basis to a
16 point where these would be audited.

17 And then the next thing is whether they could be
18 mandatorily included, be required to be included,
19 supplementary information and thereby become subject to
20 17.

21 So those are the various issues that we raised.

22 Now what I'd like to do is before we get into the

1 integrated reports, Anne, will you --

2 MR. HARRIS: Tony, actually let me, let me
3 interrupt you for a second.

4 MR. SONDHI: Please.

5 MR. HARRIS: Because I know that Chair White only
6 has five to ten minutes left.

7 MR. SONDHI: Okay.

8 MR. HARRIS: So before we get into integrated
9 reporting, Chair White, if you have any questions and
10 comments. And then Wes and Brian will be here throughout
11 the entire day. But I'd like to turn it over to you.

12 MS. WHITE: Thank you very much, Steven. I know
13 Wes and Brian will have, you know, comments and questions
14 on this.

15 And I think, first, very, very useful report. I
16 guess I have sort of one foundational question. And that
17 is you're obviously aware of the, through various
18 avenues, of some of the SEC concerns. And I've got a,
19 you know, a slide on it.

20 Do you think that any of those are overstated in
21 terms of concerns or do they kind of miss the mark of,
22 you know, of things? I mean in what ways do they -- you

1 know, do you have a different view of them or a concern
2 about the concerns we have, if I can phrase it that way?
3 If any, I'll add, so you can --

4 MR. HARRIS: And then also, Tony, you answered
5 the question. But if there are others here who would
6 like to, you know, respond, please do.

7 Yes?

8 MR. SONDHI: Thank you. I, and I am going to
9 respond to you just on my own. I'll let my team speak
10 for themselves.

11 I don't have a concern with the direction that
12 you've taken. I applaud it. I find the enforcement
13 emphasis very, very helpful as an investor.

14 I do also believe very strongly -- and this is a
15 personal belief -- that non-GAAP measures, if I look at
16 all the research that I have over the last year-and-a-
17 half that I've been thinking about this, I look at what
18 the brokerage houses have told me, what academic research
19 tells me. Fundamentally I think that non-GAAP measures
20 have been used for even in attempt to obtain higher
21 valuations. They're far more closely related to
22 management compensation than they are to stock prices,

1 to valuation.

2 These are just the studies that others have done.
3 And there they have their own errors and shortcomings and
4 so on. But that is how, as an investor, I have often
5 looked at them. So I certainly welcome the approaches
6 that you're taking.

7 I would like to see more enforcement where there
8 are significant -- and particularly with respect to
9 revenue. You might, you may know I do a lot of work on
10 revenue recognition, and I find that extremely helpful.
11 Because the movement to pull forward revenue in these
12 adjustments has been troublesome.

13 But, as I said, those are personal views.

14 MR. HARRIS: Lynn Turner?

15 MR. TURNER: Chairman White, two weeks ago I met
16 with one of the largest active asset managers in the
17 United States; it was their portfolio managers and
18 financial analysts. They have over a trillion in assets
19 under management, probably the firm best known in the
20 United States for fundamental analysis and research.

21 The meeting wasn't to talk about non-GAAP
22 measures. In fact, it wasn't even on the agenda. But

1 during the course of the meeting the analysts, portfolio
2 managers asked the question What did I think the SEC --
3 or when did I think the SEC was going to do something
4 about the problems with non-GAAP disclosures? Indicating
5 that they thought that they were misleading.

6 And so I'd have to say based on that and what
7 I've seen even where I sit on the Board, your concerns
8 are real, and other people share those concerns. What
9 you did earlier this year obviously is a step in the
10 right direction. But the concerns still are real and
11 exist amongst people who are actually doing analysis with
12 these numbers.

13 MR. HARRIS: If you could just hang in there for
14 --

15 MS. WHITE: Sure.

16 MR. HARRIS: We've got three other cards up.

17 MS. WHITE: Okay.

18 MR. HARRIS: And then we'll leave it at that.
19 But why don't we go the right way around, Pete and then
20 Curt and then Joe.

21 MR. NACHTWEY: Thanks, Steve. Thanks, Chair
22 White, for being here and then, Tony, for your leadership

1 of our group.

2 Pete Nachtwey, Legg Mason. We've got about 725
3 billion of assets under management in a number of
4 different asset classes.

5 But I guess the way I look at this, and I know a
6 number of others, actual investors in our firm who are
7 investing the money, any additional information -- and
8 I think this was said by a number of others -- so long
9 as it's credible, thoughtful and useful is always going
10 to be benefitting investors.

11 I think the two big concerns that I have and I
12 think others in our organization share about it, one, the
13 association of the auditor lending credence to a non-GAAP
14 measure. So I think we have to be really thoughtful
15 about forcing the auditors to do this, if we don't arm
16 them with the right tools and guidance on what are they
17 actually going to do rather than put their name next to
18 it.

19 And then I share the concern about the fact
20 there's a lack of recognized standard setting bodies for
21 these. I think this is going to be an area where we have
22 to be comfortable with principles-based versus rules-

1 based. We can set some rules but it's going to come down
2 to principles.

3 But there are some practical things I think
4 auditors can do and would not normally be visible to
5 users of financial statements. So are these measures
6 shown, are they actually shown to the boards? You know,
7 do they actually use them? Do the audit committees
8 actually review and approve them and how they're being
9 described?

10 Is there documentation that third parties
11 actually use those measures? So there's many things that
12 we report as a public company, so we manage money but
13 we're also a public company. And there's a number of
14 things, contractual documents, et cetera, that have
15 measures in them that, quite frankly, would be useful
16 externally. Some we're able to report, others we're not.
17 But there certainly is documentation that valid third
18 parties use those measures for their own purposes.

19 And then really comparison across peer groups.
20 So, you know, virtually even public company has a peer
21 group that's codified in the proxy around compensation,
22 et cetera. So is this something that the peers are

1 using? And if it's not, why is it relevant to investors?

2 Why are you using it and we're not?

3 So thank you.

4 MS. WHITE: If I can just a real quick comment.

5 One area of emphasis that, you know, I've made, and I

6 think back in December at the IACPA conference, is

7 further engagement by the boards and the audit committee

8 particularly. It's just part of that, so.

9 MR. HARRIS: Curt. And then, once again, thank
10 you for raising this issue in the first place.

11 MR. BUSER: Thanks, Steve. I think this is a
12 critical issue and I think the concerns are well founded.

13 My challenge with this is I'm not really sure
14 it's a standard-setting challenge. I think it is an
15 assurance opportunity. And I think if you, if you do the
16 things that Pete was alluding to I think that there's a
17 whole lot that will force boards, companies and investors
18 to ask the right questions. And I think that that will
19 naturally lead to better reporting.

20 So what do I mean? Clarification. So I think
21 people would say generally stuff's picked and tied, but
22 is it really linked to the books and records?

1 The comments that Pete was making in terms of is
2 this really how management is running the business? Is
3 this the way they set budgets? Is this the way that they
4 forecast? I think those -- You know, is this talked
5 about at the board?

6 How does management think about materiality and
7 these non-GAAP meas -- you know, measures come into the
8 way they think about materiality? How is it tied into
9 the risk setting process? If it's not, I mean so what
10 are we thinking?

11 I think that if an auditor can do it or in some
12 sort of assurance report, and I think that the new audit
13 report can open up a whole lot of areas for this to
14 occur.

15 Consistency. So Tony's comments were dead on.
16 So management sets definitions and then they change them?
17 Well, you know, I mean that seems very simple to kind of
18 call that out that, hey, it's changed.

19 I think comparability to industry. You know,
20 maybe there is no industry standard. Say that. You
21 know, the similar companies either within the industry
22 or what the auditor or management believes are comparable

1 companies, here how it is similar or here how those
2 definitions are different.

3 And I think that's very useful to an investor.
4 Saves the investor a whole lot of time in terms of being
5 able to figure that out. And it probably also forces
6 industry groups to reach better alignment. The industry
7 groups aren't going to come to clear, consistent
8 definitions without some sort of prodding to get there.

9 And by doing this and calling out the
10 differences, investors will be able to help push that
11 along.

12 You know, so anyway, I just think assurance is,
13 you know, now with the new audit report guidance and
14 model, reporting model, I think that there's
15 opportunities to kind of drive this. And I think by
16 doing it that way I think we'll get the types of answers
17 that we really want that are from a concerns standpoint.

18 Thank you.

19 MR. HARRIS: And then, Michael, I saw that you
20 were, you know, nodding. Is there anything you want to
21 add? And then we'll go to Joe and wrap it up with this.

22 MR. SMART: I believe that Curt -- Michael Smart

1 -- and I believe that Curt pretty much, you know, summed
2 it up. It's non-GAAP items are something that investors
3 are using. But if we're going to put the onus on the
4 auditors to, to audit it, you know, we have to give them
5 the right, I think the right tools to, to do so, and the
6 right support to do so.

7 I also believe that the audit committees, the
8 onus is on them to ask the right questions about what
9 does this information mean if management is presenting
10 it to them.

11 MR. HARRIS: And then Joe Carcello.

12 MR. CARCELLO: So Pete and Curt, I think, came up
13 with some good suggestions to address the concern I had.
14 As we were sitting here listening, Tony, to the
15 presentation, Google is such a wonderful tool, I pulled
16 up AS Number 17 and read it as you were talking.

17 And essentially what AS Number 17 does, at least
18 my read of it very quickly, is it makes sure that the
19 information is accurate and reconciles with the financial
20 statements and so forth. But the value of auditing, in
21 my mind, one of the main values is that there's an
22 underlying framework that you audit against. Right? And

1 that underlying framework is US GAAP as codified by the
2 FASB. And we don't have that for non-GAAP financial
3 measures.

4 And it's not clear based on the presentation
5 today that it would be easy to develop that because it's
6 so industry specific. So then the question is how much
7 do we get from an audit without that framework?

8 And I think the comments that Pete and Curt
9 mentioned about making sure that this information, if
10 it's out in the public domain, have been, has been
11 presented and used by the board and the audit committee;
12 that it's consistently computed over time; that it's used
13 by others in the industry; that it's used by outside
14 parties.

15 It's not clear to me that that's a PCAOB
16 standard-setting initiative. It's, Chair White, probably
17 more in your neck of the woods. But I think without
18 that, it's not clear to me that you really get the
19 benefit from the audit that you think you're going to
20 get.

21 So I'm in favor of having it audited. But I
22 think Pete's suggestions and Curt's suggestions are

1 actually quite good.

2 MR. HARRIS: Chair White, thank you very much.

3 MS. WHITE: Thank you all very much.

4 MR. HARRIS: And the senior staff of the SEC
5 remains here. And then we'll go on, Tony, with the
6 presentation from Linda and Anne.

7 MS. WHITE: Thank you very much.

8 MR. HARRIS: Thank you.

9 MS. WHITE: Proceed, please. Don't -- you know.

10 MR. HARRIS: Thank you.

11 So, Tony, let's, you know, go ahead with respect
12 to the program on integrated reports. Thank you.

13 I don't know whether you want to turn it over to
14 Linda or Anne, how we want to proceed.

15 MR. SONDHI: Yes, I'd turn it over to Anne to
16 talk about sustainability for a bit. And then, Linda,
17 you'll have to relinquish the clicker again to Linda, so.

18 But, Anne, please.

19 MS. SIMPSON: Yes, thanks. Thanks very much.
20 Anne Simpson.

21 I don't think there's anything to add to what was
22 said at the beginning. We laughed at the famous sort of

1 "dot, dot, dot, Dear Reader, wait for the next chapter,"
2 which is exactly where Linda steps in. Because the
3 question I think is --

4 No, I'm not, I'm not the clicker chief. Far too
5 important a job for me to have. It goes to Linda.

6 The next step in any thinking about this
7 proliferation of new and useful and important information
8 is the role of the auditor. And that's something that
9 Linda's slides address more specifically. So with that,
10 thank you.

11 MS. DE BEER: Thank you, Anne.

12 And I thought a couple of the comments that were
13 made are actually really useful. And maybe I'll work it
14 in a little bit because I thought Curt and Pete in our
15 discussion I think it touches on some of these things.

16 So I've mentioned earlier on that integrated
17 reporting is actually not really within your more narrow
18 definition of, or non-GAAP measures. But you can clearly
19 see the push from investors to go beyond what there is
20 at the moment. And some of the comments that you made
21 were, were really useful.

22 So maybe just at the very high level integrated

1 reporting -- and I know it's something that's probably
2 not so well grounded here yet, but there is certainly
3 quite a lot of global corporates that are preparing
4 integrated reporting. And where I come from it has
5 become quite common.

6 And the intention of the integrated reporting
7 framework, which is really just a framework -- Joe, you
8 spoke about criteria and what auditors audit against --
9 it's not quite that yet, but it gives some indication and
10 gives some level of flexibility that companies can report
11 what they feel they need to. You spoke, Curt, about the
12 need for understanding the business model, the need to
13 understanding strategy, how does that get into risk, how
14 does it -- Is that in line with the way in which
15 companies prepare their budget? Or are non-GAAP measures
16 just a bunch of things that might be relevant and that
17 might make earnings look better this year.

18 So if, if companies start moving into the
19 direction of doing integrated reports it becomes a lot
20 more consistent from one year to the next, from one
21 industry or one company within an industry to the next,
22 but not necessarily across the globe, across the universe

1 of companies. So it becomes quite industry specific.

2 And that is really -- I'm not going to go through
3 all of those -- but that's really just a high level key
4 feature slides of the integrated report.

5 The intention -- I have a few things to flag --
6 is to, for the reader, the investor to see the strategy
7 of the company through the eyes of management, through
8 the eyes of the board. How do you really do it? How do
9 you plan? How do you strategize? How do you measure
10 performance?

11 Specifically in the context environment, what's
12 happening out there that will influence your execution
13 of strategy. And very important with the long-term
14 perspective of how do you use and affect the capitals,
15 the six capitals, not just financial capital but also the
16 environment, human capital, intellectual capital,
17 relationship, social, all of those parts of aspect as
18 well.

19 So that is, that is really what the objective of
20 integrated reports are. If you -- the insight, okay, is
21 this integrated report really different from one entity
22 to the next? What, how do you ensure that there is

1 reliability or integrity of that integrated report? And
2 that is something that stakeholders and investors
3 specifically have an interest in. So, what, if the
4 information is not useful and reliable there is not much
5 that you can, you can do with it.

6 And certainly the whole AS 17 aspect that you
7 also mentioned earlier, Tony, is relevant. And on an
8 international front there's ISA 720 which is sort of a
9 similar standard where auditors needs to have a look at
10 the information, make sure that it's not -- not auditing
11 it but that there's no inconsistencies between that and
12 the financial information. So there is some value in
13 that.

14 And the point that you make, Pete, I think is
15 really valid. You know, can auditors really audit all
16 of that? And I've got a slide on that that I'll talk
17 about a little bit more.

18 Ultimately it is the responsibility of the board.
19 And it's the role of the audit committee that was
20 mentioned before is really important because that's where
21 the buck stops when it comes to the integrity. So there
22 are aspects of that that the auditor might not be able

1 to audit.

2 The assurance needs of the investors, we have
3 seen now that people want information much more quickly.
4 They, they want the information and insights into the
5 entity as it, as it happens. But your investors want
6 comfort that there is some soundness to the information.

7 So maybe -- and Pete also made that point --
8 maybe the convention assurance models would not
9 necessarily work when it comes to integrated reporting.
10 Maybe it's not just a single assurance provider in the
11 form of the auditor, because there are important other
12 assurance providers in the process.

13 I'm on the board of a mining company. We put a
14 lot of or get a lot of comfort from the work that our in-
15 house geologists will do on the resources and reserves
16 within the company. That's not necessarily a skill that
17 they need to duplicate from an audit perspective. You
18 get the same in financial services with the staff that
19 we actually use. And you have risk functions and
20 compliance functions.

21 So it moves you into a whole new era of assurance
22 really to a large degree. And then it talks about the

1 level of independence of these assurance providers, the
2 use of experts. And all of those standards become quite,
3 quite common.

4 In South Africa in our corporate governance code
5 we refer to combined assurance, which is probably not the
6 best of words or best of terms. But that is really that
7 model of assurance with the different assurance
8 providers, internal and external. Because auditors
9 cannot give a single opinion. And you'll see when we
10 look at the challenges, assurance challenges now, it's
11 very unlikely that you will find an audit firm that would
12 be able to give a single opinion on the integrity of the
13 integrated report because of all the challenges there is,
14 but also because of the cost.

15 So it does move you into, into a whole new ball
16 game when it comes to assurance.

17 The materiality aspect, I think that you also
18 referred to materiality and how do you determine
19 materiality. That's really important firstly for the
20 company to decide what goes into the integrated report.
21 And can you see how difficult it then becomes for the
22 assurance provider to consider whether there is any

1 material information missing.

2 Ultimately, as I said, it's the board's
3 responsibility. So you, the board really needs to gather
4 comfort from these different assurance providers so that
5 they, in terms of the integrated reporting framework, can
6 make an explicit statement that the information, that
7 they stand by it, that the information has got the
8 integrity that it needs for people to, to make uses,
9 often communities not just businesses, use to make the
10 decisions that they will on the basis of that
11 information.

12 And maybe then just wrap up on a, on a couple of
13 challenges. And Tony made the comment earlier on that
14 if you take the GAAP measures and the non-GAAP measures
15 and you put that together, and Anne referred to the
16 sustainability and all these other bits and pieces of
17 information, that is really the picture that you then
18 present, which is much more realistic, much more
19 comprehensive to understand the company. Because those
20 are the things that have a measured impact on where,
21 where a company is going in future. It's not always just
22 the numbers. And there are so many examples of things

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 that go wrong.

2 So it is very necessary, if you want to consider
3 the reliability of the information, to just understand
4 some of the challenges. And here are a few:

5 Obviously there is a lot of, there is a lot of
6 predictive information. There is a lot of future
7 information. There is a lot of abstract interpretative
8 information.

9 How do you audit the company's strategy, the
10 company's disclosure of its strategy?

11 How do you audit whether the risks that have been
12 disclosed are complete? Whether the material external
13 environmental issues are complete?

14 I becomes quite complex. And it's actually to a
15 degree impossible to have it externally assured. That's
16 why you need to understand sometimes not so much the
17 information, is the data reliable? But some of it might
18 be the review and consideration of the processes, the
19 underlying processes to get to the information, sort of
20 the internal control type of audit.

21 So some of it are certainly, would certainly be
22 factual disclosures that you would see in the integrated

1 report, but there are also elements that are not that
2 factual. And, Joe, you referred to the suitable
3 criteria: against what framework can you audit? It's
4 not always so possible to audit against the framework.
5 And it does create the questions around do audit firms
6 have the appropriate skills? What would be the cost
7 implication and adequacy of records, the systems? And
8 very importantly, auditor liability. So what if there's
9 something that they've missed?

10 I think those are the big challenges and those
11 are the big aspects. And to solve the problem of non-
12 GAAP measures only is sort of a point-in-time issue
13 because reporting is going way beyond that. And I just
14 think as you debate the assurance issues, you probably
15 need to also think where reporting is going into the
16 future and see how some of these aspects should be,
17 should be rolled into, hopefully, some of the solutions.

18 Thank you.

19 MR. HARRIS: Well thank you very much, Linda and
20 Tony.

21 And that brings us to a break time. I know that
22 we have an open discussion period for an hour on this

1 issue. And I also know that there are a lot of questions
2 that have been presented to Tony and a lot of conflicting
3 views on the subject matter. So why don't we take a 15-
4 minute break, come back at 11:00 o'clock. And then we'll
5 have an open discussion.

6 Thank you.

7 (Whereupon, the above-entitled matter went off
8 the record at 10:46 a.m., and resumed at 11:05 a.m.)

9 MR. HARRIS: All right. Tony and Linda, once
10 again thank you for a, you know, a highly enlightening
11 introduction to an extremely topical subject matter.
12 Clearly it's provoked quite a bit of interest because we
13 already have, without having started, a number of tent
14 cards up.

15 So let me first of all recognize our chief
16 auditor Marty Baumann to kick it off. And then why I
17 leave it to you to recognize the tent cards are you see
18 fit, and go around the table. But I know that Parveen
19 has one, Mike has one, and others will as well.

20 So, Marty, why don't you kick it off and we'll
21 take it from there.

22 MR. BAUMANN: Thanks very much, Steve.

1 And the first thing I want to say is thank you to
2 the working group for the thoughtful work you did and
3 considerations and ideas that you shared with us and that
4 we can take forward in terms of, terms of our thinking.
5 So thanks for your hard work and for the great
6 presentation today.

7 We have been and are continuing to think about
8 this subject. You mentioned in your slides the proposal
9 that we had in 2013 regarding the other information
10 standard.

11 And just to remind the group about that, the
12 other information standard does require the audit today
13 to read and consider other information accompanying the
14 annual report to consider whether any of that other
15 information represents a material inconsistency with the
16 audited financial statements. Or, upon reading it,
17 whether the auditor thinks there's a material
18 misstatement of fact in that other information.

19 In the proposal we upped the game on that in 2013
20 to a read and evaluate that other information. And we
21 had a lot of comments from the profession and others and
22 attorneys about what does "evaluate" mean? And to be

1 more clear on that, evaluating a lot of information that
2 wasn't necessarily audited raised questions. And we sort
3 of tabled that for the time being as we've moved ahead
4 with the rest of the companion documents in 2013, the
5 critical audit matters. And, hopefully, we'll move that
6 forward pretty soon.

7 But I want to assure you that we still are
8 thinking of that. And with respect to the read and
9 consider, we could certainly do something even before
10 another standard setting initiative to put out some sort
11 of an alert. Read and consider is a serious obligation
12 in terms of looking at that information and considering
13 whether it does represent a material inconsistency with
14 the audited financial statements or a material
15 misstatement of fact in some way. So there's actions we
16 could take just on that.

17 But beyond that, we are actively thinking about
18 this whole issue of non-GAAP in a much broader way going
19 forward. And Jeanette mentioned that in her opening
20 comments that we're looking at what are the hot emerging
21 issues and thinking of what should move onto our research
22 agenda, and things we should be tackling more

1 aggressively. Certainly we're thinking of this whole
2 area as one of those. And your comments are very helpful
3 as to how we think about that.

4 I think this is a subject that's also, though,
5 ripe for us to work together with the SEC and with FASB
6 for a potential solution as to required disclosures by
7 FASB, a consistent framework, someone mentioned before,
8 about certain disclosures. Joe might have mentioned
9 that, about a framework for certain types of disclosures.
10 And our authority would be an important thing to talk to
11 the SEC about. All very helpful.

12 But having said all that, and so we're going to
13 do that. And we're going to think about this topic and
14 what should auditor procedures possibly be in the future?
15 Should there be required auditor procedures? And what
16 type of auditor reporting? And that's an important
17 subject.

18 But let me just make a couple of other
19 observations and let me ask how the working group may
20 have thought about this. You largely referred to
21 footnotes to the financials or possibly a supplement to
22 the financial statements which would be covered by AS 17.

1 We've often heard, though, beyond that -- and I
2 know you're all familiar, or many of you are, with Mike
3 Cook, the former chairman of one of the larger accounting
4 firms and who was on our SAG for many years -- we talked
5 about the annual reporting, in his terms, as being the
6 caboose of financial reporting. And he said there's an
7 engine that's driving the markets 12 months throughout
8 the year of press releases and other information being
9 disclosed by companies in their releases, in their 8-Ks,
10 et cetera. And our audit is very important but it's of
11 the, he described, the caboose, two months or three
12 months after the end of the year, while there are all
13 kinds of things that are moving the market throughout the
14 year.

15 So I wondered how your committee might have
16 thought about not just annual reporting, but what should
17 the auditor responsibility be with respect to quarterly
18 reporting and press releases of non-GAAP disclosures that
19 are market moving in March and June and September and
20 throughout the year, as opposed to just the association
21 of these numbers back in February or March of the
22 following year. One, one question, what it is the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 committee working group thought of that?

2 And the second thing is you talked mostly about
3 non-GAAP measures, and in that you talked about, I think,
4 the measures that are covered by the SEC release that
5 have to be reconciled to GAAP, give equal prominence to
6 GAAP disclosures and things of that nature. Did you also
7 think about what we think of as other company performance
8 measures that we have at least embodied into our project,
9 which includes what are often capped KPIs, key
10 performance indicators, things like that, sales per
11 square foot, backlog, new prescriptions for financial
12 institution portfolio market value sensitivity,
13 sensitivity to interest rate or credit-rate risk, or
14 something like that.

15 Those are real-time market moving disclosures
16 when backlog is disclosed in March and someone says --
17 or sales per square foot really goes up for a retailer
18 or same-store sales stores, or whatever it might be, both
19 with respect to auditor association with those type of
20 market moving information, consistency of the
21 calculations of those type of key performance indicators.
22 Of course, there's no consistency either for how same-

1 store sales or backlog is disclosed or new subscriptions,
2 or whatever it might be that could be market moving.

3 So I'm interested in your thoughts both about
4 with respect to the non-GAAP measures not just annually
5 or quarterly, whatever did you think about that? And did
6 you think about not only non-GAAP in the sense of those
7 that are reconciled, but the other type of company
8 performance measures that can be very important market
9 moving information when those type of statistics are
10 disclosed.

11 MR. SONDHI: Thank you, Marty. Let me -- before
12 we get started, I just wanted to comment on a couple of
13 things. One is something I, sorry, left out earlier in
14 my remarks. I have wanted to provide a definition of
15 EBITDA just in case that would help understand the way
16 this works at times. We've often thought about EBITDA
17 as standing for Earnings Before Interest Taxes and Debits
18 that we Abhor his year.

19 (Laughter.)

20 MR. SONDHI: So in that sense, consistency is a
21 very critical issue from the perspective of users. The
22 second piece or the point that I wanted to make is Marty

1 -- and response to one of you. I'll come back to the
2 second one about key performance indicators. When I
3 first started doing accounting research, there was a lot
4 of work out there that people had published that
5 demonstrated that annual numbers actually don't move
6 prices very much.

7 And for some period of time, it seemed to a lot
8 of people puzzling. And then at that point, I was at New
9 York University and my Chairman of the Accounting
10 Department there, George Sorter, who is one of the
11 brightest people I have ever met. He wrote a paper where
12 he said, the reason why it doesn't is not because annual
13 reports don't have information content. The point is
14 exactly what you were saying. There is this enormous
15 amount of information that is provided throughout the
16 year.

17 As you said, there are quarterly financials that
18 are KPIs that are being provided in different points in
19 time. And the marketplace does pay attention to all of
20 those. It does take the into account. And then when it
21 gets the annual report, it looks for validation of its
22 models. And that's why -- because they've been revising

1 them all the time.

2 So from that perspective, I would take it to the
3 next step and answer your question. That yes, some sort
4 of assurance on these numbers would be helpful. And
5 you're absolutely right, the key performance indicators
6 such as the backlog, such as the same source sales, et
7 cetera. Those do not get consistently measured. And one
8 of the most important things that we look for in the kind
9 of analysis that I do and the people that I work with do
10 -- we look for those inconsistencies. Because we know
11 they exist, and they inform us about the company.

12 The other thing I wanted to say is that, you
13 know, the assurance will get into it. And I want to get
14 to the comments. But probably one of the most important
15 things I want to keep in mind is, if we do talk about
16 non-GAAP numbers being provided to audit committees, I'd
17 like to make sure that they are getting reconciliations
18 as well. Right? Because then the question is, how much
19 and what kind of information are they getting?

20 But let's open it up and -

21 MR. HARRIS: Actually, since so many cards have
22 gone up, let me recognize the people in the audience.

1 MR. SONDHI: I was just about to -- oh, okay.
2 Yes, please. Go ahead. So much for your ceding control
3 to me.

4 (Laughter.)

5 MR. HARRIS: That's right, yes. Parveen, why
6 don't you start off?

7 MR. GUPTA: Thank you, Steve. I wanted to make
8 two comments. One, to follow up on what Joe Carcello
9 said. I think with regard to the non-GAAP financial
10 measures, I do agree to the point that you have to have
11 some sort of framework or standard against which the
12 auditors would be auditing on the propriety of these
13 numbers or measures. But I think the point that I want
14 to bring to the table is, we need to be aware of the
15 concept of false assurance. Because if such a measure
16 or standard doesn't exist involving the auditor and
17 providing an opinion on it -- I think it can lead to
18 worse consequences.

19 So we have to be very careful of how we craft
20 this in the absence of a standard -- we realize that the
21 non-GAAP financial measures are valued by investors.
22 They are important in the market. And some sort of

1 discipline around them would be important. But equally,
2 we need to recognize that we don't have -- I mean, these
3 definitions are shifting and we do not have the
4 standards. And it's very important to recognize that
5 part.

6 Second comment I want to make is with regard to
7 non-GAAP, non-financial measures as I would say them,
8 which is the integrated financial reporting. I think all
9 of this information that we are talking about here is
10 certainly valued by the markets. It's relevant. But I
11 think the core question, at least in my view, we keep
12 missing is perhaps cut to the core and ask what exactly
13 is the purpose of the corporation in the society today.

14 Some people still subscribe to the shareholder
15 model. Other people subscribe to the stakeholder model.
16 And I think it becomes very critical, at least when in
17 the U.S. regulatory setup, corporations are still
18 primarily accountable to the shareholders. And you look
19 at the Delaware law, the duty of care, duty of loyalty
20 of the board of directors, et cetera. All of that should
21 be taken into account as you talk about the integrated
22 reporting. It is important, no doubt about it. But I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 think we need to keep those things also in mind.

2 MR. HARRIS: And then Mike Head, you were next.

3 MR. HEAD: Thank you. This is Mike Head. I
4 didn't think that I would get emotionally charged about
5 a topic, but this one has happened to do that. And I,
6 like others, I bifurcate this between the non-GAAP
7 financial measures and the integrated reporting like you
8 did in your report. So I'm going to make two comments.
9 And two comments that aren't necessarily two sentences
10 because I don't know if I can make one comment in one
11 sentence and another comment in the other.

12 But on the non-GAAP financial -- historically
13 being on this committee, where I typically try to come
14 from because it's what I was asked to do is come from an
15 investor's perspective. And the non-GAAP financial
16 information, in my humble opinion, investments day-to-day
17 by investors are made more based on what they get out of
18 those than they do the financial statements. And I would
19 be surprised, especially in the retail broker area where
20 they are not the CFAs and they are not the investment
21 advisors, but they are making their self-directed
22 investments on a day-to-day basis.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 I would venture to guess the ones that are
2 investing lots of money of their personal money have even
3 read a lot of the footnotes. And I don't say that's
4 right. And I'm not condoning that, but I think the non-
5 GAAP financial information and the news releases, the
6 earnings releases, the A-Ks, the 10-Qs -- all are more
7 digestible from the retail investors' perspective, easier
8 to get their head around. And they think it's sufficient
9 for them to make an investment decision based on no
10 matter what we believe. Okay?

11 And as a result, I think as professionals, we
12 have an obligation to try to ensure or assure that that
13 information is as consistent, reliable, and accurate, and
14 usable as possible -- useful. Therefore, I just come
15 straight to the bottom line and say it should be included
16 in the footnotes, it should be subject to auditing. It
17 doesn't matter how hard it is to come up with a
18 definition or a standard or a framework to measure it
19 against.

20 That's our obligation as professionals to the
21 users of our financial information, which is our retail
22 investors. And we get paid to do our job not because

1 it's easy, but because it is hard. Okay? So, you know,
2 that's kind of my thought on the non-GAAP financial
3 information. We have an obligation to the users of the
4 financial statements to give them the information they
5 need, and they need assurance on the non-GAAP financial
6 measures. Bottom line.

7 The integrated reporting -- my second thought or
8 comment. This one's really hard for me, because it does
9 -- and you did a very good job. Because I was struggling
10 with why. And it's stakeholder versus shareholder now.
11 If there's factual measures, I think we should be
12 providing assurance. If it's qualitative and subjective,
13 it's much, much harder. And I don't like to go and, you
14 know, raise political issues. But there's a lot in the
15 stakeholder arena that is qualitative and subjective that
16 we could probably go outside this room down the street
17 in a pub and debate at great length if we even agree on
18 some of the things.

19 Especially when you get to the environmental. I
20 don't want to get political, but global warming. I'm not
21 sure if everybody in this room would even agree that it
22 exists, let alone that you should include it in an

1 integrated report and opine on it. So I love the
2 information. Our users of our financial statements need
3 it and want it. I think we need to figure out a way to
4 allow our users to know what is factual-based and what
5 is management's opinions. And try to provide assurance
6 on factual-based and allow the users to make their own
7 personal judgments on if they agree or disagree with the
8 qualitative subjective.

9 And I don't think that the user of the financial
10 statements quite can get to on their own, which are
11 factual-based and which are subjective. Which ones are
12 management's subjective opinion, and which ones are based
13 on facts that can be verified, tied, recalculated, et
14 cetera. So I will leave it with that, but boy, what a
15 wonderful subject. And if we can have the foresight to
16 make some real progress on this subject, I think the
17 users of our financial information will be very, very
18 well served.

19 MR. HARRIS: Well, let me skip in terms of the
20 order. And Linda, if you want to respond quickly on
21 that. And then we will get back into --

22 MS DE BEER: Thank you, Steve. It will be quick.

1 I absolutely agree with what you are saying about the
2 factual information and what is subjective. Maybe just
3 one clarification. If you read the International
4 Integrative Voting Framework Objective, it does state
5 that it should be done and the information that goes into
6 that must be done. You consider your stakeholders, but
7 the primary stakeholder is the investor.

8 So it's got a very key focus on the shareholder
9 as the primary stakeholder. But bearing in mind that you
10 might want to include further information -- but, I mean.
11 Maybe just that clarification. But I absolutely agree
12 that that's the difficulty. I don't believe everything
13 can be assured by auditor. I think that's absolutely
14 right.

15 MR. HARRIS: Robert?

16 MR. TAROLA: Thank you, Steve. Robert Tarola.
17 I'd like to kind of follow up with what Marty Baumann was
18 saying. First of all Marty, you're right on track, I
19 believe. The information that is made available to
20 investors, shareholders, stakeholders -- we can use
21 whatever word we'd like, is constant. It's continuous.
22 It's formal, at least every three months. But it's

1 continuous even between those time periods. I believe
2 we need to move the assurance function, or the assurance
3 aspects of our capital markets to recognize that. That
4 it is continuous.

5 That timeliness of assurance is important.
6 Comprehensiveness of assurance is important. Candidly,
7 as a director of a public company, it happened -- you're
8 involved in that every quarter at a minimum. In trying
9 to make sure that the company you oversee is being candid
10 and forthright and accurate and providing useful
11 information. Once a year -- that's not fair. Every
12 quarter, we do involve the auditors in that assessment.
13 But it's limited to the GAAP financial statements. It's
14 up to us as directors to make sure the non-GAAP
15 disclosures are important, useful, relevant, and
16 accurate. And then beyond the numbers that relate to
17 non-GAAP disclosures.

18 When you really talk about integrative
19 disclosure, you're talking about other value aspects of
20 an enterprise. That also should have some sort of
21 assurance associated with it. So I guess my point to the
22 Board is that I know your mandate might be relatively

1 narrow. But the role of assurance in our capital markets
2 I think needs to go beyond the mandate. And you have the
3 -- I think you have the ability to push it in that
4 direction. And the initiatives that Marty mentioned are
5 going in that direction.

6 MR. HARRIS: Lynn Turner.

7 MR. TURNER: On the non-GAAP stuff that first
8 popped up with the dotcom craze, there were a lot of
9 concerns about accuracy at that point in time and thanks
10 to Chairman Harris and Senator Sarbanes, they gave the
11 SEC some authority to step in, which they didn't have
12 before. They issued Reg G and today we're at the same
13 place we were fifteen, twenty years ago in terms of the
14 quality of the information. What has changed is there's
15 much higher usage of non-GAAP numbers today, even than
16 there were in the context of the dotcom craze.

17 What is interesting is that despite this
18 proliferation -- people talk about analysts, retailer,
19 wholesale, or whoever using this. What's declined in
20 that point in time is the ability of analysts using the
21 financial information they receive including this to
22 create an alpha return, an excess return. In fact, it

1 has declined since then to now despite all this good
2 stuff that people want. Now 85 percent of them can't
3 even beat the market.

4 So I seriously question whether or not this is,
5 in fact -- and I think the research clearly shows this
6 is not information that people are using to generate
7 alpha type returns. Whether it's misleading or the wrong
8 data. Further study needs to be looked at. I think you
9 raised a very good question and are headed down the right
10 path too, Marty. In that factoring the dotcom craze, the
11 commission for what was then known as the Garten
12 Committee headed up by Dean Jeff Garten from Yale.

13 And I think one of the things as I recall, it's
14 been a long time, but people discussed in that committee
15 was the use of KPIs. It was, in essence, teed up even
16 before that by the Jenkins Committee. So We've had some
17 carry-on type calls for disclosure of KPIs. Those are
18 pretty much standardized within industry by this point
19 and time. And they're typically available to the public
20 out on the website. And they do impact pricing. So I
21 think the market itself is set. There's great value in
22 the KPI. So I think that is a great way to pursue it.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 I was also surprised that not only did the
2 recommendations not talk about KPIs, they failed to talk
3 about the FASB going to the direct method of cash flows.
4 Which CFA Institute has recommended for decades. So I
5 think on top of the KPIs, you have to look at the direct
6 method of cash flow. Because if you have that statement,
7 and there's already a standard for it. All they have to
8 do is eliminate the shortcut method. If you follow the
9 direct method, you get the information that you need to
10 do these types of reconciliations for the most part
11 anyway with one additional item -- and that is in the
12 seventies when the Commission had the Cohen Commission
13 it was discussed about requiring it or not or the
14 footnote for any material non-recurring unusual type
15 item, and have that in an audited footnote.

16 I think you put those three things together, and
17 all of a sudden you are getting valuable information in
18 market that has indicated it would react to and improve
19 the pricing. As far as an audit, I don't think this
20 stuff should have assurance today. The reason I don't
21 think it should is not that I don't believe that it would
22 be good to have assurance, but the fact that 30 to 40

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 percent of our audits today don't comply with general
2 accepted accounting standards. Studies show that six to
3 seven percent of all financial statements issued today
4 under GAAP with a benchmark that are being reviewed are
5 restated.

6 And until we can get those defect rates down, I
7 fear that what we'll get is misleading assurance which
8 is the point that Parveen brought up, and which the
9 courts have said, you know, it's worse than getting no
10 assurance. So I think that's something to seriously
11 consider. We saw that on the environmental disclosures
12 on British Petroleum. We had an audit report from Big
13 Four audit firm saying how everything was hunky-dory at
14 BP just before the oil well sunk. You know?

15 I've seen another situation where it was very --
16 where the reconciliation was audited and there was an
17 opinion on that audit. And the numbers in it were
18 absolutely misleading. An outside party eventually
19 looked at them and determined that they were misleading
20 and incorrect and resulted in an incorrect valuation of
21 the company. And that's where you did have an opinion.

22

1 So I come back to until we can fix the defect
2 rate on just doing the basic stuff, I certainly wouldn't
3 expand it. And most auditors, as Linda pointed out, most
4 auditors don't have the knowledge or training to be able
5 to issue a report in some of the environmental social
6 type human disclosures that we're asking for today. As
7 far as the actual standard itself, Marty. A-S 17 is
8 better than what there is out at Auditing Standards
9 Board. But I think there's two problems that it would
10 have to be adjusted for, if you will.

11 First is, we've found that when under current
12 type standards, you audit in relationship to the
13 financial statements taken as a whole. And what Big Four
14 auditors have testified in court to, under oath, is that
15 that only requires them to see that the items in the
16 reconciliation tie back to the accounting books and
17 records. They, in fact, don't have to verify that. So
18 I think there has to be in a standard in the context of
19 you actually have to verify the accuracy, the consistency
20 in the one case that I'm aware of for example.

21 Six companies in the industry doing this type of
22 stuff, thereabouts. Five of them were all doing it one

1 basis, the one that turned out to be problematic had
2 totally different numbers in the reconciliation. Never
3 challenged. All people did was tie it back. And that
4 just doesn't get it for us.

5 And the second thing that I think has to be
6 addressed is materiality. You will not get accuracy and
7 verification as long as it's materiality in relationship
8 to the financial statements taken as a whole. These
9 numbers, all too often, are too small for that. And you
10 have to change it to materiality in a relationship to
11 that specific reconciliation or non-GAAP disclosure.
12 That has to go in. If you do it in relationship to the
13 financials as a whole, you can forget about this one
14 being accurate.

15 I also think that as you're doing that, you also
16 have to deal with the issue of compliance with laws and
17 regulations. We are seeing that pop out as well. We've
18 seen it, for example, in the Wells Fargo thing situation.
19 And I think you've got to -- you know, if you can't even
20 get the auditors to tell you when there's problems with
21 laws and regulations they might become aware of and
22 violations to those. Especially in light of Section(10)a

1 of the securities law that requires them to audit that.

2 You aren't going to get much good out of this.

3 So I think that needs to be thought of in the
4 context of rolling it all up. I know there's a bunch of
5 shots that are different pieces. But this is one of
6 those pieces, I think, that complies with laws and
7 regulations. Especially in light of what they've just
8 done internationally on that would be important as well.

9 MR. BAUMANN: Just one quick comment. And I
10 think you'd agree that the expectation of the AS-17 is
11 different than what some people may have said they did.
12 In terms of just tying it back to books and records.

13 MR. TURNER: Well, yes. I think so. But in
14 reality, it's what do people do. And we see what people
15 do, and I think you have to clarify those types of things
16 if you're going to be able to enforce them at the end of
17 the day. The end result is what is important. And
18 that's what we've got to drive the standard -- the
19 standard has to drive to that result or it's just not
20 effective.

21 MR. HARRIS: Damon Silvers?

22 MR. SILVERS: Well, like Lynn, I think Marty,

1 what you were saying sounds good. I just want to make
2 a couple observations about this general topic. Because
3 I think it's important to keep certain things distinct
4 here. And then I also think it's important to note how
5 this topic interweaves with some of what's going on at
6 the Commission. And some of the comments so far today
7 have kind of gotten into that space. It doesn't trouble
8 me at all that companies want to highlight certain
9 numbers that emerge out of the audited financial
10 statements.

11 To the extent that that's what we mean when we
12 say non-GAAP financial statement and non-GAAP financial
13 disclosures, I think to varying degrees companies have
14 been going that formally and informally forever.
15 Obviously, the Commission's anti-fraud provisions apply
16 to that activity. But there are -- there seems to be
17 developing some practices that I think really are
18 troubling. And some of them are in the PCAOB's
19 jurisdiction, and some of them are in the Commission's
20 jurisdiction. And some of them are in the bank
21 regulator's jurisdiction.

22 The notion that the financial statements are

1 presented in such a way as to suggest that somehow the
2 audited financials are not the audited financials. And
3 that somehow, investors should be paying attention to
4 other numbers that have not been -- other numbers that
5 have not been audited and that have not been put together
6 in a way that FASB finds to be reflective of the
7 company's true financial condition. That is really --
8 that is not appropriate, and that is the Commission's
9 responsibility. Because it goes to the integrity of the
10 Form 10-K and the like.

11 And to the extent that various financial
12 intermediaries who are asserting that they, for example,
13 calculate leverage ratios and make investment decisions
14 based on things like EBITDA -- and then they're not
15 actually using EBITDA. I mean, EBITDA actually does
16 refer to a set of GAAP numbers. All right? And if
17 that's not what's going on, that strikes me as bank
18 fraud. And that is the sort of thing that the bank
19 regulators ought to be looking at.

20 Now the question is, for this body, for the
21 PCAOB, is where do the auditors fit into this landscape
22 and what should the PCAOB be requiring of auditors in

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 relation to this? And it seems like if what's going on
2 here is that supplementary numbers are being introduced
3 into the audited financials. That the auditors have a
4 requirement to both look at whether or not those
5 supplementary numbers are accurate and well-founded. And
6 whether or not they are presenting a true -- whether are
7 not taken in context, and I think this was Lynn's point.
8 They present a -- together with the required numbers,
9 they represent a fair and accurate picture of the
10 company's financials. That strikes me as the sort of
11 kind of question we ought to be laying in front of
12 auditors.

13 The thing that troubles me the most is the sort
14 of the notion that companies can invent their own
15 financial statements and try to encourage the users of
16 financial statements to take those more seriously than
17 the ones that are actually subject to independent
18 oversight and are constructed under standards that allow
19 comparability. Now this conversation has gotten
20 intertwined with the SEC's work on Reg S-K. And I think
21 that it's the view of the investor community, which has
22 been expressed by the Investor Advisory Committee to the

1 SEC that we prefer -- investors prefer more information
2 rather than less. We would like to see Reg S-K
3 strengthened, not weakened.

4 But then this interfaces with this question that
5 came up in the integrated audit discussion of the use of
6 -- the question of how to handle both disclosure and
7 auditing of issues that are often characterized as social
8 issues as opposed to business issues. And the position
9 of the Investor Advisory Committee to the SEC, which is
10 worth stating here, because it's a subtle position. It's
11 the position that we ought not to be drawing these
12 distinctions that -- workplace safety is often
13 characterized as an ESG issue. It is at the core of the
14 Deepwater Horizon explosion.

15 That was very expensive. And the -- I don't
16 think anybody would suggest that the issues associated
17 with the Deepwater Horizon explosion were somehow
18 immaterial. Or couldn't be quantified. Just because
19 they have larger social implications doesn't mean they
20 are not serious business issues. What the Investor
21 Advisor Committee to the SEC said in this regard was,
22 let's have a level playing field. All right? Let's have

1 in Reg S-K, the same level of mandated disclosures.
2 Because of course, you have a general obligation to
3 disclose materials, facts, and circumstances on companies
4 in S-K.

5 Let's have -- but that's buttressed in areas like
6 the debt structure and so forth, with specific
7 requirements. Let's make sure that we have the same
8 level of buttressing with specific requirements in these
9 issues that do have -- that in the judgment of the
10 Commission could have material impact. Like, for
11 example, issues around environmental impact on business.
12 Let's have the same level of that type of buttressing
13 that we do in other areas. Let's not treat these issues
14 as somehow not relevant to business performance when we
15 know they are.

16 The advocates of ESG disclosure were essentially
17 saying, we are not asking for special treatment. We are
18 simply asking for equal treatment. And I'll just close
19 by saying that, you know, I think it is increasingly
20 turning out that some of these issues are highly
21 quantifiable. All right? People raised climate change.
22 You know, I don't think there's anybody looking at the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 world today who isn't recognizing that there are highly
2 quantifiable impacts in terms of sea-level rise and
3 what's associated with two degrees Centigrade global
4 warming.

5 If your business is in something like property
6 and casualty or you have something to do with ports or
7 shipping -- all right? This stuff gets very quantifiable
8 very fast. And we just, again, need to apply the same
9 metrics to that as we might apply to other things that
10 would affect assets, liabilities, revenues, et cetera.
11 Thanks.

12 MR. HARRIS: Kevin Chavers.

13 MR. CHAVERS: A number of the things I was going
14 to comment on had actually been addressed. But let me
15 at least take the topic of the integrated reporting.
16 Linda made the point in her response that actually
17 looking at some of the factors there, particularly ESG
18 factors, don't require you to solve the conundrum of a
19 shareholder or stakeholder model. But indeed, are
20 material and relevant to the shareholder model. In fact,
21 we look at ESG issues as an evaluation of management.
22 As a particular indicator of risk for a host of

1 companies.

2 I respectfully submit you don't have to solve the
3 political conundrum of whether you believe in climate
4 change or don't believe in climate change. That the
5 global regulatory environment is evolving such that it
6 is a material fact for the regime that companies will
7 have to be responsive to going forward. So while I
8 respectfully understand that some of the proponents and
9 some of the advocates in some of this space may indeed
10 have a different agenda.

11 The fact of the matter is, as an indicator of
12 risk, as an evaluative tool of management, and as a
13 measure of particularly the long-term viability of
14 enterprises -- these are criteria that certainly, we
15 regularly look at and take into account in evaluating the
16 value of a particular enterprise.

17 MR. HARRIS: Sarah Deans.

18 MS. DEANS: Thank you, I'm Sarah Deans. I've got
19 three observations, if I may. The first is as many
20 people have said, the market focuses very much on non-
21 GAAP numbers. Auditors work on account numbers. And I
22 think, it's surprising, I talk to a lot of investors and

1 how many professional investors don't realize that non-
2 GAAP numbers are not audited. And that's their fault.
3 They should understand better, but that is a worry for
4 me.

5 And I think it's a worry, given particularly in
6 our commodity as well as the size of the gap between
7 GAAP and non-GAAP. I think that's really a risk, there,
8 of undermining trust in the whole profession, actually.
9 Because we have this focus on numbers that are so far
10 different than the GAAP numbers.

11 So the second point on GAAP and the gaps between
12 the non-GAAP and GAAP numbers -- and there were some
13 figures in the presentation, hopefully. I'll just
14 reflect that I think when you look at that gap between
15 the two, it looks big, and also I think there's two
16 elements there. There's a sort of cyclical element,
17 potentially, of one-off items that are getting out of
18 that. But there's also a structural element that I
19 think may grow over time. So some of the adjustments
20 made are items that companies argue are one-off.

21 And we can all debate whether perhaps that
22 restructuring charge isn't particularly one-off and

1 seems to have occurred previously. But it's that type
2 of adjustment. The other is what I'd call the "we don't
3 like the accounting" adjustments. So adjusting for
4 various items around share-based compensation and so
5 forth. And I think every time a company does an
6 acquisition, that's why there needs to be some more non-
7 GAAP adjustments coming through.

8 So I just think that makes it even clearer and
9 sort of what an important issue this is. And I know
10 this doesn't help solve it. But I think it really does
11 clearly call for a lot of sort and work. A joined up
12 effort between regulators to address this important
13 issue, which I also feel, by the way, very strongly
14 about. So I'm glad I'm not the only one around this
15 table.

16 So the third observation is a more practical one.
17 Just working with numbers. And I was working recently
18 looking at -- there were European companies, but some of
19 them were SEC-registered. And I tried to look at the
20 reconciliation between GAAP and non-GAAP. And in many
21 cases a number that clearly relates to a GAAP item, say
22 a pre-tax profit number for example. Reconciling items

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 that you would very much expect for them to be able to
2 find in a financial statement. But you can't. You
3 can't take them, so the amortization is being added
4 back.

5 It doesn't actually reconcile to the intangibles
6 note without any clear explanation of why. That isn't
7 a number that you'd find either for the total or for the
8 category. Other reconciling items that bundle a number
9 of elements. And when I, hopefully, sort of experience
10 that list is trying to figure out how you could get to
11 that number. It's not at all clear. So it's a very
12 practical point. It would be nice.

13 I don't know if auditors can do this -- to try to
14 at least encourage that those reconciliations, where
15 they relate to items in the financial statements, can be
16 found by these users. It certainly makes me more
17 confident when I feel it is something that's clearly
18 there in the financial statements. And also as another
19 practical point, I have to say some of the explanations
20 given by companies of why these adjustments are thought
21 appropriate are either lacking or very poor quality,
22 frankly, in my view. So that's three observations,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 thank you.

2 MR. HARRIS: Joe Carcello?

3 MR. CARCELLO: Well, let me start by saying I
4 think the third point that Sarah just made might be the
5 most cogent comment I've heard all morning. So I would
6 hope Wes and Brian would really attend to that. I
7 thought that was a really strong and right-on comment.
8 Three points I'd like to make, and I'll try to be brief.

9 Linda -- in terms of integrated reporting, and
10 you may not know the answer to this. But I think it
11 would be helpful. Damon talked about the SEC Investor
12 Advisory Committee and I have the pleasure of being on
13 that with him as well. And in July, we had a
14 presentation. And one of the panelists was a senior
15 counsel from GE who talked about their integrated
16 report, which I think they are quite proud of. And so,
17 I would be curious to know, and I'm not saying you
18 should know this. But I would be curious to know if GE
19 has built into that report the ability to track which
20 pages are being opened, because that technology exists.

21 And so, to me it would be much more compelling if
22 I saw people actually reading some of the things that

1 you talked about. Intellectually, I think it makes
2 sense. But I would feel better knowing that users are
3 actually spending time on that. I wish I had thought of
4 that, Damon -- in July. I would have asked it. But I
5 think that would be useful.

6 In terms of the comment that Lynn made about how
7 30 to 40 percent of audits are GAS-deficient. With all
8 due respect to Lynn, I think that's a little harsh.
9 It's 30 percent of audits are GAS-deficient given your
10 selection criteria. And the Chairman and others have
11 heard me say this before. I do think it is problematic
12 that at least some of the audits that are inspected are
13 not random. I know you're moving toward that now. But
14 we really need a baseline.

15 I think it's important for society that we have
16 a baseline. Because otherwise, and in fairness to the
17 profession and when they should be criticized, I would
18 be right there with Lynn to criticize them. But I don't
19 think the failure rate is 40 percent. And when that
20 number is out there, I think it's hard to refute without
21 other data.

22 And then the last thing I would say -- and again,

1 I'll leave it to the individuals as to whether they
2 choose to respond to this or not. But on this group, we
3 have Kevin who is at BlackRock. Right? 5.1 trillion
4 dollars of assets under management. Pete who's at Legg
5 Mason. What did you say, Pete? 785 million dollars of
6 assets on their management?

7 MR. NACHTWEY: Just a rounding error compared to
8 BlackRock, but yes.

9 (Laughter.)

10 MR. CARCELLO: Anne at CalPERS. Anne, I'm sorry.
11 I don't know the number, your number, of assets. And
12 then Curt at Carlyle. Granted, they are a little bit
13 different in terms of private equity space. But a very,
14 very major player in that space. And all four folks --
15 all four of these folks, Tony, were on your Committee
16 that came out with the recommendation that this non-GAAP
17 information should be audited.

18 So the question I would ask, and you can either
19 respond or not respond, is why don't you tell your
20 portfolio companies that you want the information
21 audited? My guess is that if BlackRock and Legg Mason
22 and CalPERS and Fidelity and Vanguard called up these

1 companies, it would be audited. So if it's such a good
2 idea, right? People like this private ordering idea.
3 Why don't we see any private ordering in this space?

4 MR. HARRIS: Well let me actually -- I know Curt
5 is going to put his tent card up, but let me recognize
6 a Board Member. You know, Jay, now. And then you'll go
7 into the queue. And I think it's much more fair to let
8 Curt answer your question than Tony. Although Tony is
9 going to do the wrap-up at the end.

10 MR. HANSON: Well, interesting discussion. And
11 I've done some wondering about this a lot over the
12 years. And I've been in a number of discussions about
13 these general topics over time. I want to follow up on
14 something that Marty was questioning relative to the
15 interim information. But a little bit different focus
16 on that.

17 So, let's pretend like someone could standardize
18 the non-GAAP measures. I know it wouldn't be us, but
19 let's say somebody could come up with the generally
20 accepted, Not Generally Accepted Accounting Principles.
21 And let's assume that somebody could mandate that these
22 be audited, either voluntarily or mandated. So that the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 timing question I get to is that most of this
2 information comes out in earnings calls, press releases,
3 things like that. Which for some companies is
4 identically the same day as the filing is made. But
5 most companies it is not.

6 And in other discussions I've had about this --
7 and I'm kind of looking at Pete and Curt as both
8 providers of information and consumers of information.
9 If the choice was, delay the press release until the
10 audit was done, is that acceptable to the provider or
11 the consumer of the information? Or if the choice was
12 accelerate the audit to be the same date, so essentially
13 the same difference, would that be workable? Or is it
14 really that it's maybe numbers reported as really,
15 really unaudited early on and then later, a ratification
16 of them in some sort of audited statement? Or is there
17 some other way that operationally this would actually
18 happen?

19 So I just wonder about that. And in past
20 discussions I've had when the questions were put
21 directly to investors about, well, how long of a delay
22 would be acceptable? Then it's measured in seconds.

1 Not days or weeks or months. And so, I'm kind of
2 thinking about how this would actually work if we could
3 get over those first two hurdles.

4 MR. HARRIS: Let me, once again, we'll get to the
5 order that I wrote down. But since Joe and Jay
6 challenged Pete and Curt, maybe the two of you could
7 respond and then we'll go back through the queue.

8 MR. CARCELLO: In a nice way, Steve. In a nice
9 way.

10 (Laughter.)

11 MR. HARRIS: In a totally diplomatic and nice
12 way.

13 MR. BUSER: Joe, on the comment in terms of why
14 we don't mandate it at portfolio companies -- so, first.
15 I would, you know, let's put it in the backdrop. It's
16 private equity. And so private equity, generally when
17 it's private we have a controlling position. And so
18 we're on the Board. And so we know those numbers. The
19 other thing I would say is that in terms of the ask for
20 assurance, it's a real challenge for the audit firms
21 today because what's the framework that they are to use?
22

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 And so now we are asking them to create -- if we
2 are talking about for public reporting, we are asking
3 them to create a framework for reporting that they don't
4 have, and that puts them in a very awkward place. From
5 an internal perspective, an audit committee or a board
6 ought to be asking, how comfortable are we with these
7 numbers before they go out? And then their degree of
8 assurance can come from management, their familiarity
9 with the reporting systems, or also from the auditors.
10 And that's an audit committee board -- you know,
11 committee decision piece by piece.

12 So I think that that's kind of the way we thought
13 about it. I do think as the criticality of the non-GAAP
14 financial measures is really important. From a -- in
15 terms of the timing or standards, Marty, those were some
16 of your original questions. You know, the framework
17 that people are at -- I think the practical answer is
18 the same thing from whatever is being done today from an
19 assurance on the GAAP numbers, i.e., probably a review
20 standard, is probably the same standard we ought to be
21 at least initially stepping into.

22 Jay, to your question with respect to kind of

1 timing of getting those numbers out. I think it's the
2 same issue, which is -- as a CFO, I really hate the idea
3 of issuing anything that I pretty much don't have, you
4 know, A) my comfort on, and B) the auditors are in the
5 same place. Because the chance of having a change in
6 those numbers from when I send out an earnings release
7 to when the audit is fully complete, I don't like that
8 risk. And so I think, you know -- and I think that's
9 generally true of most CFOs and most audit committee
10 members that that risk had better be small.

11 And so, you know. That's where I think the
12 acceleration -- I mean, in a perfect world you would get
13 everything accelerated, but there is a lot more that has
14 to go into it. I think there is a distinction, Marty --
15 your comment on KPIs. I think it's -- you know, we're
16 struggling in this conversation around non-GAAP
17 financial measures and kind of what's the assurance on
18 it, and kind of what's the standard? And how do we get
19 there? And I think that I can get my head around ways
20 to do it, but obviously to actually get them implemented
21 is hard.

22 Getting the KPIs I think is probably a second

1 step. But I do think it's something we ought to be
2 thinking about, because you were talking about comfort
3 level process. Now, how do you get that into a tool
4 that could be reported on? That's the challenge that's
5 embedded in there in terms of a path forward. Because
6 to change that, I think, is going to be tough. So
7 anyway, those are some thoughts. Hopefully it's
8 helpful.

9 MR. HARRIS: Anne? No, I'm sorry. Pete.

10 MR. NACHTWAY: No, that's a great summary, Curt.
11 I just wanted to add a couple of things. One to Joe,
12 your point. So I used to be at Carlyle working with
13 Curt, and I remember the private equity world very, very
14 well. But I operate in a different world now where,
15 though, where we own a tremendous swath of publically
16 traded securities of companies both here in the U.S. and
17 around the world.

18 But any individual company, typically our
19 concentration limits are saying we're going to own, you
20 know, a couple of percent. And very often less than
21 that. So it's very difficult for a company to respond
22 to one shareholder, kind of that level. I think we have

1 to -- that's what this whole group largely is about is,
2 how do we speak una voce so there's one voice and then
3 there's an opportunity for the profession and
4 registrants -- but I appreciate the nature of the
5 question.

6 And then in terms of acceleration -- I echo what
7 Curt said. By the time we do our earnings release, and
8 a number of different folks around the table at
9 BlackRock, I think did yours, almost two weeks ago. You
10 know, Carlyle did theirs yesterday and I'm doing ours
11 tomorrow. But our 10-Q won't get filed now for a week
12 or so. But you can absolutely be certain that the folks
13 that are going to have to sign off on all those filings
14 are confident of the numbers that are being reported in
15 the earnings release.

16 But by the same token the 10-Q, which I'm
17 carrying around in my briefcase and is wearing my
18 shoulder down, takes quite a bit of time to get all the
19 disclosures and everything else right. So I think --
20 but again. Can you count on every company and every set
21 of management teams and the auditors that are involved
22 with their financials doing their homework? You're

1 always going to find a few bad apples that are out there
2 that are not doing that. I think the majority are.

3 MR. CHAVERS: Steve, if I might just very quickly
4 just to echo on Curt and Pete's comment. Joe, I think
5 the answer to your question, you answered it yourself.
6 And that was when you articulated in your earlier
7 comments the need for a framework. And I would also
8 respectfully submit that Damon's comments earlier also
9 was the other part of the question. Is that, while we
10 sit here in this Advisory Group -- this is really a more
11 comprehensive question of a holistic issue that both
12 requires the PCAOB's response as well as the SEC. And
13 so for a large investor, no matter how large, to say --
14 you know, we're going to take it upon ourselves to
15 effectuate self-help and our governance responsibilities
16 to reform the industry's practice is, you know, it would
17 be a bit naive of us to think that that would happen.

18 MR. HARRIS: Anne Simpson?

19 MS. SIMPSON: Yes, and thank you, Kevin. Very
20 well said. And Damon's point is well taken. The need
21 for joined-up thinking. Just because we're in one room
22 with one title, we need to be able to understand the

1 whole process. So it seems to me there's some comment
2 about why do this, and that then gets tangled up with
3 how would you do it. So the commentary about it being
4 difficult and needing to build new skills and data and
5 all that jazz -- I think it should be separated.
6 Because that would be on your to-do list if you decided
7 this was worthwhile.

8 And the second thought is the comment about Alfa
9 -- Lynn, that you're making. And is there any
10 discernible benefit? You're speaking to a minority
11 community in the wider ownership structure of the U.S.
12 capital markets. You know, our interest in this
13 information is not because we want to trade madly.
14 We're too big -- 303 billion -- Joe? We're not big
15 enough, though, where -- you know. We went into the
16 financial crisis underfunded. And we are now hovering
17 close to 70 percent funded. So the question of long-
18 term sustainable returns is absolutely fundamental for
19 CalPERS getting its own job done.

20 So this information is very important to us. But
21 the way that we use it, because we are long term, we are
22 permanent liabilities stretching for the best part of a

1 century. It's in our engagement with companies. And
2 then the voting that follows good stewardship of those
3 assets. And if you look at the shareowner proposals
4 that are filed in the U.S., they are overwhelmingly
5 focused on asking for improved disclosure.

6 I mean, most recently we saw huge levels of
7 support for improved climate risk reporting because of
8 the regulatory framework firming up around the Paris
9 Accord. You know, so this is where events have
10 overtaken the current reporting framework. So I think
11 this is not just a trading game. It's not just a
12 quarterly reports and analysts game. The owners, the
13 ownership section of the market is looking for this
14 information for these long-term purposes of holding
15 boards accountable.

16 And I think that's recognized in the way
17 materiality is thought about and understood through the
18 Supreme Court commentary on this point. But that really
19 is the most important piece of the discussion. You
20 know, traders, raiders and owners. We're not a group of
21 homogenous shareholders anymore.

22 MR. SMART: Just to add to Anne's point. The

1 owners are actually using the information. I think the
2 question is, we just like it to be verified and
3 confirmed by the auditors. And I think that's what
4 we're all looking for. It's not as if the question
5 hasn't been asked. You know, I asked Curt and I asked
6 Anne. And I'm in private equity also. We ask our
7 auditors to look at that information. And they dance
8 around the issue, frankly. And they don't have a
9 framework to do so. And they won't do it until it's
10 mandated for them to do it.

11 MR. HARRIS: Gary?

12 MR. WALSH: It's Gary Walsh. I'm with Luther
13 King Capital Management, and we manage 14 billion
14 dollars in Fort Worth, Texas. I guess it's a good thing
15 I'm a Texan because this discussion has really made me
16 feel smaller than I've ever felt with 14 billion
17 dollars.

18 (Laughter.)

19 MR. WALSH: So the confidence that I have from
20 being a Texan is helpful here. Our firm is, we have
21 about 17 dedicated fundamental analysts. And we visit
22 with hundreds of companies every year. And what I think

1 is interesting is non-GAAP dominates the discussion
2 because that's what Wall Street analysts really use to
3 set their earnings estimates. I sit in in a lot of
4 those meetings, and I talk with our analysts. And in
5 preparation for coming over and spending the day with
6 this group, I've been asking, how many other investors
7 are worried about the difference between GAAP and non-
8 GAAP? And the companies traditionally say, very few
9 people bring it up.

10 And so I think there's work that needs to be done
11 on the private equity side. But it's not getting done
12 on the public side, either. I don't worry about that as
13 much as I could, because I think the market does a
14 really good job of discounting the quality of
15 accounting. And they traditionally pay lower multiples
16 for companies that are more aggressive in their
17 accounting. And our analysts do try to decipher who is
18 being aggressive and who isn't. You know, there are
19 even vendors that have come out with quality of earnings
20 scoring and purity of accounting assessments. And so
21 there is a cottage industry trying to shortcut this
22 whole process by deriving the quality of earnings.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 The other thing that's clear -- I wish I had
2 quantitative numbers for all of this. But it is clear
3 that more complexity drives lower multiples. And so, I
4 think that drives a lot of people trying to spinoff
5 companies. And so the more complexity we see, the lower
6 multiples that those companies are getting. And I think
7 the gap between GAAP and non-GAAP is also playing a role
8 there.

9 It's still uncomfortable as an investor to know
10 that there is this widening gulf. And at some point,
11 there is going to be a day of reckoning. That is clear.
12 And any assurance that we can get from the auditors on
13 non-GAAP financial measures -- and I know it's
14 difficult, but KPIs would be welcome. And I think
15 that's an opportunity for the auditors to actually
16 become more relevant in the whole process as well.
17 Thanks.

18 MR. HARRIS: Mary Bersot?

19 MS. BERSOT: Hi, I am Mary Bersot. Actually,
20 Gary, you just said everything I was going to say except
21 I feel smaller than you.

22 (Laughter.)

1 MS. BERSOT: I managed 24 billion at one time,
2 but not now. I feel that we are taking these numbers as
3 fact in the earnings reports. I got a list yesterday
4 from FactSet, you know, just a summary. And there were
5 only two of about 15 items that even listed a GAAP
6 number. They were all non-GAAP numbers. And you know,
7 I am not with CalPERS or a big firm and I don't sit down
8 face to face with management like the majority of
9 investors. We are relying on the words that we read and
10 the analysts' opinions.

11 Analysts are then revising their models based on
12 these non-GAAP numbers, and these are being fed into our
13 databases. So, I think it's a growing problem that it's
14 taken on a life of its own. In the last ten years since
15 I started my own firm, we have seen more and more of
16 these non-GAAP numbers being reported on earnings day.
17 And they do drive stock prices. And you know, once the
18 work is done, which could be two or three hours later or
19 sometimes a day later, the price has changed again. But
20 I'm concerned that for the moderate, the lower investor
21 or the non-institutional investor, that we might be
22 misleading the community.

1 I also do believe that there is a multiple
2 compression based on complexity. If we are concerned
3 about the numbers being valid or real, or if they are
4 confusing, then we will lower the multiple. But in some
5 risk on markets, that doesn't happen. It takes a life
6 of its own. So I'm concerned as an investor that we are
7 not giving enough emphasis or credence to the GAAP
8 numbers, that we are ignoring those and not putting
9 enough emphasis on them. Thank you.

10 MR. HARRIS: Thank you, Mary. And I think, Tony
11 -- even though your tent card went up earlier, I'd like
12 to leave it to you and then the Chairman to wrap up. So
13 let me recognize Lynn and then Linda de Beer. And then
14 you can make your final closing comments, and then I
15 want to turn it to the Chairman.

16 MR. TURNER: Jay, I'd like to thank you for
17 asking that question you did because having been on the
18 preparer's side, I think that's a critically important
19 question. Without any data, I would guess that half of
20 the public company filers could not provide that data
21 within the same time frame they do today if it was
22 required to be at least reviewed on an interim basis,

1 and there is no standard whatsoever for a review, AS 17
2 deals with an audit -- or in the context of the audit.

3 And when you think of how quickly companies like
4 ALCOA comes out, or the large financial institutions,
5 these people are coming out with these numbers within
6 seven to fourteen days. So I think that is, you know,
7 investors tend to say, well, we'll ask for it and we
8 should get it, but the practical reality is sometimes
9 that just can't be done. And I think you also risk
10 censure even more so compressing the time frame in which
11 the audit work or review work has to be done. You are
12 raising the risk that that auditor review can't be done
13 in accordance with professional standards.

14 So I think you raise an excellent question. And
15 I would urge, before you did something in that regard --
16 you've got an Office of Economic Analysis -- that's the
17 type of thing they certainly could reach out and study.
18 The CFA Institute has done studies on the investor side.
19 And every single time when they've asked do you want the
20 data unaudited on an early basis or audited on a later
21 basis? They always -- every time, it's been give it to
22 us earlier unaudited.

1 And I'd certainly hate to put increased pressure
2 on auditors which already have a tough time complying
3 with standards and make it even tougher for them to do
4 that, and I think that's a real issue. And I thank you
5 for raising that question. I'm sure preparers around
6 this country thank you as well.

7 MR. HARRIS: Linda?

8 MS. DE BEER: Thank you. Just a quick response,
9 Joe. You asked a question about GE and whether they
10 track, and I obviously can't respond on behalf of them,
11 but certainly on some of the boards and audit committees
12 where I chair or where I serve and in South African
13 companies, there are companies doing a lot of tracking
14 on the integrated report on their website to see who is
15 interested in what pages.

16 They also, the bigger ones also go to the
17 institutional investors and ask them to write and to
18 give an opinion on what information is useful and
19 especially what information is missing. It took a
20 while. It's obviously a process, but as we are on year
21 seven or eight now of integrated reporting, so other
22 companies are doing quite a good job of making sure that

1 they put information in there that's in the first
2 instance important to investors, but also to other
3 stakeholders.

4 MR. HARRIS: Tony, you know. Thank you again for
5 organizing a terrific conversation. And clearly there
6 is quite a divergent number of views. But if you would
7 like to take the time now to summarize as you see fit or
8 make any comments as you see fit, and then I will turn
9 it over to the Chairman.

10 MR. SONDHI: Thank you, Steve. As I've said
11 before, I appreciate the opportunity. So I'm glad to be
12 able to do this. In terms of some comments to sort of
13 close it in that sense, I'll say that restructuring
14 charges that Sarah raised, the amortization of
15 intangibles that don't necessarily add up, the
16 reconciliations that don't necessarily add up: these are
17 some of the issues that we're concerned about. And I
18 was really happy to see that the SEC has actually
19 started pushing on these. For example, asking -- you
20 provided as a rationale that you use it, please tell us
21 how you use it. Just don't say that you use it.

22 So in that sense, we are starting to see that.

1 But the real fundamental problem is that these
2 adjustments don't necessarily make sense in the way they
3 are made, very often. The restructuring charges -- I
4 can tell you because I did research myself on
5 restructuring charges a few years ago. I was involved
6 with the impairment standard that we have and I found
7 that there are very few companies that report only on
8 restructuring charge only once. In fact, I found that
9 the best predictor of a restructuring charge is the fact
10 that you took one last year.

11 So in that sense, restructuring charges -- they
12 are just all over the place. They happen all the time.
13 It's a very small number of companies that only take one
14 in their lifetime. That's one thing. Amortization of
15 intangibles, as you correctly point out, it's very very
16 difficult to justify some of the numbers. Stock
17 compensation: it's very difficult to justify some of the
18 numbers being used.

19 So if you think about those problems and then you
20 come back to the one assertion or comment that many
21 people have made, that there is no framework in which
22 they can audit the stuff, well, the very name of this

1 metric we're talking about: non-GAAP. The only reason
2 it should work is that it leaves something. It doesn't
3 do something that GAAP does. So there is a framework.

4 The fundamental point is we need to find a way to
5 develop applicable, useful audit standards. My last
6 comment on this whole issue, then, is something Linda
7 has pointed out and some other people have pointed out
8 -- our biggest problem is that our GAAP standards and
9 some of the ways that we look at things in auditing,
10 they are not robust enough. Very often we write
11 standards that are responses to what happened yesterday.
12 And sometimes much, much more than yesterday.

13 So the way we need to think about standard-
14 setting is to try to look forward at the same time. So
15 that presents an extraordinary challenge with respect to
16 non-GAAP numbers. There's no question about that. But
17 from an investor's perspective, the growing reliance on
18 numbers that cannot be, at times, justified is a
19 problem. And we do look for them.

20 MR. HARRIS: So just getting to the question that
21 you just raised. What challenges do you see the auditor
22 reporting on these measures and how would you go about

1 doing that?

2 MR. SONDHI: Well at the very least, for example,
3 we could ask them to talk to us about the consistency of
4 the way these are calculated. Are the reconciliations
5 correctly provided? So what is the base? What is it
6 that you're doing? Are the tax effects, as the SEC is
7 focusing on, are you correctly adjusting for the tax
8 effects?

9 I have a feeling, though, that my ability to do
10 this is going to be hampered by some of the changes the
11 FASB has proposed on the disclosures of the details of
12 different taxes. And it's something that I find very,
13 very difficult to accept, because the FASB tells me that
14 it's too costly to provide this information. I have no
15 idea how you come up with a netted number without
16 calculating the two numbers you're netting.

17 (Laughter.)

18 MR. SONDHI: I just don't know how you do it. I
19 don't care how -- where is the cost-saving? So in that
20 sense, when I look at that, my ability to develop a
21 reliable estimate of the effective tax rate is being
22 hampered. And if I can't come up with a good

1 understanding of an effective tax rate, I am not going
2 to be able to figure out whether the reconciliation in
3 the tax effect is being correctly done. So I think that
4 there is a framework. There are ways in which we can do
5 it if we keep in mind how critical having this
6 information is. Thank you.

7 MR. HARRIS: Mr. Chairman?

8 MR. DOTY: Well thank you, Steve. I think this
9 could be fairly characterized as the most productive
10 single session that we have ever held with the Investor
11 Advisory Group -- possibly at the SEC and the SAG and
12 all of our other advisory groups. The extent of
13 convergence of comment and the reference back to what
14 the role of the PCAOB is and should be is what is most
15 important and instructive here.

16 I'm not going to summarize. I'll be standing
17 between you and lunch. But Joe, the need to randomize
18 a baseline of audits that are not risk-based: got it,
19 check, on the list, working on it. Damon raises a very
20 important point. And that is, how can we find and know
21 that those areas in this subject matter where auditors
22 are just not giving appropriate attention to what

1 they're looking at, and taking that back and reflecting
2 on how that affects the validity of the audit and the
3 kind of mistakes that Parveen and others have referred
4 to. That is our charge, I think.

5 Gary Walsh makes a very telling statement. A day
6 of reckoning is coming for sure, he said. I've been
7 taking copious notes and that went in the notes. The
8 fact is that Bob Tarola, Linda de Beer and others have
9 urged us to start thinking about how we move more in the
10 standards and in what we're doing at the Board to
11 recognize that the information flow is continuous and it
12 needs to get to the board.

13 This is what we need to think about. I am very
14 impressed that the SEC has stepped out with the CD&I.
15 And I think that is perhaps a ship in whose wake we
16 should follow, and Marty has spoken to it. That is to
17 say, I am very interested in the extent to which we
18 should start thinking about interpretations even beyond
19 the Audit Practice Alerts we have issued that indicate
20 where we think the interpretation of standards that may
21 be practiced in the field is simply too narrow for what
22 the standards should require.

1 We should begin to expand and work on the ways in
2 which we affect the daily conduct of auditors --
3 referring them back to the standards and to what we are
4 now seeing here and where it leads us. The distinction
5 that Mike Head made of aiming us to direct people to
6 what is factual information versus opinion information
7 is something that may be benefitted by the Critical
8 Audit Matters and Key Performance Indicators. We should
9 work on that.

10 The one thing I think we should not do -- the one
11 thing we cannot do, is to look at the technical
12 obstacles and challenges that exist to achieving Tony
13 Sondhi's goal and taking those as a reason for not
14 starting or for throwing this aside. That is the way to
15 the day of reckoning that Gary Walsh referred to, and
16 it's what we cannot afford to do as regulators. And I
17 think what you have given us today is tremendous
18 stimulation to keep thinking and not giving into the
19 temptation of thinking that it's someone else's
20 business. So, many thanks.

21 MR. HARRIS: I said at the outset how much we
22 very much appreciated Chair White's being here, but also

1 how much we appreciated Brian being here throughout all
2 of our sessions. But Wes, I know that you want to make
3 a final comment and I want to recognize you for the
4 closing comments on this session and then we will break.

5 MR. BRICKER: Well, thank you very much. And
6 consistent with Mary Jo's comments at the beginning and
7 consistent with Chairman Doty's comments and yours as
8 well, Steve. This is an incredibly important and
9 informative discussion that informs our work as has been
10 referenced throughout the dialogue. I know it informs,
11 certainly, the work of the PCAOB as well as it should.
12 But it also informs the work of the FASB because it
13 really runs to, I think, the credibility of information.

14 It also runs to the point that information is, as
15 a concept, is not static; it has changed over time. It
16 has changed from the concept of our rule-making in this
17 area post-Sarbanes-Oxley. It has been revisited on
18 periodic intervals, just as it is now. So the dialogue
19 is important. I would also urge and reinforce the role
20 of audit committees to draw out a valuable discussion
21 through their relationship and their responsibilities
22 with external auditors, with internal auditors and

1 management as they together have a point of view about
2 the nature of the measures that are being provided in
3 the marketplace.

4 Even in the absence of additional standard-
5 setting. But I do believe the dialogue has been good.
6 I do believe that the approach to reinforcing not only
7 our rules but also the role of credible information is
8 making progress. But I look forward to more work being
9 done.

10 MR. HARRIS: Well with that, we will take a break
11 and revisit it at 1:30 p.m. We will come back to the
12 schedule. And so we will get those of you who have made
13 plans to get out, out on time. But the next session
14 promises to be an extremely interesting session as well.
15 So we will break and see you back here at 1:30. Thank
16 you.

17 (Whereupon, the above-entitled matter went off
18 the record at 12:26 p.m. and resumed at 1:32 p.m.)

19 MR. HARRIS: However you want to organize it, the
20 two of you, please feel free to go ahead.

21 MR. GUPTA: Lynn, you want to start the first
22 couple slides?

1 MR. TURNER: Sure, Parveen. Damon Silvers was
2 going to start us off and, unfortunately, he had a
3 luncheon at the White House that was going to start at
4 11:30 and as our morning session kept going on, he
5 delayed it and delayed it and he conveniently delayed it
6 to 1:30.

7 MR. HARRIS: Well, we got to give him a little
8 grief in the future, because I think we've heard that
9 once before. So, we'll have to --

10 (Laughter.)

11 MR. TURNER: I know I've heard it more than once.

12 MR. HARRIS: We'll have to keep him honest.

13 MR. TURNER: Really, what I want to know is, what
14 are they serving up at the White House? So, at any
15 rate, but Damon gave me instructions on what to say, so,
16 Parveen, if you can flip the slide?

17 Our charge was really to go back through the
18 recommendations of the ACAP Committee that came out in
19 October of 2008, eight years ago, and discuss those in
20 the context of investors and prioritize recommendations
21 that haven't been implemented in terms of what is
22 thought to be most important to, would be most important

1 to investors. Want to flip it?

2 Just to give you some background, as Damon
3 pointed out to me, this was considered to be a very
4 significant undertaking and study by the Bush
5 administration. After discussions with the auditing
6 profession, when it was put together by Secretary
7 Paulson, he went through a very thoughtful process in
8 terms of picking the members.

9 He had Paul Volcker on it, Arthur Levitt, Rodgin
10 Cohen, the lead and very distinguished attorney at
11 Sullivan and Cromwell, a number of people from the
12 business community, Bank of America, Goldman Sachs, well
13 known members of audit committees, the heads of a couple
14 of the audit firms, KPMG, Tim Flynn from, I believe that
15 one was one of the second-tier firms, and then there was
16 one, Gaylen Hansen, from one of the smaller firms. So,
17 very broad selection.

18 On top of the 21 members, there were a number of
19 observers, Dan Goelzer from the PCAOB at the time, Bob
20 Herz from the FASB, David Tweedie from the International
21 Accounting Standards Board participated, a number of
22 people from foreign regulators, as I recall, Michel

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Prada came in and participated.

2 And there were -- the deliberations really got
3 started in the fall of 2007, there was a request, an
4 extensive request for information from the auditing
5 firms themselves, financial and otherwise. Some of
6 those were fulfilled, a number of them went unanswered,
7 if you will. There was a number of presentations in
8 private. There was public hearings, both here in
9 Washington, D.C., as well as out in out in L.A., so on
10 both coasts. Comments were solicited, there was an
11 exposure draft with recommendations put out.

12 The group overall decided to break into three
13 groups. One on human capital, because the talent pool
14 was considered to be significant and a big issue to
15 audit sustainability, if you don't get the people you
16 need, it's tough to do the job and put out the right
17 product.

18 Firm finances and structure was an important
19 part. In that group, there was a very extensive
20 discussion, debate about auditor liability and auditor
21 liability reforms. This is actually the only major
22 report on the auditing profession where there was not a

1 recommendation for further reforms of auditor liability.

2 And it was interesting, the business community
3 representatives actually strongly supported that
4 conclusion and finding on the panel. The investors
5 definitely were there, but it was fascinating to see the
6 people from the business community come and oppose
7 further liability reform for the auditing profession in
8 that section.

9 And then, finally, there was the section led by
10 Damon on competition and concentration. There was views
11 that companies, the business community wanted more
12 selection, more choices to select from. By that point
13 in time, we were down to the four, they wanted more than
14 that and wanted more options. So, that section got into
15 that.

16 And so, finally then, in October 2008, out came
17 the final recommendations. There are 21 recommendations
18 and it's because those are the three areas that were
19 considered important to maintaining the firms. And they
20 came out and the report got published, if you will.

21 And probably a shortcoming of the whole thing was
22 there was never any mechanism that was put in place to

1 monitor the implementation by the various groups, and
2 this has been typically true.

3 There's been other major reports on the
4 profession in the past, the Cohen Commission, the
5 Treadway Commission, there's one other, it escapes my
6 mind, in between that and this one, but there was never
7 a monitoring mechanism, although the GAO at one point in
8 time, this might have been under Jeanette, did a very
9 good evaluation at the request, I think, of Dingell
10 probably, that went back in and issued a good report
11 that said, here's what's happened with those. And, in
12 fact, that report became part of the deliberations that
13 led up to this report. There was tons of binders of
14 information that the group went through. So, I'll leave
15 it at that and out came the recommendations and away we
16 go.

17 MR. GUPTA: Okay. Thank you, Lynn. I think,
18 Mary, would you talk about this slide now?

19 MS. BERSOT: Yes, thank you. I'm not going to go
20 through each one of these, to spare you all and we are
21 behind schedule. So, what we did as a group, we looked
22 at these recommendations and tried to pull them together

1 and come up with what we thought were really the basic
2 or the most important principles for investors.

3 So, these are really the things that we feel the
4 recommendations accomplish. In a perfect world, if all
5 of them were to be implemented, we really feel that they
6 would add enormously to the quality of the audit,
7 disclosure information, more --- clearer communications,
8 which we think are important.

9 The two things I want to mention that we did
10 spend some time talking about was the establishment of
11 a national research center for fraud. We all agree that
12 fraud is a very serious problem that we can't really get
13 our arms around in advance, except the PCAOB is in a
14 wonderful position to be able to look at fraud, to study
15 past fraud, and perhaps set up a database for others to
16 use so that certain trends or patterns could be
17 recognized. So, this is the one thing that we pulled
18 out of this that I wanted to mention today that we did
19 as a group think was important to investors.

20 And then the last thing is, increasing the
21 competency of the people working in the profession.
22 When I first looked at this, I thought, you know, I'm

1 not so sure it's real important that these auditing
2 firms are really financially strong.

3 I don't know where that came from, but in going
4 through this process, I realized it's critically
5 important, because they need to attract talent and they
6 need to train people and people need to be skilled in
7 the work they're doing and they need to have the funds
8 to invest in the database and the technology that they
9 need.

10 So, this human capital portion of these
11 recommendations, as far as our group is concerned, is
12 definitely of value to investors. So, I'm going to move
13 on. I'm not going to go through each one of these
14 points, I think they're pretty self-explanatory.

15 MR. GUPTA: Okay. So, at this point, what I will
16 do, I will talk about the next few slides, provide an
17 update. And those of you -- as Lynn mentioned, the ACAP
18 report, which we printed and read, the whole big copy is
19 still available on the website of the Treasury. And we
20 wrote letters to AAA, AICPA, NASBA, SEC, and PCAOB and
21 we got responses from everyone. And we also did our own
22 research in terms of figuring out what progress has been

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 made.

2 So, what I'll do in the next few slides is
3 summarize that progress. And also, one important point
4 to mention, the working group did discuss what is going
5 to be our lens in evaluating the progress made towards
6 these recommendations and we agreed that we are going to
7 be looking at it from the viewpoint of how these
8 recommendations have helped the investor, or they have
9 the potential to help the investing sort of community.

10 And then also, the progress was evaluated from
11 the same angle and then we came up with the five
12 priorities we thought that the Board may like to focus
13 on in the near term. And then, I think, Norman is going
14 to take over and talk about some of those.

15 So, as you can see, we have a fairly big report
16 that we wrote, along with everything else, and it's
17 available for you to review. But we decided to use a
18 color-coded scheme, and we acknowledge that people may
19 have a disagreement, we can certainly have a big debate
20 on it, but that's not what the intention is, that what
21 progress is made.

22 So, very clear, this is a scheme that most of us

1 have seen in the boardrooms. And red means little or no
2 meaningful progress has occurred in the opinion of the
3 working group. And orange or yellow is some
4 implementation has occurred, but more remains to be
5 done. And green is that the ACAP recommendation has
6 been acted upon with some successful results.

7 So, I will go through these relatively quickly to
8 give you an idea and bring everyone on the same page.
9 So recommendation -- the first category was human
10 capital. And within the human capital, the first
11 recommendation, 1(a), is talking about updating the
12 exams and things like that, updating of the
13 certification.

14 CPA exam has been revised and the new version is
15 to be launched on April 1, 2017, and many of us in the
16 audience know that what changes are occurring, so I will
17 not go into those details, except the number of hours
18 have gone up from 14 to 16 also. The reason we have
19 there the yellow or the orange is because significant
20 diversity continues to exist in the 54 jurisdictions
21 regarding requirements to sit for the exam.

22 1(b) and 1(c) are talking about updating the

1 business and the accounting curriculum and the reason
2 for that particular color there is that there is no
3 systematic process currently in place at the national
4 level, either via AAA or any other organizing group, to
5 track what changes are occurring, are they timely, are
6 they -- the curriculum is current or not. So, that's
7 what is the status with regard to 1(b) and (c).

8 With regard to the 2(a) and 2(b), which is
9 recruiting and retaining minorities in the auditing
10 profession, some positive movement has occurred in this
11 direction and we quote some data from the latest 2015
12 AICPA Trends Survey. Just to give an idea that in 2008,
13 at the time of ACAP's recommendations, according to that
14 particular survey, there were 32 percent of the
15 accounting students graduating were non-whites and in
16 2015, the number went up to 38.

17 And the number of new hires in the accounting
18 field, that 28 percent was non-white and it has gone up
19 to 31 percent. We could not find the data on the
20 retention, so obviously some efforts need to be made on
21 that side to see what kind of information is available.

22 2(c) talks about the role of the community

1 colleges in recruiting minority. Was very difficult to
2 get some relevant information on that. And 2(d) and
3 2(e) are talking about cross-sabbaticals at Historically
4 Black Colleges and Universities and increase in the PhD
5 programs of minority population. So, there is a
6 progress as a result of the PhD project, from 294 PhDs
7 in 1994 to about 1,300 in 2015. So that's the progress
8 on that.

9 On the 3(a), supply of PhD qualified accounting
10 faculty and professors of practice. Accounting doctoral
11 scholars program is there, AICPA and the Big Four firms
12 have committed over \$17 million in that particular
13 initiative. AAA and AICPA have come up with the
14 Pathways Commission. More emphasis is taking place on
15 the professionally focused faculty. Cross-sabbaticals,
16 we are all aware of, the Securities and Exchange
17 Commission has some, I have served in that role myself,
18 and PCAOB has also started in 2009.

19 In terms of the 3(c), which is private funding
20 for the accounting research, certainly is not happening
21 at the large scale like the sciences. And one of the
22 discussions in the working group was primarily, perhaps

1 some of the research that academics are conducting, the
2 regulators, policy centers, and the practitioners may
3 not be finding it as useful. The divide between the
4 academic research and what practitioners want is
5 certainly growing.

6 In terms of moving on to the human capital
7 recommendations, Number 4 and 5 here, Number 4 deals
8 with the demographic data, program profile data. We
9 really don't have access to any coordinated data set
10 there, except what the AICPA Trends Survey is giving us
11 the information on.

12 Number 5, certainly, is satisfied in the sense
13 that the AAA and the AICPA formed the joint commission,
14 Pathways Commission. A lot of work has been done in
15 that area, a lot of reports have come out, and they're
16 all publicly available as a matter of fact.

17 On the concentration and competition, which is
18 the second category, Recommendation 1(a) is talking
19 about public disclosure by corporations of any
20 agreements with third parties that restrict the auditor
21 choice. No such rule exists as of today and we did some
22 search to figure out, in the material definitive

1 agreements section of the reports, to find if there's
2 any incidents of disclosure in this area and at least I
3 could not find anything when I did the word searches
4 through a program to see what might be there.

5 1(b) is talking about the inclusion of
6 representatives of smaller audit firms in the various
7 forums, fellowships, and engagements with the AICPA,
8 PCAOB, SEC. It's occurring, we can tell from our
9 experience, but once again, we do not have any empirical
10 data to really conclude whether tangible progress and
11 sustainable progress is being made in that direction or
12 not.

13 On the Recommendation 2(a) and 2(b) here, this
14 one is particularly critical in the sense it talks about
15 PCAOB's monitoring of potential sources of catastrophic
16 risk that would threaten the audit quality.

17 According to the response we got from the PCAOB,
18 as well as what we saw on the website, the strategic
19 plan does list something to this effect as a priority
20 and what's said in there is they study the business
21 models of the firms, but we could not find any other
22 information that would allow us to conclude what exactly

1 has been done and what progress has been made in this
2 area.

3 2(b) deals with the establishing a mechanism to
4 assist in the rehabilitation of a troubled large CPA
5 firm in case, god forbid, that were to happen. And we
6 couldn't find a whole lot of information in that area
7 also that what progress is made. Now, remember, all of
8 this is research based in the publicly available
9 information sources that we have.

10 Number 3 in this category talks about the AQIs,
11 as we talked about a little bit in the morning also. In
12 general, yes, efforts are underway and lots of stuff has
13 occurred in that area, implementation has yet to occur
14 in the sense of a final rule or something of that sort.

15 In terms of 4(a), single source of access for
16 auditor independence requirements in one place, there
17 are various places where that information is available,
18 but, again, as the ACAP intended perhaps in one
19 particular place freely available information, that is
20 still not available. But, yes, that information is out
21 there and many commercial outfits are selling that for
22 a fee also.

1 4(b) is talking about training to develop
2 professional skepticism regarding independence and other
3 conflicts. We know that progress has occurred in that
4 area in the sense PCAOB Staff Audit Practice Alert
5 Number 10, NASBA and AICPA have several projects
6 underway in that area.

7 With regard to the Recommendation 5, which is the
8 verification of auditor appointment by the shareholders,
9 informally, it is occurring quite a bit in the public
10 space, but there is no formal rule in that area yet.

11 Number 6 is talking about enhancing the
12 regulatory collaboration between the Board and its
13 foreign counterparts. And, yes, progress is definitely
14 occurring in that area, as we read in the news.

15 With regard to firm structure and finance and
16 governance, the first one is, and this actually comes
17 out in our priorities, national center on fraud. And we
18 know that the Board started in this direction under Mr.
19 Goelzer in 2010, but it's still pending and did not
20 follow through.

21 There are initiatives, as the Board reported to
22 us, that they have, for internal training, fraud cases,

1 fraud databases there, and they have a goal to make it
2 available to the public and it will be good to get some
3 clarity on that.

4 On the Recommendation 2(a), which talks about the
5 mobility provisions, progress is being made, 49 out of
6 54 jurisdictions have adopted, but we are not quite at
7 the finish line yet. 2(b) is talking about the
8 regulatory roundtables. Yes, they exist, they are
9 occurring between NASBA, PCAOB, SEC, and other
10 regulatory bodies.

11 2(c) is talking about the greater financial and
12 operational independence of the state boards of
13 accountancy. And NASBA seems to be advocating quite a
14 bit in this direction, so progress has been made.

15 Recommendation 3 is auditing firm governance,
16 that comes out, that we'll talk shortly, in our
17 priorities also. That deals with the independent board
18 members with full voting power and transfer and
19 disclosure of their governance controls. The feeling of
20 the working group was that compared to the EU, we in the
21 United States still have a long way to go in that
22 direction.

1 Number 4 is talking about amendments to Form 8-K
2 to appropriately characterize any premature auditor
3 changes. There are all kinds of disclosures being made
4 in the Form 8-K, but they are still not capturing this
5 premature partner rotation, so we believe that the
6 progress needs to be made in that area.

7 Number 5 is the auditors standard reporting
8 model. We have a separate working group on that, we'll
9 be talking about it. And so, there is a movement here,
10 everybody knows, so I'm not going to talk too much on
11 that, but there is work being done in that area.

12 Then, Number 6 is dealing with the engagement
13 partner signature. Yes, working group acknowledges that
14 true for maybe these disclosures are being made, but the
15 conversations occurred in the working group that it's
16 not as easy to obtain information and there would be
17 additional time and cost imposed on the investors in
18 terms of securing this information. Perhaps more
19 progress can be made in that area.

20 Number 7 is talking about the annual report by
21 large audit firms, something along the lines of the EU's
22 Eighth Directive. And progress certainly needs to be

1 made in that area, when we are talking about what we are
2 doing here, what's being done in Europe.

3 So, with that, I'm going to turn it over to Mr.
4 Harrison to talk about the five priorities of the
5 working group that we want to bring to the attention of
6 the Board for near term actions.

7 MR. HARRISON: Thank you, Parveen. So, as you've
8 seen, we, in essence, divided our work and our
9 presentation into two elements. The first being a
10 review, recap, research into work that's done to date,
11 information gathering. The portion I'll touch off now
12 in my remarks has to do with the advisory piece of our
13 work and our proposal.

14 We decided that it would be most productive to
15 focus on a limited number of the initiatives that
16 received either an amber or red score on our review,
17 those that we felt, if completed or if fully
18 implemented, would result in the greatest benefit to the
19 investor community. And the interesting thing was that
20 there was a good healthy discussion among the working
21 group members, but at the end, there was some strong
22 consensus around the five.

1 Here they are, and I'll move to the next slide in
2 a minute, but what I'll point out here is that, if I'm
3 not mistaken, all five of them, or at least four of the
4 five, should be familiar to some of the longer serving
5 members of this group because these are all topics that
6 we have discussed --

7 (Laughter.)

8 MR. HARRISON: -- more than once over the history
9 of our time together, which may say something in itself.
10 So, let's move on to the first one.

11 First area where we would urge the Board to
12 continue and complete its work is in the area of AQIs.
13 And this goes to what we view as a fundamental issue of
14 educating the investor community, providing them with
15 information that they need to have a well-informed say,
16 and provide well informed feedback to audit committees,
17 in the cases where their shareholders are permitted to
18 vote, to cast an educated vote as to whether or not to
19 approve the reappointment of an auditor.

20 That information simply doesn't exist today and
21 we think there's some fairly strong concern and
22 consensus in the investor community that it would be

1 very useful information to have.

2 We talked during the earlier presentation about
3 the results of the Board's inspections of firms and I
4 take to heart the point that Joe raised about selection
5 criteria and how to read the results, but nonetheless,
6 there are, the deficiency rates, as you all well know,
7 are in the view of some, disturbingly high.

8 Over the past, 2012-2014 period, among the Big
9 Four firms, the deficiency rates were between 35 and
10 almost 40 percent. One of the firms had a 50 percent
11 deficiency rate in 2013. Those numbers are higher for
12 the second-tier firms, and we think that alone provides
13 a basis for concern about audit quality and a strong
14 basis for having a set of criteria or indicators that
15 would help investors better understand the quality of
16 the audit and the quality of the auditor performing the
17 audit.

18 This was, as I mentioned, this particular topic
19 was covered here in 2013, and I think all the members of
20 the working group are still here, I think it was Tony
21 and Lynn, Gary, Mike, and Damon and I, I think were the
22 members of the working group that recommended to the

1 Board a set of AQIs that had as their objective a focus
2 more on the outcomes of the audit than on the process by
3 which the audit was conducted.

4 That, of course, was followed by the concept
5 release and the receipt of comments. Our understanding
6 based on the correspondence we received from the Board
7 is that the current plan is for there to be continuing
8 study of this topic and, in the meantime, prior to any
9 eventual action, encouragement of audit firms in the
10 U.S. to develop their own and employ them on a voluntary
11 basis.

12 Some would say that's a polite way of saying that
13 this initiative has run to ground, and I think the view
14 of this group is that it deserves to be a priority and
15 that we'd strongly urge to keep going. Next.

16 The fraud center, Parveen mentioned as well. And
17 just briefly to recover, there was some early action
18 here at the Board to create a center. There was a
19 listing for a position of a director and that did not
20 come to fruition. We are mindful of some of the work
21 that both CEA and ORA are doing that touches on the
22 gathering of data and dissemination of data relating to

1 frauds and we understand and appreciate the importance
2 of that.

3 But it, nonetheless, is the strong view of this
4 group that the fraud center, the concept originally
5 envisioned by the Commission, the Paulson Commission, is
6 a worthwhile and important effort in itself that should
7 be undertaken independently and have a life and a body
8 and funding and staffing of its own.

9 And that, while there may be some questions or
10 concerns about cost, we think this is a good example of
11 a category of initiatives where the cost/benefit
12 analysis can be difficult, because the costs are
13 probably somewhat easy to measure in quantitative terms,
14 the potential benefits we all think are enormous and
15 difficult to capture in financial terms.

16 The level of information, the encouragement of
17 research, and identification of trends relating to fraud
18 and categories of fraud among the professional firms and
19 the investor community, we think is an initiative that
20 deserves the Board's full attention and priority. So,
21 we would strongly urge you to revisit and keep going in
22 the area of establishing an actual fraud center as

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 originally envisioned by ACAP.

2 Again, the audit report is a topic of the next
3 panel, and we certainly don't want to step on their
4 toes. I will simply point out here some areas in which
5 we believe investors would obtain the greatest benefit
6 from fuller disclosure or discussion in the audit
7 report. One of those, as the Committee recommended, was
8 statement and clarification of existing rules, including
9 the Board's standards related to the auditor's
10 responsibility for fraud detection.

11 Critical audit matters is a topic for Joe's
12 panel, which we will discuss in a few minutes. We
13 believe that disclosure of the auditor's tenure and the
14 disclosure of the process and result by which the
15 auditor confirmed its independence are important for
16 investors to see and have an opportunity to read.

17 And in addition, other information concerning the
18 manner in which the audit was conducted, the results,
19 and the risks that the audit firm identified in its
20 application of the risk assessment process that the
21 Board's new rules now require.

22 The fourth topic where we believe strongly that

1 we've fallen behind here in the U.S. is on the issue or
2 the category of transparency and governance of the large
3 audit firms. And, again, this is a topic that this
4 group has visited in the past and the theme here, the
5 underlying principle here, is that the audit firms
6 obviously occupy a central position in the capital
7 markets in our economy.

8 There is a legislative mandate to employ them and
9 engage their services for audit. I know a lot of us who
10 are in the consulting or advisory business would love
11 for there to be a legislative mandate for people to hire
12 us, but it --

13 (Laughter.)

14 MR. HARRISON: And then their status as economic
15 entities in our economy is also a somewhat protected
16 status, and we all believe and believe that the investor
17 community strongly believes that, in exchange for that,
18 it is only reasonable to expect some level of disclosure
19 about the manner in which the firms are governed and
20 about their financial strength and sustainability that
21 is much greater than the information that's provided
22 today.

1 And, as I mentioned, the European, EU standards
2 concerning transparency reporting are much stronger than
3 here in the U.S. They require detailed discussion of
4 legal structure, governance structures of the firms, a
5 discussion of their internal quality control systems,
6 and a statement regarding efforts that have been made to
7 ensure the effectiveness of those systems, including
8 specifically an explanation of when their last quality
9 control assessment took place and what the results of it
10 were, and disclosures around independence practices and
11 confirmation that internal independence reviews have
12 been conducted and the results of those reviews.

13 All of which we think are critically important
14 issues that go to the integrity of the firms, their
15 independence, and the audit process they undertake. And
16 I think the best that I can do here by way of example,
17 and it's only one, is to show you.

18 In doing a little homework for this presentation,
19 I pulled up the copies of a 2015 transparency report for
20 one of the Big Four firms. This is the U.S. firm's
21 report, this is the European firm's report.

22 MR. SMART: On the firms, that's the --

1 MR. HARRISON: This is their --

2 MR. SMART: -- firm's audit?

3 MR. HARRISON: -- the transparency report. Nine
4 pages, 83 pages, 22 of which in the European -- and I
5 should -- strike that, I misspoke.

6 MR. DOTY: Norm, the firms are now color coded, so
7 you want to be careful.

8 MR. HARRISON: Yes, I got that. Yes. But what I
9 think -- right. There would be, these are in the public
10 domain, I think the trend would be uniform. This is
11 actually the U.K. member firm's report, so I want to be
12 sure I'm -- one country.

13 Eighty-eight pages versus eight, nine, including
14 detailed discussion of internal control, quality control
15 systems, the manner in which they're implemented, and
16 statements of quality assessment reviews conducted both
17 internally, through their professional practice
18 protocols and groups, as well as by external reviews.

19 And so, we think that the picture is worth a
20 thousand words there, that we're behind and that given
21 the relative size of the capital markets and the
22 difference in revenues between the two, the two member

1 firms that are at issue here and in other examples we
2 could provide, that investors in the U.S. or investors
3 in companies listed and audited in the U.S. are not
4 receiving a fraction of the information that investors
5 in other economies are receiving with respect to the
6 governance and risk assessment processes and financial
7 stability of the Big Four firms.

8 So, those are four of the five. The fifth topic
9 that we will cover, the fifth recommendation relates to
10 the human capital recommendations, so I'm going to turn
11 it back over to Parveen and to Joe, I believe, on this
12 one. This is an area that both of them have devoted a
13 great deal of time and scholarship to, so I'm happy to
14 turn it back over to Parveen.

15 MR. GUPTA: Thank you, Norman. And I think this
16 is last, but not least, important. It's a critical
17 topic that's very near and dear to Joe and myself as
18 educators. And although the recommendation in the ACAP
19 report talks about upgrading the curriculum, but if you
20 really look beneath it, what it is talking about is
21 making sure that the human capital supply chain is fit
22 for purpose.

1 And it directly impacts the audit quality and,
2 hence, the investor protection and capital formation.
3 So, there is a direct causality in the linkage and it's
4 very important.

5 Now, what we did in this case, although the ACAP
6 recommendation was asking for that there should be some
7 monitoring of the processes in place, how frequently and
8 how critically the curriculum in accounting and business
9 is upgraded, and as I said in my update, there is no
10 formal mechanism in place where we can go and really do
11 a study over a ten, 15, 20 year period to see what is
12 happening.

13 And there are reasons for it and, obviously,
14 there is no one particular agency that keeps track of
15 this thing. And American Accounting Association is just
16 a group of professors who contribute information on a
17 voluntary basis, but there is no coordinated effort
18 there.

19 So, once we went a little bit further, and, Joe,
20 feel free to chime in, we kind of identified what are
21 the hurdles here that we see from our experience in my
22 role as a chair of the department for nine years, I

1 stepped down on June 30, and Joe is still the chair of
2 the department.

3 We interact with the firms, we place our students
4 in the auditing supply chain, so it's a little bit of
5 our own experience also interacting with the supply
6 chain, so to say. Lower financial return in auditing,
7 basically, this is public information.

8 What I learned by collecting this data, and
9 Lehigh is just one example, auditing student is getting
10 anywhere, 55 to 58, or maybe 60 at the most, starting
11 salary. And, as a matter of fact, when you look on the
12 advisory side, the salaries are 75, 78.

13 So, when you are talking to a 23 year old student
14 who is really carrying a lot of debt and their parents
15 are saying that, honey, it's done, after that you go and
16 do the job, student will come and sit in the office and
17 rightfully argue with you that, what is it that is going
18 to motivate me to make a career in auditing as opposed
19 to where I'm going to get money?

20 Twenty thousand dollars at that young age is a
21 substantial sum of money, it's almost 40 percent of your
22 auditing salary. So, that is one particular hurdle we

1 see in the way of the supply chain.

2 The other aspect which I used to think maybe I'm
3 the only one who thinks and then Joe validated that
4 after he became the chair, and this is critical, as a
5 matter of fact, when we were putting this together, Joe
6 said that, Parveen, if we can hit on this point, I think
7 rest of the problems will be solved, and the point
8 basically is, lack of understanding and recognition by
9 many in the higher administration of our universities,
10 particularly the business deans, quite frankly, that
11 accounting programs are very unique.

12 And they need to be treated differently than,
13 with all due respect to finance and marketing and supply
14 chain and human resources, et cetera, because there is
15 a public and trust mandate, so to say, we have.

16 And what is happening is, when the accounting
17 programs are being treated just the same way as
18 everything else, there are problems in terms of
19 upgrading curriculum, because you have to go through the
20 bureaucratic process and then you get into territorial
21 battles, why accounting should have the higher number of
22 credits and why not marketing?

1 And we all know the human nature, so you start
2 fighting those battles. And as a chair, time comes when
3 you say, enough is enough and I'm not going to pursue
4 this line any further. And the other is the engagement
5 of the accounting faculty, that the profession is very
6 critical.

7 And I think our experience is that, because there
8 is a publish-or-perish mentality, that is forcing many
9 of the pre-tenure faculty and even the tenured
10 colleagues who are at the associate level to hide in
11 their offices and just do research that is getting
12 published in the elite journals.

13 And whether the practice community, the
14 regulators, policy makers are getting informed or not,
15 it doesn't really matter, but I don't want to waste my
16 time interacting with the practice folks, I just want to
17 hide and do my work and publish in some of the journals
18 that you may not even touch.

19 The MS in accounting programs, I think we share
20 a concern that it is important that the right way
21 accounting education, the 150 credit hour
22 implementation, perhaps should accredit to a post-

1 graduate degree in accounting. And that was very
2 clearly highlighted in the ACAP report, in one of the
3 dissenting opinions also.

4 And our experience is that, actually twofold in
5 this sense, many students are doing a checklist kind of
6 mentality, as in the academic circles we would say that
7 a number of students end up taking proverbial basket-
8 weaving courses, you get the credit and you are done,
9 you are complete 150. So, it does impact the quality of
10 the auditing, it does impact whether we are imparting in
11 them the skill set which is essential to audit the
12 complex businesses of today.

13 Another thing that's happening is, a lot of one
14 year programs are popping up for the revenue generation.
15 And we were talking about this at the lunch table too.
16 Universities are significantly focused on raising
17 revenue, everybody's feeling the crunch. And what is
18 happening in the process is that non-undergraduate
19 accounting students are joining these programs and you
20 are cramming everything into one year or 18 months or
21 maybe a little bit longer.

22 And people acknowledge in our academic circles

1 that the pass rate for such students on the CPA exam is
2 much lower, but they say, so what? At the end of the
3 day, they are going to go do auditing for two years and
4 move on. I think that's a cause of concern. It is
5 really not producing fit for purpose supply chain.

6 Lack of uniformity in the state board
7 requirements, we came across some research, the number
8 of credit hours varies significantly within the 54
9 jurisdictions. Fine, at the end of the day, everybody
10 takes the CPA exam and you could argue that, hey, the
11 playing field is level there, when they take the exam,
12 they get the certificate.

13 And we all know that the CPA exam is short-term
14 memory exam, it trains you for entry level, but what we
15 are talking about here is developing mature judgment,
16 developing professional skepticism, and the ability to
17 ask the right questions through developing that
18 particular skill set.

19 Couple other points here on this slide are, you
20 may not be familiar with the idea of how the
21 accreditation works in the accounting programs,
22 particularly the way the dominating agency, which is the

1 AACSB, does the accreditation is, my accounting program
2 can design its own mission.

3 They will come and evaluate us in light of that
4 mission, that mission may have nothing to do with the
5 public and trust. If lot of my students are going to
6 into public accounting, but my mission has nothing to do
7 with the public accounting, I still get the
8 accreditation. Obviously, there are some hooks there,
9 but at the end of the day, it is a self-mission driven
10 approach as opposed to the public and trust mission
11 approach that we would advocate in that sense.

12 And then, I think another concern is, we don't
13 have the analysis to support it, it is sort of our
14 personal views here in the sense that we are seeing lot
15 of faculty coming into the classroom without the CPA
16 degrees or the certification or without even real life
17 practical experience.

18 And you wonder what level of engagement they will
19 have, what level of instruction they might have. It is
20 not to say that the people who don't have this kind of
21 a background are not good teachers, but I think it's a
22 joint mission between the academia and the practice and

1 we own it together to make sure that we are preparing
2 students who are really fit for the purpose, and the
3 purpose is becoming complex and complex as we are going
4 forward. So, those are some of the hurdles we see.
5 Joe, do you want to say something on this slide?

6 MR. CARCELLO: I mean, you did a wonderful job,
7 Parveen. I think one of the challenges here is it's
8 really not clear who owns this. This is one of the big
9 problems, it's not obviously by any stretch a PCAOB
10 issue, it's not obviously an SEC issue, so it's very
11 hard to assign accountability for this.

12 And the recommendations were originally made
13 largely to AAA and NASBA. I think with the benefit of
14 hindsight, that might have been a mistake. AAA has no
15 power, so for the people in the room who are not
16 familiar with AAA, do not deceive yourself, there's no
17 power there.

18 NASBA, to some extent, but only through the CPA
19 exam. And candidly, NASBA can change whatever they want
20 and some schools are just going to say, well, that's
21 more responsibility for Becker. So, that's not even
22 going to move the needle that much. The only thing that

1 probably would move the needle would be one of two
2 things.

3 For major employers to say, this is what we
4 expect, if you don't have this, we're not going to hire
5 from your institution. The problem with that is, with
6 starting salaries at \$55,000, their biggest concern is
7 not having enough people, so they don't want to start
8 biting the hand that feeds them.

9 The other issue that might be able to move the
10 needle, and Parveen certainly alluded to this, is AACSB.
11 AACSB does have the ability to change behavior because
12 of accreditation standards that most schools care about.
13 But it's not obvious to me that the SEC or the PCAOB, it
14 would have to be more moral suasion, you don't really
15 have any authority, at least not that I'm aware of, over
16 AACSB.

17 MR. GUPTA: I guess the only thing I would say,
18 and what we did on the next slide is couple of thoughts
19 we have put down together here for some of these
20 voluntary organizations, like AAA and NASBA, to
21 consider.

22 The only place where I would submit that the

1 Board could pursue it is the firms, since you do have
2 the direct jurisdiction over the firms, and continuously
3 questioning them that, what are you doing in order to
4 attract the right talent? And that may perhaps lead to
5 some of these organizations making sure that they are
6 getting the right set of students.

7 Yes, it is absolutely true that this is very much
8 a market driven problem and what we are recommending
9 here basically is that perhaps the American Accounting
10 Association, of which both of us are members, may wish
11 to commission a study in a systematic way to figure out
12 that what are the potential solutions?

13 Because the view that we have is we are all in it
14 together and educators have a role to play, AAA has a
15 role to play, NASBA has a role to play, AICPA has a role
16 to play, and then, obviously, Board has a role to play
17 in terms of, because all of this feeds into providing
18 the right labor pools so that the audit quality is
19 enhanced and which will take us to our eventual goal of
20 reliable financial reporting.

21 So, that's sort of the thinking of the Committee.
22 And I invite any other members of the working group to

1 chime in and give some thoughts if you wish to share.

2 MR. TURNER: Michael, you seem to have an interest
3 in reading those financial reports. We'd be more than
4 happy, we gathered them all for the U.S. and
5 international top seven firm and we've got them, we'd be
6 happy to ask Nina to photocopy them for you and send you
7 a copy.

8 (Laughter.)

9 MR. SMART: I appreciate that volunteerism, Lynn.
10 My --

11 (Laughter.)

12 MR. SMART: But my thought and question is, just
13 along those lines, was there clearly should be some form
14 of transparency. I actually asked Curt, who audits the
15 auditors? And he said, well, they're all private, so
16 they pretty much audit themselves.

17 But I would think that we could recommend or
18 suggest some form of body, because it's not a lot of
19 firms, especially when you look at the larger ones, the
20 top seven or eight, to give some better transparency on
21 how strong they are, especially since the public
22 investors depending on what they're publishing. That's

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 one.

2 The other point I wanted to raise, just on human
3 capital, which I found very interesting and I think you
4 were spot on, I think a lot of it has to really depend
5 on the firms, who are really seeking to have the right
6 individuals come into the auditing profession.

7 You had a couple of comments there about dealing
8 with Historically Black Institutions, Historically Black
9 Colleges, if I can be of any help or assistance, and I
10 know it's not one of your top five priorities or maybe
11 it is sort of thrown in there somewhere, if I can be of
12 any help or assistance through my association with
13 Howard University, please feel free to volunteer me for
14 that, Lynn.

15 MR. HARRIS: Lynn, let me ask a couple of
16 questions too. And that is, first of all, thank you for
17 the offering of that assistance, because I know that
18 that's been an area of considerable concern to Jeanette
19 and myself, and that is the outreach to the minority
20 community. And it's a difficult and direct uphill
21 climb.

22 Let me make some very brief statements and I'll

1 get to the question that I want to ask. First of all,
2 Marty Baumann is directly involved with commenting on
3 the CPA exam, and I don't know whether you want to say
4 any words at all about that.

5 But then, also, with recruiting, with respect to
6 recruiting minorities, we have a scholarship program,
7 which is in Sarbanes-Oxley, and we put quite a bit of
8 effort into the scholarship program. And Bill Gradison,
9 a former member of the Board, was very intricately and
10 directly involved in trying to ensure that we get a
11 little bit more diversity than we otherwise would have
12 in that context.

13 And, Mary, I don't know whether you'd want to say
14 anything at all about that, and Norm, I'm not asking
15 either one of you, unless you want to volunteer
16 afterwards.

17 AQIs, you're perfectly right, we developed 38
18 indicators and we need to do more. But we have followed
19 up on that recommendation and we're actively pursuing
20 it. There are 28 indicators, they are voluntary. So,
21 those are just generic remarks, a lot of which you have
22 indicated are within the jurisdiction of the AAA, the

1 AICPA, the NASBA.

2 But getting to a couple of issues. First of all,
3 for the entire time that I've been here, I've kind of
4 hid behind the ACAP recommendations, with respect to
5 transparency, with respect to the audit reporting model,
6 and others. They've been -- they served somewhat as my
7 bible, and eight years later, we're making some progress
8 on some of them.

9 But I'd like to pursue with you recommendations
10 on catastrophic risk, audited financial statements, and
11 the annual report transparency. First of all, there's
12 some feeling among some that these firms are either too
13 big to fail or too few to fail. So, could you talk a
14 little bit about why some of your membership felt that
15 there ought to be audited financial statements, what's
16 the rationale behind that?

17 And then also, with respect to the annual report
18 transparency, what specific types of transparency are
19 you looking for from the PCAOB and how would you like to
20 pursue that?

21 And then, just another comment, I won't comment
22 on a number that you've raised, behind closed doors, we

1 have been talking about the importance in terms of the
2 governing bodies of the firms and the need, at least
3 some of us have, in terms of independent board members.

4 That's not a standard setting activity, but there
5 are a number of us on the Board who've directly talked
6 about governance of the firms and the fact that there
7 ought to be independent board members on there, because
8 if you are in effect, at least with respect to the
9 largest firms, a top 200 firm in the United States,
10 maybe you ought to be, maybe you ought to apply by some
11 of the same governance standards as a Fortune 500 or a
12 Fortune 200 company.

13 But why don't you talk a little bit about the
14 recommendation on catastrophic risk, audited financial
15 statements, and what you'd like to see with respect to
16 the greater transparency.

17 And then, Marty, if you want to talk at all about
18 what you've been working on, on the CPA exams, and,
19 Mary, if you want to talk at all, which I'm not asking
20 you, but if you want to, on the scholarship program,
21 just to enlighten what we've been doing. But, Lynn, why
22 don't you take it away.

1 MR. TURNER: Well, let me echo your thoughts to
2 Michael, thank you. The diversity issue, I'd be remiss
3 if I didn't say that Bess Joffe from TIAA-CREF, who
4 couldn't be here with us today, she's out of London and
5 she's due in the foreseeable future, so her doctor
6 wouldn't let her get on the airplane, but she felt very
7 strongly about diversity, so I think I owe it to her to
8 -- she felt that was very important and a very important
9 part that the governance of the firms should be looking
10 at.

11 I actually went out and looked at the data. The
12 data is much improved from when I was in school. I
13 mentioned that to my wife, who is a dentist, and she
14 reminded me that there were three women in her class of
15 about 78 and she said, progress isn't enough, we need to
16 make more today. And I think that's true.

17 In fact, it was somewhat discouraging, I thought,
18 in the last year or two, we as a profession had moved in
19 the wrong direction, backwards, on diversity. And I
20 would hope we would continue, so I think your point is
21 well taken, hope the Board will take you up on that
22 offer.

1 As far as transparency and governance, let me
2 take it in two pieces. First piece is the transparency
3 piece. On the ACAP Committee, during the public --
4 well, to start off with, we sent a letter to the
5 profession, people on the Committee met with the
6 profession.

7 In that, we asked for specific financial
8 information, data, that would allow us to take a look at
9 the firms. That was precipitated by the fact that the
10 firms were arguing that any one particular case could
11 cause them to fail. And so, we wanted to say, okay,
12 what's the liquidity, what's the funding, what's the
13 capital, and is that true or not? And the firms refused
14 to present us that data.

15 They gave us limited data though that did raise
16 a concern because it appeared that if you recorded
17 liability for all their post-retirement benefits, that
18 there could be one, maybe possibly two of the firms that
19 would actually have negative equity, at least at the
20 time.

21 But they were unwilling to provide that data,
22 parts of that is the way they operate as a partnership

1 and they tend to distribute 90 percent of the earnings
2 each year out to the partners, because the partners want
3 the money to be able to pay taxes on the income.

4 So, then we started to, since we couldn't get
5 really the data to do that, then we started to look at
6 other things. We had a presentation made by someone who
7 helps defend the firms and that showed that on the
8 litigation payouts, the payouts on average were around
9 half a penny, a penny on every dollar of claim. So,
10 they really -- the settlements that they were actually
11 paying out in cash weren't that significant.

12 In fact, the largest payouts had nothing to do
13 with audits, it had to do with consulting and tax
14 services. There were some big ones on audits, don't get
15 me wrong, but we found that.

16 And so, then we started to ask in the public
17 hearings, we went through and asked for the record each
18 of the CEOs of the firms, or their representative
19 testifying, what financial information they had that
20 they were providing the partners at the time.

21 None of the Big Four were providing a GAAP-basis
22 set of financial statements to their partners, none of

1 those -- well, if you aren't providing GAAP-basis
2 financial statements, they aren't going to be audited
3 GAAP-basis financial statements, so that was off the --
4 and that was triggered by the fact that in the U.K. at
5 the time, they were requiring those top seven or so
6 firms to have audited financial statements.

7 And they did have them over there and they were
8 made available to the public on their website, but we
9 didn't have that here. And so, if you didn't have the
10 GAAP-basis set of financials, they hadn't even prepared
11 them, then it gave rise to this concern, well, how can
12 you monitor that from a public policy perspective?

13 So, we don't get into a too big to fail
14 possibility, because the firms were saying, we have this
15 catastrophic risk, we got beyond that somewhat because,
16 and that's why this report didn't have any
17 recommendation for tort reform, because it appeared that
18 the catastrophic risk wasn't being due to the actual
19 settlements on the large audit cases. Perhaps other
20 reasons.

21 But given that, then we had a great discussion,
22 okay, if that's the case, we don't want to get into a

1 too big to fail, then what do we want to have? Because
2 we didn't have anything in the U.S., so we looked to
3 what the European Union was doing at the time with their
4 Eighth Directive or Fortieth Directive, whatever it is,
5 their Directive, okay.

6 And started looking at that and thought that was
7 a good starting point and, in fact, some of the
8 accountants on the group actually said the same thing,
9 that's a good starting point, get something in place.
10 Chairman Doty has been very good at at least moving the
11 ball, if you will, not always where I'd move the ball,
12 but he gets things done.

13 And so, along those same similar lines, the
14 notion was, let's try to at least start in middle with
15 the Eighth European Union Directive and get that
16 information and then, once we get that, then people can
17 decide where we go from there. There were people on the
18 Committee who would have gone to where the U.K. had
19 gone.

20 The U.K. was much ahead of European at that point
21 in time, because the U.K. was saying, we want full GAAP-
22 basis audited financial statements, which were great.

1 The U.K. was at the top, kudos to them, then Europe, and
2 then the U.S.

3 What we see as we go through these is they don't
4 provide you, the U.S. ones, because that's what we're
5 talking about, the U.S. firms, they don't provide you
6 with sufficient financial information to make an
7 assessment about stability, sustainability, they don't
8 give you the information on the balance sheet, and we
9 certainly don't have the information on these huge post
10 -- no, you just don't have that in these reports.

11 And I think if you look on averages, Norm pointed
12 out the European do have more data on the firm in all
13 aspects in term of governance and, in fact, in some --
14 well, I'll come back to that. But just more on
15 governance, what the firm is doing, the finances, so
16 overall, it's just a much more thorough report.

17 So, I would turn around and say, these firms are
18 the only people they have to hire for an IPO or for an
19 offering of securities, you don't have to hire an
20 attorney, you don't have to hire an underwriters, these
21 are the one person mandated by law. So they've got a
22 very important federally mandated utility, and with that

1 should come some obligations, especially since we're
2 just down to four.

3 So, I think going back, while I'd prefer the U.K.
4 approach, because I thought that was great, I think even
5 getting us to where the European was, which is what the
6 ACAP recommended, I think that's where, to Steve's
7 question, we need to get.

8 I would have hoped that by this point in time it
9 would have been done voluntarily, there was some
10 discussion with representatives of the profession on the
11 ACAP that they would move in that direction to do it
12 voluntarily, it just hasn't happened. We're eight years
13 out, people have short memories.

14 I remember when Arthur Andersen, after the
15 scandals in the 1970s, early 1980s, Arthur Andersen put
16 on an advisory board and memories got short, time
17 passed, and the board, that advisory board went the way
18 of the dinosaurs. So, I think unless the PCAOB does
19 something here, we're going to be at the same place we
20 are the next time we have an Andersen, whenever that
21 does occur and it's likely to occur, I think. So,
22 that's the issue on transparency.

1 On governance, when you look through the reports
2 again, the governance of the firms, for the most part,
3 is much the same it was when I was a partner, and I
4 assume when Pete was a partner as -- so, the governance
5 structure hasn't changed and it does impact the culture
6 of the firms.

7 The people at the very top, the CEO, is selected
8 by the partners, and then there's a board of partners,
9 a select group of partners, that form the governing
10 board for the partnership and they direct it, but
11 they're all internal, they're all internally focused,
12 none of them have that independent perspective that we
13 look for in public companies.

14 Because the unique structure of these things, all
15 being LLPs or LLCs, on ACAP, we didn't say, here's how
16 you got to set up that structure. But what we said is,
17 go study that structure and then come up with something.

18 That's, in essence, where we were going with it,
19 because we hadn't, in the year we had to do this all, we
20 only had one year, we couldn't go beyond that because of
21 the federal laws, we said, go ahead and study it, figure
22 out the best way to do it, and then put that in place.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Now, again, to their credit, in Europe and in the
2 U.K., especially the U.K., where I noticed they have put
3 together what they call, I think, a public interest
4 member and they have so many independent. The firm is
5 actually picking that person, so you've got to take it
6 with a grain of salt, okay?

7 The firm leadership, which is picking that thing,
8 we don't have an independent nominating committee like
9 we have with boards here now, but at least it's a step
10 in the right direction to get that public interest
11 member on there. They've gone to that, we don't have
12 that.

13 We're still back the same governance structure we
14 had in this industry when I came into it 40 years ago,
15 and when you think of the magnitude of the changes of
16 public company corporate structure over that 40 years,
17 to think in the accounting profession we're still in the
18 same place we were four decades ago is almost mind-
19 boggling, yes, almost scary.

20 And I think what concerns people is when you
21 don't have that outside perspective, then people don't
22 always think about that public interest obligation.

1 We're certainly seeing that and we don't see the type of
2 culture -- and when you look at the compensation
3 structure, which plays into this, ultimately, at the end
4 of the day, the ultimate compensation structure is
5 really set by those people on that governing board and
6 the person or lady at the top.

7 And the good news is, we got some women at the
8 top of these things, so maybe things will get better.
9 But that compensation runs downhill, if you will, and so
10 the guy at the top or lady at the top are really setting
11 the compensation for those key partners and they're
12 probably not going to challenge that person, because if
13 they do, that's going to have a negative impact.

14 And so, you get into this very much silo
15 mentality and mindset rather than being able to think
16 out of the box. And that was discussed in this group
17 and agreed by just about everyone in the Committee that
18 we needed to get modern corporate-style governance,
19 independent thinking into that and if we could get that,
20 get better governance, get better transparency, so
21 people can measure.

22 We're very concerned that if -- if you aren't

1 even getting the data, the risk of too big to fail is
2 humongous. And so, if you look at these
3 recommendations, a bunch of them, or not a bunch, but
4 some, they don't say, go get audited financial
5 statements, they say, let's start with the European
6 Directive and go get that type of stuff and then we'll
7 see what comes next.

8 And so, my perspective is, I'd just go back -- I
9 would just like to see what we got, can get, in terms of
10 ACAP. We aren't there, we're eight years down the road.
11 If we haven't even got there in eight years, I'd like to
12 see us, while I'd go further, I'd like to see us just be
13 able to get there. If we can't get there, there is no
14 question, without a doubt, we do face catastrophic risk.

15 And there's been arguments on the Board about
16 whether or not they have the ability to look at
17 financial stability, but if you look at the Supreme
18 Court case that this organization went through a number
19 of years ago where their constitutionality was
20 challenged and you look at the Supreme Court decision,
21 the Supreme Court decision in and of itself says that
22 SOX gave this Board the ability to legislate, I think

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 the actual language is something like, legislate
2 everything about the public accounting profession.

3 I don't think there's anything in the legislation
4 that would preclude the Board from getting enough
5 financial data that they can monitor financial risk and
6 the possibility of another Andersen.

7 MR. HARRIS: Marty, do you want to talk briefly
8 about what we did on the CPA exam? And then, very
9 briefly, Mary, if you want to talk about the scholarship
10 and our outreach? And then, Lew, you've dealt with our
11 international counterparts, maybe you can say two words
12 on our cooperation and coordination with our
13 international counterparts.

14 MR. BAUMANN: Yes, thanks, Steve. Glad to do
15 that. We had not all -- we had looked at the CPA exam
16 in the past when the AICPA was making changes to it, but
17 we took this recommendation of yours in ACAP here very
18 seriously in the past year, or the last couple of years
19 when the AICPA was going through a study to make
20 changes, and said that the role of the PCAOB is to
21 ensure high quality audits.

22 And to do that, we need high quality CPAs. And

1 so, we took a much greater involvement in this
2 particular change that took place in the new CPA exam
3 that's being rolled out, as was mentioned, in 2017. And
4 it wasn't just me, I was an active participant with some
5 of my staff on the task force from start to finish, but
6 our comments that we had we shared with the Board and
7 got Board input from that in terms of getting new input
8 into the CPA exam.

9 So, some of the improvements that were made in
10 the new CPA exam reflected things that we were seeing as
11 problems in our inspection process. So, we emphasized
12 more technical matters, such as a new CPA's ability to
13 audit complex accounting estimates, to audit fair value
14 measures, to audit internal control of financial
15 reporting. And greater emphasis was put on that in the
16 new CPA exam.

17 We also talked to the task force about, and the
18 task force was very responsive to make the changes we
19 wanted, the exam now has less memorization and enhanced
20 testing of higher-order cognitive skills. Some of these
21 include things like critical thinking, problem solving,
22 analytical ability, professional skepticism, writing

1 skills, the ability to take a problem, analyze it, and
2 write a good conclusion about that.

3 So, I think the test is much more focused on not
4 just memorizing what you learned, but applying all of
5 that in a work environment. So, I think the exam made
6 progress, we took an active part in it, and we think
7 it's an improvement, and I think they're going to make
8 improvements going forward. As was mentioned, the exam
9 also increased from 14 to 16 hours. So, we took
10 involvement, I think it was good steps, and I think they
11 made good progress on it.

12 MR. HARRIS: Mary, very briefly?

13 MS. SJOQUIST: Very briefly. Just a couple of
14 points. One that was on Slide 26 talked about the
15 scholarship fund awarding the fines only to students who
16 were in advanced degree programs. And just to point out
17 that the scholarship program, as it stands right now,
18 and the Board can make changes to it if they wish,
19 divides the numbers of recipients into a group of 75
20 percent and a group of 25 percent.

21 The 75 percent represents the schools with the
22 highest granting, the highest number of master's

1 degrees. So, 75 percent of the schools that we select
2 are in that group. And the selection is random and done
3 by an outside provider. The other 25 percent is the
4 balance of the schools, which is where the vast majority
5 of the schools exist.

6 One other thing that I wanted to mention is that
7 we do, in the program, encourage diversity. It's not
8 required, the Sarbanes-Oxley Act basically says that the
9 awards should be merit awards, and we have not defined
10 what merit is, we've left that up to the various deans
11 of the accounting schools to determine what merit should
12 be from school to school.

13 We did do one very informal survey of recipients
14 from last year's recipients and we discovered that the
15 recipients reflected the general population of the
16 U.S.A. as a whole. But I would greatly appreciate any
17 help that we could get, particularly from you, Mike,
18 thanks very much for volunteering.

19 MR. DOTY: Mary, you want to mention the amount
20 and the number of scholarships?

21 MS. SJOQUIST: Oh my gosh, total? Over the years?
22 I'm not sure I've got the total amount. I can tell you

1 that the largest number of awards that we granted in a
2 year was 102 and at \$10,000 per award, that's
3 \$1,020,000.

4 Starting with our first year, and I think our
5 first year, correct me if I am wrong, was 2008, 2009,
6 and we started with a much lower amount because our
7 fines had only accumulated to a certain amount. And I
8 think we had 45 recipients that year. And it's been
9 down a little bit this past year.

10 MR. GUPTA: The data on those, I was wondering,
11 Mary, do you track how many go into public accounting of
12 these recipients and how many go otherwise?

13 MS. SJOQUIST: The program encourages them all to
14 go into public accounting, we have not tracked that.
15 And we have talked about this and talked about how we
16 could best track this, and I know that we're still
17 considering how to do this. So, any advice that we
18 could receive, we'd be happy to listen.

19 MR. SMART: With no restrictions on the funds?
20 So, do you have --

21 MS. SJOQUIST: No. I mean --

22 MR. SMART: Do you have to commit two years to

1 public accounting or you --

2 MS. SJOQUIST: No, there's no --

3 MR. SMART: -- have to refund the money?

4 MS. SJOQUIST: There's no restriction like that.

5 The only restriction really on the use of funds is that

6 it's used to serve the purpose of the degree. In other

7 words, they can't use it to take a trip to Europe.

8 MR. CARCELLO: Mary, that wouldn't really be very
9 difficult to track if you wanted it. I mean, you could
10 just make it as a requirement to the school that
11 receives the reward --

12 MS. SJOQUIST: Yes.

13 MR. CARCELLO: -- that at the end of the year
14 they have to report back to you where that stood and is
15 going to work? Because if it's certainly in a master's
16 program most credible master's programs have close to
17 100 percent placement?

18 MS. SJOQUIST: Yes.

19 MR. CARCELLO: So like out of our master's
20 program; I'm sure this is true for you as well, Parveen,
21 we know exactly where every one of those people is going
22 to work.

1 MS. SJOQUIST: We could certainly talk about that
2 with the Board, and it would be nice to think that we
3 can follow up on that and also track retention.

4 MR. GUPTA: Yes, I think we can always go to the
5 chairs that collect this data because it isn't their own
6 interest to collect this information to boast about the
7 statistics outside, yes.

8 MR. HARRIS: And one of the facts, one of the
9 issues you brought up in terms of the ACAP
10 recommendations was collaboration with our international
11 counterparts. And so Lew was the chairman of IFIAR and
12 now how he's the chair of the GPPC Working Group. And
13 then the chairman I think is on the Monitoring Group,
14 but he also has entered into innumerable bilateral
15 arrangements.

16 So maybe, Lew, you go first.

17 And, Mr. Chairman, if you want to talk a little
18 bit about the bilateral relations that we've had with
19 respect to our international counterparts, that'll give
20 you some flavor in terms of what we're doing with
21 respect to that recommendation.

22 MR. FERGUSON: Yes, this is an area where I think

1 we've had as much -- or sort of a quite dramatic
2 increase in our area of activity, the international
3 outreach, and I'll talk briefly about IFIAR.

4 IFIAR is an organization that started in 2006 and
5 now has 55 members from countries around the world on
6 every continent basically, every major industrial --
7 most of the major industrialized countries are members
8 of it. China and India are not yet, India primarily
9 because it doesn't have an independent audit regulator
10 that we're satisfied exists, China because of just
11 complicated relations.

12 One of the things that it has allowed -- that
13 IFIAR has allowed us to do though is to both assess the
14 quality of auditing around the world -- and I think one
15 of the things we've learned both through a survey that
16 IFIAR has prepared now for five years running, which
17 basically is a global survey of audit quality, is that
18 whatever problems we have with audit quality in the
19 United States, particularly in the developing world and
20 the emerging countries world, our problems are dwarfed
21 by the problems of audit quality in those countries. So
22 we spend a lot of time.

1 And if you are with the leadership of the global
2 Big 6 networks -- and one of the things that's
3 interesting about this organization is that because
4 you'll have 10 major countries, representatives from
5 major countries sitting around a table, I think we get
6 a level of attention from the very senior leadership of
7 the global audit networks that you really don't -- that
8 no single regulator, including the PCAOB, gets.

9 And so we have been working very closely with
10 them to try to understand better what they're doing to
11 improve audit quality, what kinds of impediments there
12 are, what kind of controls that the global leadership
13 has, what are their abilities to impose audit quality
14 worldwide, what are the impediments structural,
15 cultural, other kinds of things to do this.

16 We've set a goal, for example, with respect to
17 the survey that we do every year, that we want to see a
18 25 percent increase -- or decrease, I should say, a 25
19 percent decrease in the number of audit findings that
20 regulators around the world find from these Big 6 firms
21 over the next four years. This is the first time that
22 we've ever given a quantitative goal for this.

1 So the international cooperation has I think
2 given us an opportunity to see the profession from a
3 different light than I think any individual regulator
4 gets. And as a result of that we also learn -- by
5 interacting with people we also learn about a lot of the
6 new governance things that are happening around the
7 world, new kinds of auditing reports, new oversight
8 techniques, new cooperative techniques. So it's been I
9 think very much a learning experience for us, and I
10 think for frankly our counterparts around the world.

11 MR. DOTY: We inspect in over 40 foreign
12 jurisdictions. We have bilateral arrangements,
13 statements of protocol with 27. We inspect now and have
14 these bilateral arrangements in every European country
15 except for Belgium, and that represents -- or I am
16 including in that agreements in Ireland, in Greece and
17 in Italy, which have been achieved this year.

18 The significance of Europe is that we now have an
19 extension of the adequacy determination which means that
20 we will be able to continue to inspect in Europe merely
21 with renewal with the statements of protocol
22 bilaterally. We do not have to achieve a separate

1 determination at the EU level, at the Commission level
2 of the adequacy of our inspection regime until I guess
3 2022.

4 Yes, so this is a significant extension of our
5 ability to operate bilaterally in Europe and we continue
6 to seek arrangements in other countries such as the
7 Republic of China. But these statements of protocol are
8 modeled on the SEC's MOUs, which are also extensive and
9 which provide for information sharing and
10 confidentiality.

11 The joint inspections have yielded tremendous
12 ability to look at the global network firm audit in a
13 new light. It informs for example our proposed rule on
14 supervision of other audit firms and the global audit.

15 MR. TURNER: Steve, if you will for a moment,
16 back to the scholarship thing, I think it's phenomenal,
17 especially in a day and age when these universities cost
18 20 to 50 grand a year and you're talking about 5, 6
19 years of school, so a student facing a phenomenal amount
20 of cost and facing a high amount of debt when they come
21 out. I think the fact that you guys are providing a
22 million dollars, perhaps a million dollars plus to help

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 fund those educations, hopefully to people from all
2 walks of life, is just phenomenal, and I give you a hand
3 for that.

4 (Applause.)

5 MR. DOTY: Congress wants it, yes.

6 MR. HARRIS: Parveen, let me ask you just a final
7 question on this overall topic. And we discussed this
8 a little bit last night, but it's one thing that is
9 certainly of concern to me and I think to the other
10 Board members as well, and that is with the rise in
11 advisory and consulting services and the attractiveness
12 and the resulting salary differential between what your
13 graduating students are getting to go into advisory and
14 consulting how do we make the audit more attractive to
15 your students and what do we do to ensure that more
16 capable -- well, the most capable competent people go
17 into auditing? So could you talk just a little bit
18 about how you envision the future of the audit and where
19 we're going from here?

20 MR. GUPTA: In terms of the future of the audit,
21 as we spoke last night, certainly lot is going to
22 change. And when I talk to the firms and interact with

1 the professionals, they are -- there is no doubt the
2 technology is being incorporated in the audit to a
3 larger extent and a number of tasks which are currently
4 or were previously being done by the humans, so to say,
5 are being converted in some sort of technology. And
6 last night at the dinner table we were talking about the
7 example of blockchain and things like that.

8 So all of that change is certainly going to
9 impact the audit considerably. Maybe some of the change
10 is good because many times the errors and omissions do
11 occur on the part of the humans and sometimes we are the
12 weak links in the entire value chain. So it's good in
13 that sense.

14 The question regarding how do you make the audit
15 more attractive is an excellent question and it is sad
16 that as an educator I confront that question many times
17 from the students, and you're trying to help them
18 understand the role of the audit in the larger capital
19 markets, but a 23-year-old sometimes doesn't get it when
20 you're seeing a salary differential. So the simple
21 answer is if there is a financial reward, that would
22 certainly make it more attractive to the students.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 To give you just a simple example of my own son
2 who is finishing up his fellowship in robotic surgery,
3 he is 33 years old, not yet settled. He's looking for
4 a job right now and he's going to start being an
5 attending on July 1. So one day I just asked him, I
6 said, you know, if you had to do this all over again,
7 would you still do it? He said, dad, of course. I love
8 it. I know that I'm still making \$55,000 only as a
9 fellow, but every morning I get up and I'm excited about
10 it.

11 I think that is the key part, that how can we
12 make our students think like that? I know that it may
13 not be as glamorous as advising or advisory services
14 maybe. And the students do gravitate towards that. I
15 think maybe I've always thought how come somebody at the
16 AICBA and other state societies haven't come up some
17 sort of a marketing campaign that would glamorize the
18 accounting profession and we will break out of this
19 image. But financial rewards is certainly a goal to a
20 large extent.

21 Now as Joe talked about, some of these things are
22 not within the control of the folks at this table, but

1 I think the way Board could influence is continuously
2 asking the questions of the firms that what mechanisms
3 they are putting in place to make sure that you are
4 attracting the best and the brightest, at least from the
5 pool that is coming into the colleges, into the
6 accounting side.

7 MR. TURNER: Steve, if I could use my co-chair
8 here, let me just chime in. Back in 2000 we had that
9 same question put to us as we did the auditor
10 independence rules, and we did a study of it. And what
11 we found was engineers and other professions paid
12 substantially more and students gyrated to that. Two,
13 three years ago McKinsey & Co. did a fabulous study into
14 teachers and what it takes to attract teachers. And it
15 was important to us on our pension fund that we
16 understand that. And I looked at it then.

17 McKinsey talked about in their study how
18 ultimately the driver of where students go to work and
19 what fields they go into, one, has to do with their
20 ability to get into that field, but then, two, that's
21 driven by compensation. So the brightest minds go where
22 they can earn and have the best compensation. Starts

1 with the medical and the law professions. Goes on down
2 to engineering. In accounting, we're well below that.

3 Our accounting model, which is more of a
4 triangle-type situation, not like a law firm where they
5 have a lot of para-professionals. We will probably have
6 to adjust that business model because we do not --
7 despite what people say, we do not attract the brightest
8 people into the profession these days. They go into the
9 other fields. They're going to go into engineering,
10 medical, science, law. And until we change that pyramid
11 model and get it to where we can pay higher
12 compensation, substantially higher than the 55,000 that
13 Joe or Parveen mentioned, we will not -- it's just a
14 matter of economics. We will not attract the best and
15 the brightest.

16 MS. FRANZEL; Thanks, Lynn and Parveen, for a
17 great presentation. And there was obviously a lot of
18 work behind this. I saw the package where you wrote
19 letters to the various organizations and then everything
20 they wrote back. I'm wondering if you are going to
21 transmit this to those organizations and make yourselves
22 available if they have questions about your assessment

1 and some of the analysis behind that.

2 MR. TURNER: Parveen said he would.

3 (Laughter.)

4 MR. GUPTA: I think Lynn just volunteered me.
5 That's okay, but I have no problem.

6 MS. FRANZEL: I think that would be excellent
7 because for some of these issues it's, well, who owns
8 the problem? And if we're going to get any
9 accountability or action in some of these really
10 important issues, I think it's important to push a
11 little bit.

12 MR. TURNER: I think having that on your web site
13 is a good starting point to have.

14 MS. FRANZEL: That would be terrific. And we can
15 always use our bully pulpit here as well.

16 MR. HARRIS: Damon, we're going to resist the
17 temptation to ask you how your lunch went, but Lynn did
18 indicate that you had a meeting across the street and he
19 indicated it might be in a white house, but --

20 (Laughter.)

21 MR. HARRIS: -- we'll recognize you for other
22 purposes than disclose the content of what you were

1 doing in your great escape.

2 MR. SILVERS: Well, they forced this dessert on
3 me in the Navy mess that slowed me down a little bit.

4 I wanted to -- and I apologize for being absent
5 for part of this report which I was supposed to
6 contribute to. I wanted to comment on how these things
7 interact, that -- and thinking back on our work on the
8 ACAP that Lynn talked about, which was -- I don't know
9 if he said this or not in my absence, but it was really
10 a very unusual exercise of this type. And I've been
11 involved in a lot of these types of exercises and this
12 one had all the right players at the table with a real
13 desire to get to substantive answers that a consensus
14 could support.

15 And in that work, right, there was human capital
16 which we have just been discussing and there was
17 competitiveness, which I was responsible for. And we
18 just had this conversation this morning about
19 essentially the dwindling relevance of the substance
20 that auditors look at, the GAAP financials.

21 And I think it's important that the Board
22 understand how these things are connected, that it is

1 very difficult to get competitive compensation levels or
2 competitive professional challenges in an environment
3 which is not -- and where there isn't a clear sense of
4 -- a strong sense either of public-spirited mission or
5 competitiveness that drives the kind of economics that
6 draw people, as Lynn was saying.

7 The ACAP recommendations were looking at --
8 designed to look at a profession where there was real
9 concern about this -- about these issues, now some years
10 ago and put forward a set of integrated recommendations
11 that would lead to a more competitive, more public-
12 spirited auditing profession that then could attract the
13 kinds of people we've just been discussing.

14 I think what this morning's conversation shows us
15 is that there is -- that in an environment where in
16 court depositions and the like we see leaders in the
17 audit profession saying that really they view their
18 mission as entirely focused on management of client,
19 where issues like fraud prevention are not their job.
20 And whether this is an accurate description of their
21 responsibilities is not relevant. It's what they
22 perceive them to be and against an environment in which

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 the competition issues have not been resolved, right,
2 where if anything they are more severe than they were
3 when we did the ACAP report.

4 You can see a circumstance in which the relevance
5 and attractiveness of auditing as a profession is
6 inevitably going to be diminished either because it's --
7 it doesn't -- there aren't the competitive dynamics and
8 the demands for excellence that would derive from the
9 audit function being seen as absolutely critical to the
10 people who are paying for it, nor is it sufficiently --
11 nor has its standing as a kind of quasi-public service
12 exercise that draws people for the same reason that
13 people say are drawn to serve at the PCAOB or the SEC.

14 That hasn't been rebuilt sufficiently, I think.
15 I think it's pretty clear now that that has not been
16 rebuilt sufficiently in the aftermath of not just the
17 scandals that gave rise to this body, to the PCAOB, but
18 I think more tellingly, in the aftermath of the 2008
19 financial crisis, which is something I've spoken to many
20 times in front of this body.

21 We are seeing this week a repetition of this in
22 relation to Wells Fargo. All right? We've got multiple

1 United States senators signing letters asking where were
2 the auditors?

3 That dynamic and the failure -- which I do not
4 ascribe to the leadership of the PCAOB, I ascribe it
5 elsewhere, the failure to hold the auditing profession
6 accountable and the firms accountable for what happened
7 in these circumstances doesn't produce an environment in
8 which anybody thinks this is a public-spirited thing to
9 do, nor does it produce an environment in which firms --
10 in which issuers and preparers see that they really need
11 to pay top dollar to make sure they don't have a
12 problem, right? That is the integrated story here.
13 It's completely tied to what we were talking about this
14 morning.

15 And I give great credit to the PCAOB and to its
16 Chair to try to -- in trying to do something about this.
17 I don't mean to be -- I really want to be clear, I am
18 not -- this is not an indictment of this Board. It's an
19 indictment of the larger political forces that this
20 Board is functioning within.

21 And the fact that we're having this conversation
22 is the most positive sign out there. The fact that this

1 body exists, that you've encouraged us to pursue this
2 conversation, you know, that is, I feel, an incredibly
3 positive thing. But I think we need to understand the
4 nature of the challenge we're facing and the nature of
5 the problem and the way in which it's integrated. It's
6 not a human capital problem in isolation. It's not a
7 problem of companies doing -- making up their own
8 numbers, which was this morning's discussion, in
9 isolation. Right? And it's not a problem of lack of
10 competition in public company auditing in isolation.

11 These things are one problem. And I hope the
12 Board is able to take out of this meeting sort of that
13 understanding and that that will help guide what you try
14 to -- guide you as you try to address these things,
15 which you have been trying to do.

16 MR. HARRIS: Wes?

17 MR. BRICKER: I appreciate the dialogue, the work
18 of the working group on this issue, as I said in the
19 letter to Lynn and Parveen, certainly enjoyed the
20 dialogue that we had throughout the course of the
21 preparation work as Chair White also mentioned this
22 morning.

1 I do think it's important to take stock of the
2 ACAP recommendations and then also reflect on the number
3 of changes that have occurred since then.

4 And so, to that end, and certainly reflecting on
5 the importance of these topics, I look forward to
6 continuing dialogue just as the PCAOB I'm sure does as
7 well.

8 MR. HARRIS: Okay. Now, rather than take a
9 break, I think --

10 (Off microphone comments.)

11 MR. HARRIS: Sure. And then we will not take a
12 break, Joe, we're going to go directly to you so we do
13 end up on time. And then people who want to take a
14 break can have their refreshments after they leave or
15 take them during the course of a brilliant presentation.
16 But we'll just go right the way through.

17 MR. BAUMANN: So many pointed out that
18 compensation was a driving factor. So compensation of
19 course derives from value. And so value is going to
20 derive from the role and relevance of the audit to the
21 capital markets. Many today have said that auditing
22 still has to improve in terms of the quality of

1 auditing, so consistent high-quality audits will be more
2 relevant to the capital markets, drug rate or pay. But
3 beyond that, the new audit report for instance, in terms
4 of the auditor now talking about critical audit matters
5 and the most sensitive things and the most subjective
6 complex things in the audit, will make the audit more
7 relevant and a greater role of the audit in the capital
8 markets.

9 That's already evident from the United Kingdom.
10 We're hearing already from the firms and from the FRC
11 that the auditors are way more engaged, and staff are
12 way more engaged in the audit, because they're not just
13 ticking and tying. What they're going to doing is going
14 to be communicated to the stakeholders, to the
15 shareholders, in the audit report. That should make
16 their role more relevant, the audit more relevant.

17 And beyond that, and Damon mentioned this in this
18 morning's discussion, what drives the capital markets?
19 Yes, the financial statements are critical, but these
20 other types of things, non-GAAP measures, KPIs, periodic
21 reporting, what should the role of the auditor be in the
22 future with respect to these things that drive the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 capital markets that will be critical to the role and
2 relevance of the audit, therefore critical to getting
3 the high quality people into the profession?

4 MR. HARRIS: And, Joe, that leads us to your
5 working group presentation.

6 MS. DEANS: I think at this point Joe is going to
7 hand it over to me to do some of the talking.

8 Joe is that --

9 MR. CARCELLO: Yes.

10 MS. DEANS: That's the plan. Right. Great.
11 You can click.

12 MR. CARCELLO: You want me to click? That sounds
13 good.

14 MS. DEANS: Okay, thank you. So I'm going to try
15 and -- try to keep quite a brief presentation and
16 hopefully that will allow plenty of time for discussion
17 still at this stage in the afternoon.

18 So we were asked to report as a working group on
19 the proposals about the new -- the auditor's report. So
20 the PCAOB, just to recap, re-proposed in May a standard,
21 the auditor's report, on an audit of financial
22 statements when the auditor expresses a unqualified

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 opinion. And that was an original proposal back in
2 2013. It's been re-proposed. And as a working group we
3 submitted a comment letter to that back in August. And
4 I'm going to briefly, briefly go through what we covered
5 in our comment letter then.

6 So, summarize the proposals, the proposed
7 auditing standard. The intention was to enhance the
8 form and content of the report to make it more relevant
9 and informative to investors and other financial
10 statement users and include a description of critical
11 audit matters. And that's mass communicated to the
12 Audit Committee or required to be communicated that
13 relates to accounts or disclosures that are material to
14 the financial statements and involved especially
15 challenging, subjective, or complex auditor judgments.

16 There were also some additional improvements to
17 the auditor's report proposed. We haven't touched on
18 those in detail, but obviously we can discuss those
19 afterwards. And also a requirement to dispose auditors'
20 tenure.

21 Given the relatively late stage in this project,
22 as a working group we felt it best to base our comment

1 letter and this presentation today on the issue of
2 critical audit matters. So the proposed rule
3 requirements summarized here, the proposed requested
4 audit report, identify critical audit matters, describe
5 why the auditor reviewed this issue, the principal
6 considerations there, and indicate how the auditor
7 addressed these critical audit matters and refer to the
8 relevant line items and disclosures. That's a very
9 brief summary there, just a recap for everyone.

10 So the working group very much supports this
11 proposal. We believe that the proposed auditing
12 standard does represent a meaningful improvement from
13 the current standard audit report. And if I refer to
14 the mission to protect the interests of investors and
15 further the public interest in the preparation of
16 informative, accurate, and independent audit reports, it
17 seems to me that clearly reports are -- then the
18 proposed standards would be more informative. To me that
19 seems very clear-cut and I think the working group were
20 quite unanimous in agreeing that point, so we think it's
21 very much clear that this would be more informative and
22 therefore very consistent with the mission of the Board.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 We take no exceptions. We put here, we don't
2 disagree with any of the four points that were mentioned
3 on the previous slide. We think those requirements for
4 the critical audit matters would be helpful.

5 One point that we really want to emphasize here
6 is the requirement that the disclosed critical audit
7 matters, the discussion should be -- to be most useful,
8 must be highly bespoke to the company. If it becomes
9 standard boilerplate language, that is not going to be
10 helpful to investors and we certainly believe that there
11 will be a direct correlation between how specific that
12 information is and how valuable it will be to the users.

13 Just to elaborate here a bit on this UK
14 experience which has been referred to quite a bit
15 already today, on this matter we've had somewhat similar
16 requirements in the UK now for three years. So for most
17 companies listed on the London Stock Exchange we've had
18 three years of these extended audit reports including a
19 discussion, not quite identical wording, but very
20 similar intent, on the risks of material misstatement,
21 that we've had.

22 I think certainly my experience as a user

1 accounts and for many of the investors I've spoken to,
2 we've undoubtedly found the additional information
3 useful in the auditor's report. And where it's been
4 very highly bespoke to the company we've found it very
5 useful typically. As I mentioned this morning, now it's
6 one of the first things I look at. I'll pick up annual
7 report and go and look at the auditor's report. And
8 that is very different from the past. So it's
9 straightaway going and look at that.

10 So we said that we strongly support the proposal,
11 but we do ask or request here perhaps the Board to
12 consider the possibility of doing a little bit more. So
13 one thing the Board has not done is required discussion
14 of what the auditor found when it addressed that
15 critical audit matter and what were the results, the
16 procedures, and simply a disclosure of the findings.
17 That is not required.

18 Now, this is a matter where we understand
19 requiring that information could clearly be problematic.
20 We understand that. And instantly is not required.
21 There are other international developments requirements
22 here. It's not required in the IAASB standard, and in

1 fact the existing UK Financial Council standard does not
2 require the disclosure of findings. We understand that
3 at this late stage in the project that could be very
4 difficult. Mandating that disclosure may not be
5 feasible.

6 However, we would like to ask the Board to
7 consider the possibility of modifying a proposal with an
8 additional sentence that we've put here, just to state
9 that the inclusion of informative company-specific
10 findings could be considered best practice in auditor
11 reporting and that that could be encouraged, although
12 it's not required in the auditing standard. Certainly
13 we view specific findings would undoubtedly make audit
14 reports more informative, and that would be consistent
15 with the Board's mission.

16 So to give a little bit of justification for this
17 argument, a few things on the side here. We do regard
18 the disclosure of critical audit matters as undoubtedly
19 useful but incomplete without going that step further to
20 talk about findings. A survey by KPMG found
21 approximately 80 percent of investors argue that they
22 should include findings, that that would be helpful.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 And the UK Financial Reporting Councilors in a
2 review of the experience of the new auditor's report
3 requirements that investors clearly valued the
4 additional insight offered by extended auditor
5 reporting, and certainly investors have been
6 particularly -- found it helpful when that included
7 findings. So although in the UK there hasn't been a
8 requirement to include findings, that has occurred in
9 some cases.

10 And if we move on, talk about that. Thank you.
11 And just to illustrate a little bit of how well received
12 this has been in the UK, and we mentioned here, the IMA,
13 the Investment Management Association, is now sponsoring
14 an annual award for the best auditor reports. We
15 wouldn't have had that in the past. And an example of
16 one that the IMA recommended is the KPMG Rolls-Royce
17 audit report, and for any of you who are not familiar
18 with this report in the room, I thoroughly recommend it.
19 It's a fascinating example of how an audit report can
20 give so much more information and as the IMA said there,
21 provided a real value-add.

22 And one of the things that that audit report

1 included was findings as to whether management's
2 judgments were balanced, or in the words of the KPMG
3 auditor, mildly optimistic or mildly pessimistic, so
4 giving us theories as to where in the range those
5 judgments came, and that is something that investors,
6 many, many investors that I've spoken to really
7 appreciated.

8 There has been discussion in the UK that -- and
9 there's been an evolution over the three years. So in
10 the first year there was quite a lot of boilerplate
11 information that was not so helpful. There was then a
12 discussion about -- amongst investors and the firms as
13 to what was useful and certainly some of the firms now,
14 three of the four big firms have included findings in
15 some of their reports. So that has been a big
16 development over the three years of evolving sort of
17 best practices.

18 To come back to the point about company-specific
19 information, it's really helpful to get proper
20 information specific to the audit and for example not
21 just have a statement that is something that is obvious
22 anyway from the fact that it was an unmodified audit

1 report. So for example, it's not helpful if the firm
2 keeps repeating that something was within an acceptable
3 range. That's not what we mean by findings.

4 It has to be something that's new information.
5 And clearly we need to get sort of set of
6 differentiation reports. Having the same standard sort
7 of report for everything doesn't help us. We want to
8 get new information and find out exactly something
9 that's relevant to understanding the critical audit
10 matters for that audit, for that company. And we've got
11 a couple of -- a quote there from KPMG.

12 What are the arguments against doing this? I
13 find this quite hard, in a way, because to me it's so
14 clear-cut that including critical audit matters is
15 important, and ideally findings would be very helpful to
16 investors. So the first point I guess is that this is
17 moving in exceeding the auditor's mandate. Yes, perhaps
18 that could be argued, but in my view it's so clearly an
19 improvement that I think the fact that it's such a
20 significant improvement should outweigh that argument.

21 I'm certainly told that some, particularly in the
22 audit committee community, are questioning what

1 investors do with this information. Well, I'm quite
2 disappointed in a way with that comment. And certainly
3 if you look to the UK experience, many investors in UK
4 companies support disclosure, support the new
5 information. They've found it helpful. And there are
6 plenty of examples, and I'm happy to answer afterwards,
7 if people want a couple of sort of more specific points
8 on the kind of thing we've learned and where it's been
9 helpful, but I don't really feel -- I think that's a
10 question to ask investors.

11 Now the third point I do have some sympathy with.
12 I think as a working group we did, that potentially the
13 concluding findings exposes auditors to incremental
14 legal liability. And I'm also well aware the legal
15 environment in the US is different from that in other
16 countries where there have been such developments. So
17 it is something that we understand.

18 And what we've put here is to say that we think
19 the fact of encouraging disclosing findings leaves it
20 then a choice for the audit firm to weigh up the benefit
21 of a better report against that possible cost argument
22 in terms of legal liability. And we also in our comment

1 letter mention potentially supporting a legal safe
2 harbor specific to this findings point, if that was
3 included.

4 So to conclude, we do clearly -- I want to
5 reiterate the fact that we support the proposal as a
6 working group. I think there is strong investor
7 support. I think the international precedents are very
8 encouraging.

9 And although we've had this information in the UK
10 for three years, but it's coming now across Europe next
11 year. So we have more to look forward to in Europe. We
12 do think the proposal, however, could be strengthened if
13 it could be encouraged to include findings. And so if
14 it's possible to go a little further, as we've suggested
15 here, that would be greatly appreciated, I believe, by
16 many investors.

17 MR. HARRIS: Joe?

18 MR. CARCELLO: Tremendous job by Sarah, as I knew
19 it would be. Just, you know, maybe three things to
20 emphasize very briefly that I think are certainly
21 consonant with what we had up there.

22 The first would be if we end up in a regime

1 regardless of findings where the CAMs either initially
2 or over time become essentially boilerplate, don't do
3 it. So if you're not willing, PCAOB and SEC, to inspect
4 and enforce, don't do it, because what will happen is
5 even if audit fees don't go up -- people's time is the
6 most valuable thing they have in their life, maybe short
7 of their family. And these reports now will be longer.
8 There is a cost of reading this stuff. And so if it
9 doesn't say anything, it's actually value-destroying.

10 The second thing that I would say is I think the
11 evidence out of the United Kingdom, three years of data,
12 is that it's clear -- I think it's overwhelmingly clear
13 that investors find specific findings highly valuable.
14 I don't know how -- you might be able to argue against
15 this for other reasons, but I don't think you can argue
16 against that it's valuable. I think we have -- I think
17 the evidence is overwhelming that it's valuable.

18 So then the question is if it's valuable and
19 you're not requiring it, you're only suggesting it's
20 best practice, there has to I think be a very compelling
21 argument for why you wouldn't suggest this is best
22 practice when clearly the evidence would seem to suggest

1 that it is.

2 And then I think the third thing that's important
3 to understand is around the legal liability issue. I
4 remember when this issue was teed up, and Marty and
5 others remember this, and there was a series of round
6 tables, there was a series of focus groups, and I
7 remember at one point corralling some investor people,
8 including some of the people in the room today. And I
9 said is this a disguised attempt to get at the auditor's
10 wallet? Is this just a -- kind of a crafty way to grab
11 for the wallet? And they swore up and down that it
12 wasn't.

13 And when we went -- when Sarah and I went to them
14 and said would you support a limited legal safe harbor
15 -- which I understand is complicated. You can't do it.
16 Probably the SEC may not even be able to do it. I'm not
17 sure. It may involve Congress. But at least in terms
18 of the investor folks, to a person, at least the ones we
19 talked to, were very much willing to say if we get this
20 information at least as it relates to this information,
21 not everything else, but this information, findings, we
22 would be very supportive of a legal safe harbor.

1 So this is not some back door way to try to
2 increase legal liability for accounting firms.

3 MR. HARRIS: Jay?

4 MR. HANSON: Well, thanks to the working group
5 for the work you've done on this. It was a good
6 discussion to have today.

7 I want to pick up on something that Sarah said,
8 and Joe as well, about the value. And Sarah and I
9 talked just briefly last night about this, but I'd like
10 to hear more from the other investors in the room that
11 might be invested in UK stocks, or at least evaluating,
12 with some examples of how the information translates
13 into value.

14 And what I think about in this way, and I want to
15 be educated on this to see if I'm thinking wrong, the
16 value to me could be a new area to explore more deeply
17 in terms of the analysis or it might be information that
18 wasn't known from something else in the publicly
19 available filing information, and how maybe that new
20 information translated into something different in the
21 analysis, maybe a change in the model, a change in the
22 assumptions, change in the discount rate to the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 multiple, which ultimately affected the decision itself.
2 And then ultimately, does that manifest itself in
3 changes in the price or volume and the observable in the
4 marketplace?

5 And so I'd just kind of like to hear some
6 examples of that, how the good information translates
7 into something actionable, and what's been done. Or
8 maybe if these aren't on the list of things I should be
9 thinking about, maybe things that you do -- how you
10 translate that into value.

11 MR. HARRIS: I was going to ask pretty much the
12 exact same question, since you led with your chin and
13 volunteered, and that is where has it been helpful? And
14 if you could give us more examples.

15 MS. DEANS: Yes.

16 MR. HARRIS: So first you'd answer Jay's and then
17 give us some examples as to exactly --

18 MS. DEANS: Yes I'm happy to give some examples.

19 So I think it's an area where just in the
20 specific nuggets -- I'll give you a couple of specific
21 examples.

22 So one quite small one, but I think it was quite

1 telling. So a company with a big pension exposure, and
2 it had always been using or had been using a pension
3 discount rate that looked higher than norms. And the
4 auditor's report actually talked about that being a
5 critical audit matter, or key audit or risk material
6 misstatement and actually talked about how the company
7 calculated the discount rate.

8 And that they were adding on an arbitrary amount
9 on top of the normally calculated discount rate
10 apparently for, I think it was to do with the risk and
11 that. So they were adding on an amount to the discount
12 rate and that was bringing a higher than average
13 discount rate. And this had got through, apparently the
14 amount involved was not so big as to make the overall
15 financial statements misleading, but it was an item that
16 the auditor commented on.

17 And then that was something that clearly a lot of
18 investors pick up pension deficit numbers in their
19 evaluations of companies that can then be picked up on
20 and discussed as to why that company was taking that
21 approach. And funnily enough the following year, still
22 an important area, still an area the auditor discussed,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 but the discount rate had become a little more normal,
2 within the normal range, and that comment had been
3 dropped.

4 And I'm sure that pension investors had gone to
5 the company and asked about that calculation of the
6 discount rate and why this additional amount had been
7 added on, or at least that's my guess. So I may -- that
8 may be a misconception, but that's how it seemed to me.

9 Another example, so -- and this is a little
10 unfair, but say for example if you took one of the very
11 big retailers in the UK three years ago the issue of
12 supplier income wasn't really discussed in the financial
13 statements. If you look at the auditor's report, that
14 did flag up as a critical audit matter, supplier income.
15 Not really discussed elsewhere. Well, I mean, in the
16 company, but there was subsequently an issue in that
17 area.

18 And of course then it does beg the question of
19 why the auditors were raising it as a critical audit
20 matter and then not talking to the company about getting
21 better disclosure around that topic, but nevertheless it
22 had been flagged up. It was a point that investors were

1 warned about as a potential risk of material
2 misstatement. So that actually was flagging up a very
3 important issue.

4 So those are a couple of areas where sort of I've
5 observed there's been particularly useful information,
6 and there are many others. I'm not sure if anyone else
7 in the room who's looked at UK stocks has any other
8 suggestions to contribute.

9 And also just to come back to the famous KPMG
10 example with Rolls-Royce, I think if you talk about in
11 stock, a lot of those questions that were raised there
12 have been really debated amongst investors. It's
13 important to understand these risks. There's actually,
14 for those of you who haven't seen it, several pages of
15 discussion, and some quite important matters I think
16 have come out through there, a discussion of risks
17 around controls in one division and so forth. And those
18 are really of interest to investors and I've been in
19 many meetings where those points have been discussed.

20 MR. HARRIS: Linda?

21 MS. DE BEER: Thank you, Steve. I think just to
22 add to Sarah's point in South Africa we use

1 international standards in auditing, and obviously the
2 equivalent ISA standard hasn't become effective yet, ISA
3 701, but very many listed companies have already pushed
4 their auditors or the auditors started insisting on
5 early adopting it. So we've seen quite a couple of
6 those audit reports as well.

7 And the one other aspect or benefit, Jay, maybe
8 just adding onto your question, that I've certainly seen
9 is it keeps the audit committees honest as well.
10 Because what's happening now -- and we don't have a
11 requirement that you have in the UK that the audit
12 committees must have sort of reflect or mirror some of
13 the disclosure. As you know, that's not an ISA
14 requirement. But what audit committees now do is in
15 their reporting or in their financial statements they
16 sort of take a proactive step to knowing what will be
17 the key audit methods to explain further what the
18 governance process is all around there.

19 So I think automatically if you look at the key
20 audit methods and at the audit committee reporting,
21 there is just firstly better governance, but also better
22 disclosure for investors to give a more holistic picture

1 of those specific areas.

2 MS. DEANS: One other point, if I could just add,
3 I think the very fact of having the auditor talking
4 about these areas makes it very helpful as the user
5 accounts to engage with the company because it gives you
6 a hook of information and also if the company doesn't
7 want to talk about it, it's much easier when you can say
8 but your auditor has identified this as a risk. So
9 rather than sort of, well, why are you asking about
10 that, to be able to say the auditors are talking about
11 this, makes it harder for a company to close down and
12 not want to talk about the issue. You're informed.
13 You're a more informed investor or analyst.

14 MR. HARRIS: Sarah, in the UK how would you say
15 it's influenced the behavior of the auditor?

16 MS. DEANS: This is -- it's a little harder to
17 say as a user of the accounts rather than an auditor,
18 but I think it's clearly promoted interest in what
19 investors think and feel, because we have now more of a
20 dialogue. I mean, certainly since these have been out
21 there it's been easier to engage with audit firms and
22 point them to where it's been helpful, you know, and I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 think it's incredibly important for the audit firms to
2 see this as an opportunity because they're able to
3 actually show the value to investors of all their
4 knowledge.

5 So in the past up until now, auditors have all
6 these masses of information, but we had -- as users of
7 the accounts have seen no sight of that. They're
8 actually able to prove their value a lot more and I
9 think that's incredibly important when there is quite a
10 lot of skepticism, at least amongst the investors I
11 speak to often, about the value of the audit to them.

12 So in terms of has it changed behavior, I'm sure
13 it has, but we don't get a great deal of insight into
14 that. But certainly if I was an auditor and I knew I
15 was going to be talking about this, I think it puts
16 maybe, I would guess, a little extra pressure to be
17 confident of what you're saying.

18 MS. SIMPSON: Sharpens accountability.

19 MS. DEANS: Sharpens accountability, that's the
20 best --

21 (Off microphone comments.)

22 MS. DEANS: Yes, exactly. So I think I'm sure it

1 has changed behavior. It's certainly prompted some
2 useful dialogue between investors and the audit firms in
3 the UK. So I really see it as a positive. And there
4 has sort of been a bit of competition amongst the audit
5 firms to be perceived to be being helpful here and to
6 actually improve the standard, which has been very
7 constructive, I think.

8 MR. HANSON: Sarah, just to clarify, as an
9 investor you're dialoguing directly with the auditors
10 about what's in the audit report?

11 MS. DEANS: Just to clarify, not typically
12 specifically on companies, but on overall what we found
13 helpful, yes, the audit firms have been quite open to
14 having conversations.

15 And in those cases, you know, investors are often
16 maybe bringing examples, obviously there's
17 confidentiality that they are not going to give away to
18 us obviously inappropriate information. But certainly
19 company examples have come up in those conversations of
20 what's been -- typically what's been particularly
21 helpful.

22 MR. CARCELLO: And, Steve, let me add one thing

1 in following up what Sarah said about the effect on
2 auditors. As you know, I'm sure you're in contact with
3 the folks at the FRC and Marek Grabowski and those
4 folks, and they have done quite a bit on measuring
5 what's changed inside audit firms.

6 And we alluded to this earlier, one of the
7 unintended consequences, in this case a good unintended
8 consequence, is the staff are more engaged in their
9 work, they're more excited about their work, they feel
10 like what they do every day actually matters more
11 because they see the fruits of their labor in a report
12 that people will read other than a three-paragraph
13 report, as Sarah said I think earlier and others have
14 said, that people typically in the past didn't even
15 read.

16 MR. HARRIS: Mike, and then we'll just go around.
17 I'm sorry. Well, wait a second. Jeanette? Let's
18 recognize the Board first.

19 MS. FRANZEL: Thanks, Steve. Thanks for this.
20 And I'm wondering, Sarah, can you elaborate a bit more
21 on the very specific issue of company-specific findings?

22 And I can kind of see this going in two different

1 directions and so if you have examples of both, that
2 would be helpful. So in one case maybe it's a difficult
3 audit area and the auditor finds that there's just a
4 whole lot of uncertainty and there's nothing really that
5 anybody does about it. And what kind of -- have you
6 seen examples of that, whereas in other cases maybe the
7 auditor found that something needed to be refined or a
8 disclosure needed to be expanded. Management did that.
9 How far do they go in discussing the findings? They
10 say, you know, this was difficult and as a result of our
11 work management expanded its disclosure, or do they say
12 talk about the inadequacies first of the initial
13 disclosure and then the subsequent changes.

14 So anyway, examples on both types of findings and
15 results, if you have any.

16 MS. DEANS: Yes, so and I guess to caveat this a
17 little bit, clearly most of the auditor's reports yet do
18 not include findings. The majority do not. It's very
19 much a minority yet. And those findings, again, vary
20 enormously from the very, very detailed examples we have
21 at Rolls-Royce, which I'm sure you've seen, right
22 through to some of the less helpful, you know, blander,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 not very company-specific that was within a reasonable
2 range type comment that doesn't really help us.

3 So this is based on not a huge number, but yes,
4 we have seen cases where, for example, it's been
5 commented that errors were found but those were then
6 corrected. And after they'd been -- after an error had
7 been corrected, then the auditor was happy. But that
8 was an insight again that was new. Whereas in other
9 areas there is a lot of just sort of, this is the work
10 we did and this is a risk area without -- either no
11 finding or no very specific finding other than there
12 wasn't anything that required -- well, they didn't say
13 that, but there was clearly nothing that kind of further
14 seemed to be required at that point.

15 If you look at most of the findings, the PwC ones
16 tend to just be of the it was within a reasonable range
17 and there we left it, sort of thing. If you look at
18 some of the others, one thing actually I should comment
19 that I found quite helpful, at least in terms of
20 presentation, was what I liked about this most recent
21 year's reports from Ernst & Young, from EY, had the
22 column, this is what we reported to the audit committee.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Now having said that, some of those comments then
2 below that are quite bland and you think, well, that
3 must have been a boringly thing.

4 (Laughter.)

5 MS. DEANS: You didn't tell them much, but at
6 least I like that way of framing it, that then here is
7 the result, this is what we presented and talked to the
8 audit committee about.

9 I don't know how much that answers your question,
10 but it is still relatively early days, at least for
11 findings.

12 MS. FRANZEL: Thanks.

13 MR. HARRIS: Mike?

14 MR. HEAD: One, because I was on this committee
15 I have the insights, and this was a topic that again I
16 was very passionate about. But the first comment on
17 findings and results that I wanted to emphasize. We as
18 maybe auditors or accountants our self automatically go
19 to a finding must be an exception, versus a finding can
20 be, they did a great job in this area and we applaud or
21 agree with management's judgments.

22 Now you're not going to see that kind of wording

1 in this kind of report, but it should be balanced about
2 positives and potentially negatives, if there are some,
3 without assuming it's all going to be negative.

4 And I correlate what I think the value is here.
5 I think all of us would agree when you're doing what
6 I'll call a service center type audit where you're
7 actually auditing and saying what the state should be,
8 what your results were, if there was any exceptions, can
9 it be relied on? And then that type of audit, which kind
10 of relates to where we've went on the broker-dealers
11 with the 17(a), you know, this isn't going there, but
12 this is going that direction. You're trying to get more
13 color on that -- the audit process and what the results
14 of the audit process would be. And that starts moving
15 you down, well, did it work the way you intended during
16 the period, not just as of a point in time?

17 I guess the last thing to me is I'm big on
18 transparency. Everything we're talking about that could
19 be including findings or results have -- are being
20 discussed in the audit committee meetings by management,
21 by the auditors with the audit committee members and at
22 times at the full board. So this is not something

1 that's not already being done privately. It's just
2 giving the investors or the shareholders or stakeholders
3 transparency or insight to it. So those are my
4 thoughts, my top of mind.

5 MR. HARRIS: Parveen?

6 MR. GUPTA: Sarah and Joe, I guess what I was
7 wondering, maybe you covered this point and I missed it
8 as I stepped out for a few minutes, for the first couple
9 years certainly expanded disclosures in the audit report
10 and the information that we are talking about would be
11 new information and useful. Was there any conversation
12 in your working group that what discipline can be put
13 around the fact that maybe after two, three, four years
14 it could become a boilerplate report? And if so, how do
15 we handle that?

16 Because, you know, when you go in this direction,
17 you want to make sure that you mandate something that's
18 going to be useful to the capital markets for the longer
19 term rather than just couple years and then the
20 excitement kind of dies down and it's the same report
21 like we've seen the risk disclosures in the 10-K in the
22 US, at least.

1 MR. CARCELLO: Yes, I'll give some thoughts,
2 Parveen, and then obviously I want to hear what Sarah
3 has to say and what she has seen.

4 But to me, let's say Company ABC has six critical
5 areas and actually presents findings in years one, two,
6 three, four and so forth. The real important
7 information is going to be change. And if you don't --
8 if all you end up getting is it's the same six every
9 year and it's the same wording every year, then
10 essentially what you're saying is absolutely nothing
11 changed inside that company on those six areas. That's
12 just not believable.

13 So if that's the case, what it's suggesting is
14 that there's not that kind of disclosure around change,
15 and that would be a problem if that was the case.

16 MS. DEANS: Yes, and this question's been sort of
17 talked about quite a lot in the UK. Is there a danger
18 of this? We've had it three years. Is it just going to
19 come -- in fact, actually so far that hasn't happened
20 because I think the process has been evolving so much
21 anyway that things have changed and moved on.

22 But certainly one of the examples of sort of best

1 practice which some of the firms are doing, at least
2 some of the time, is to talk about exactly that, where
3 things have changed. So for example, if something was
4 a key risk last year and isn't in there now, to give
5 some explanation of what's changed. Sometimes it's
6 obvious. That division was sold, so we're not worried
7 about it anymore. But other times it's not.

8 And also when new risks have evolved. And even
9 again, and I hate having to always give the same sort of
10 example of best practice, but if you look at how again
11 the Rolls-Royce most recent auditor's report, actually
12 gives a little chart of sort of where things have moved.
13 So this risk is actually a bit bigger this or a bit more
14 of a concern this year versus a previous year, and this
15 one has sort of moved down the track a bit.

16 So not just which ones have come on and which
17 ones are dropped off, but actually the evolution of
18 we're a bit more worried about this and we're a bit less
19 worried about this now, which is again very useful and
20 I think is an indicator of the quality of what the
21 auditor is doing is quite an interesting one. We know
22 which ones we're actually talking about.

1 Those kind of processes that they're thinking
2 through, this has become more important. Whereas
3 exactly if an auditor's report is just -- and so far we
4 haven't had it that much the same as last year's and the
5 same as the year before's. Then I think you start
6 worrying. Do you really believe that nothing has changed
7 or is that simply the auditor not doing a great job? So
8 again it's helpful insight into the quality of the
9 auditor potentially. And it's still again early days,
10 but I think that will be interesting as we go further
11 down this track.

12 So I think, yes, of course I understand there is
13 that risk there. And absolutely, to Joe's point, if
14 this just becomes boilerplate language and doesn't tell
15 us anything specific and so forth, it's hopeless and it
16 is just more pages for no purpose. And that's not what
17 we want.

18 But actually I think enough does move on and if
19 it's really the auditor's going for best practice and
20 helping the investors understand evolution of risks,
21 that's helpful and that's actually a useful history then
22 of how things have moved on. There was a problem with

1 internal controls last year in this division. Has that
2 improved this year and has it improved so much that this
3 is no longer a risk or is it just evolving, or is there
4 actually still worry or even worse?

5 So I think there's a lot we can learn from that,
6 so long as the process is done well.

7 MR. HARRIS: Robert?

8 MR. TAROLA: Robert Tarola. I find this quite
9 ironic that we're -- that there's resistance to this in
10 the auditing profession, because as I'm listening to all
11 the analysis, this could be the solution to a couple of
12 the problems we talked about today. It appears to me it
13 will raise the value of the work of the auditor to their
14 ultimate customer. It would provide the transparency
15 that folks believe is important in reporting to outside
16 parties for an issuer.

17 It should make the profession more exciting, that
18 you would want to join. In fact, the way I think about
19 an auditor, it's just the front end of the analysis
20 process. It's the same person on each end. The auditor
21 is a front-end analyst and the investor rep is the back-
22 end analyst. They have to have the same skills, the

1 same insights, the same knowledge of the company and
2 business models and how they all work.

3 So the public accounting profession really needs
4 a makeover in terms of its marketing. And this may be
5 the impetus for a makeover.

6 MR. HARRIS: Well, being an audit committee chair
7 and an auditor and somebody who's well versed in the
8 profession, those are very interesting comments.

9 MR. TAROLA: Well, I was going to start --

10 MR. HARRIS: But you wear so many different hats
11 that it's interesting.

12 MR. TAROLA: Well, when I wear a preparer hat or
13 an audit chair hat, it's a bit scary --

14 (Laughter.)

15 MR. TAROLA: -- to be frank, because you're
16 really now -- your scorecard is going to be made public
17 as a preparer and as a, you know, governance committee
18 of the company. So that's a bit scary.

19 I think the other -- I think on the auditor side
20 I'm sure they're nervous about added liability, and I
21 think Joe's idea is a really good one. Maybe a safe
22 harbor for audit committees, too.

1 (Laughter.)

2 MR. HARRIS: Only for you, Bob.

3 (Laughter.)

4 MR. HARRIS: Linda?

5 MS. DE BEER: Thank you. Just two comments, if
6 I may, and it's more from my experience where we debated
7 this as the advisory group with the IAASB. Jeanette,
8 the comment or the question you asked about the entity-
9 specific information just triggered the thought in my
10 mind, and there were lots of discussions at that point
11 in time really to try and avoid industry disclosure.
12 And I think that is a really important point that must
13 come through.

14 And, Sarah, you spoke about sometimes the entity-
15 specific information might be a little bit more bland
16 and the range is a little bit more general, but there
17 was, especially at the initial stages of the debate, the
18 real concern that instead of auditors drilling in to the
19 specific critical audit methods or key audit methods
20 within the entity, the role they sort of talk about
21 industry-specific, you know, this is in the platinum
22 industry and the market is distressed.

1 And, you know, that sort of becomes a critical
2 audit method because that information would certainly
3 not be useful at all. And I think it's very important
4 that the wording must be tight enough to avoid that sort
5 of general disclosure, critical areas for the industry
6 as a whole versus that company specifically.

7 The other point that came through very clearly as
8 well, and Mike, when you spoke it reminded me, was that
9 a lot of the people around the table at that advisory
10 group felt very strongly that they're not really
11 interested in audit procedures. They sort of want to
12 know what the issue was and what the finding is. They
13 couldn't really care all that much what the auditor did
14 to get the comfort that he needed, but more sort of what
15 the ultimate outcome or finding is.

16 And I think there is a risk that if auditors
17 start disclosing a lot of procedures, it will again
18 become really boring reports that people won't read.

19 MR. HARRIS: Curt, I think you had your card up
20 next.

21 MR. BUSER: Thanks, Steve. So like Bob, I think
22 this has a lot of opportunity for the whole audit

1 profession, and from an assurance standpoint I think
2 it's potentially a very good product.

3 I have a couple questions though that I'm just
4 curious in terms of how the working group thought about
5 it. So first, if there are no findings or they're
6 boilerplate-type answers, does that create a false sense
7 of assurance?

8 Related to that, do the critical audit matters
9 create kind of a piecemeal opinion approach with respect
10 to the report on the financial statements otherwise
11 taken as a whole? How do you think about materiality
12 and disclosure requirements around that?

13 And then last, as it relates to internal
14 controls, right now we have a criteria, as least as I
15 understand it, that obviously the material control
16 weaknesses, they need to be disclosed and talked about,
17 significant deficiencies, obviously talked about with
18 the audit committee and kind of resolved.

19 So does this change that standard? So does this
20 kind of enforce significant deficiencies to be publicly
21 disclosed as a critical audit matter, or how do you then
22 kind of say no, no, no, you don't have to talk about

1 that, but it's a significant matter? Thanks.

2 MR. CARCELLO: Yes, I'll start off, but again I
3 certainly want to hear what Sarah has to say.

4 Curt, these are, as I would expect, excellent
5 issues to raise. On the first if there's no findings or
6 if the findings are boilerplate, does that give you a
7 false sense of assurance -- and I think if the Board
8 decided to do what we're suggesting that they might,
9 which is to encourage findings but not require them, I
10 think the reality is inside the United States, and we
11 recognize this, that at least initially there's probably
12 not going to be a whole lot of findings.

13 I mean, we're not finding a whole lot of findings
14 right now in the United Kingdom. So I don't think
15 there's going to be a global conclusion about an issuer
16 if there aren't findings. Now maybe down the road 10
17 years, 15 years, 20 years, but let's worry about that 10
18 years from now.

19 On the second issue, the piecemeal opinion, and
20 certainly this is a concern that's been expressed, it
21 doesn't appear to me, but I want to hear what Sarah has
22 to say, to have been a problem in the United Kingdom.

1 I think the marginal investor in most stocks today is
2 pretty sophisticated and I think they're going to
3 understand that it's not a piecemeal opinion, but I want
4 to hear Sarah's explanation or experience in the United
5 Kingdom.

6 The significant deficiencies is maybe not a fair
7 thing to throw to her because I don't believe there's
8 reporting on internal control over financial reporting
9 in the United Kingdom. This is not something we talked
10 about, Curt. I know it's a major concern of issuers and
11 of audit committees and of auditors, so it's a fair
12 point and I think it would have to be looked at further.

13 I think to -- not to move forward in encouraging
14 findings because of that, I think that can be solved
15 even if that's scoped out. That's not a strong enough
16 reason not to do it.

17 MS. DEANS: Okay. So to add to that, is there a
18 risk with a sort of piecemeal opinion? I just don't
19 think that's been perceived as a problem in practice
20 over the three years. We understand, or at least the
21 professional investors I speak to understand the overall
22 audit opinion. And then this is additional helpful

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 information. And I just don't perceive it's a problem.

2 I think -- was there -- sorry, was there also a
3 question about materiality that we didn't cover there?

4 MR. BUSER: Yes, and if you're going to talk kind
5 of on a piecemeal basis or call that out, I mean, how
6 does materiality kind of play into that especially as --
7 if a critical audit matter how would it affect your
8 materiality assessments?

9 MR. CARCELLO: Again, that didn't come up, Curt.
10 We didn't even talk about that. I'd have to think about
11 it more, but it's a fair point.

12 MS. DEANS: I guess that does -- we'll say just
13 maybe one tab one point, which is one area where the
14 U.K. has also gone further is actually requiring
15 disclosure about materiality and the calculation of
16 materiality. And I know that that has sort of fallen by
17 the wayside a bit here, but I -- personally actually I
18 found it very interesting. And actually if I was to put
19 my finger on where I think practice has most been
20 affected or things appear to have changed most as a
21 result of extending required information in the
22 auditor's report, I'd actually look to that because

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 first year we had a lot of outliers taking a pretty high
2 percentage of pre-tax profit. So that's been changing.

3 MR. HARRIS: Judge, you're not allowed to put
4 your card down.

5 MR. SPORKIN: The only thing that -- I've
6 listened now for this whole day and I was thinking what
7 are we talking about?

8 MR. HARRIS: Judge? Judge, hit your mic.

9 MR. SPORKIN: What we're talking about is what
10 you need to do in this profession as it's been done in
11 the legal profession, medical profession is branding.
12 If an organization has a brand that it's known that you
13 don't get their name on it unless you've done the
14 greatest job in the world. I mean, you don't get a
15 Sullivan & Cromwell's name on a report unless they
16 believe it's the right thing to do. Not the client.
17 Sullivan & Cromwell won't put their name on something,
18 or Korvath, Wachtell & Lipton. It's a branding. You
19 got to get a brand that says this accounting firm you're
20 not going to get that name on that accounting firm
21 unless it's the report that we want to go out. You
22 won't get a Wells Fargo -- your name on Wells Fargo

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 unless it's right.

2 And they know. I mean, how do these people know?
3 They can read the report and they can know something's
4 right or something's wrong. They could ask the right
5 questions. Why is it? Or you never see them getting
6 into the kinds of problems with some of the accounting
7 firms you're getting into. Is it trying to get minimum
8 standards or is it trying to get the best standards? I
9 mean, you see the commercial, people go to BDO if they
10 got a problem. I don't know whether it means they're
11 the best, but what I'm saying is that you want to brand
12 your organization, that nobody gets my name unless it's
13 the way we want it, not the way the client wants it.
14 You can't buy our name. I don't know if that means
15 anything, but I'll tell you that's what I see here.

16 MR. HARRIS: Thank you. And, Lynn?

17 MR. TURNER: A couple things. As one of the
18 people in the room that's actually written critical
19 audit matter memos at the completion of an audit having
20 to identify those, I think it's going to take some time
21 just based on this conversation for the investor
22 community to really understand. Probably have to be

1 some education because some of these CAMs do stay the
2 same year to year. They do not change in companies,
3 especially industry-specific. So to expect things to
4 see change time to time to time, that's probably --
5 maybe some cases that will occur, but it's certainly not
6 going to occur.

7 And also as I listened to that discussion
8 earlier, it tells me there's going to have to be some
9 education of the investor community and they're still
10 going to have to do their homework. In fact, your
11 earlier conversation led me to believe that probably
12 going to need to be a lot of education of the investor
13 community if that's what the expectation was.

14 The second thing is on findings I actually think
15 better than the Rolls-Royce report in this case is the
16 Dutch report on Aegon. I think it's an excellent report
17 because it does get into the findings and does I think
18 a very good job of coming back. I forget which Board
19 member asked about the value associated with the stuff,
20 but the Aegon report to me laid out more of the
21 information I'd want to know with respect to the risk in
22 the company and where some of the things were going and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 what the auditors did to address those. So I thought
2 that was a pretty thing -- pretty good disclosure.

3 But then with respect to your notion of a legal
4 safe harbor, I find that to be most disturbing, because
5 you've turned around and told me this is such critical
6 information, I need to become informed and it needs to
7 be very good and really tell me what the auditor thinks.
8 But on the other hand, if they mislead me, I can't hold
9 them accountable. So I would vehemently oppose any safe
10 harbor.

11 I would rather not have the CAMs than to have the
12 CAMs with the safe harbor. I think as we saw, as we've
13 seen in the past with some of the things, when you
14 provide those legal protections the accountability goes
15 away and the quality goes down, so I think the safe
16 harbor is a disaster in waiting.

17 MR. HARRIS: Tony?

18 MR. SONDHI: Thank you. I actually did -- wanted
19 to address that last point that Lynn was making, and I
20 really do think that the safe harbor would be a
21 disaster. But I also at the same time believe that --
22 very strongly again, that saying such and such

1 disclosure or something is encouraged is also a very big
2 problem for a very simple reason: I served on a
3 committee that helped write the International Accounting
4 Standard on the cash flow statements and very narrowly
5 lost the fight to get the direct method. And the IASC
6 chair at that point, David Cairns, told me that he
7 wanted -- he agreed with me that it should be direct
8 method. He says but he was hoping to accomplish it by
9 encouraging.

10 And if you look at both the U.S. GAAP on cash
11 flow statements and the international, they both start
12 with the same thing in the first paragraph: you -- the
13 direct method is better. You are encouraged. But the
14 problem is when you go to the glossary of terms,
15 "encouraged" is defined as you don't have to do this.
16 And that's the definition people are using. They're not
17 looking at it in terms of what the language tells you.
18 So using "encouraged" I think is a problem.

19 I think Lynn is also right that it may take us
20 awhile as investors to learn that some of these CAMs are
21 going to stick around, and there is a reason for them to
22 stick around. But I have two responses to that: One is

1 that I am willing to learn. I would like to find out.
2 But I'm also tired of the kind of boilerplate
3 information that I see.

4 I'll give you an example. A few years ago I had
5 found a company that in its footnotes said -- what its
6 footnotes were saying was that the basket of currencies
7 that they operated in were weakening against the dollar,
8 but when I turned to the stockholder's equity where they
9 had the cumulative adjustment, that change suggested the
10 opposite. And I couldn't reconcile those two, so I
11 finally called the CFO and he -- when he got -- he said
12 I'll figure it out and get back to you. And he called
13 me back to say that he was disappointed that I didn't
14 understand something that simple. He says we've just
15 simply had that disclosure for the last 10 years. We
16 like it and that's why it's sitting in there --

17 (Laughter.)

18 MR. SONDHI: -- which I think was his way of
19 saying, sorry, we missed something.

20 But the point is that these boilerplate terms,
21 these kinds of things that get into the disclosures and
22 they don't go out -- so there is a danger when something

1 sticks around for too long. So but I would sort of
2 very, very strongly suggest not to have anything that's
3 encouraged.

4 MR. HARRIS: Well, Joe and Sarah, thank you very
5 much. I think your comment letter is self-explanatory,
6 speaks for itself, and we very much appreciate your
7 having gotten it to us in the timely fashion that you
8 did.

9 Now with respect to the conclusion, I've asked
10 everybody to give a little bit of thought to any
11 recommendations or suggestions for future topics or
12 issues or recommendations to the Board. I don't know
13 whether or not people have them, but, Mary, starting
14 with you, I'd like to go right the way around the room
15 and we'll conclude with topics that you think ought to
16 be on the agenda for our next meeting.

17 MS. BERSOT: Well, I looked at some of the topics
18 that we had a choice for this meeting and I think
19 revenue recognition is one that I think is coming up.
20 And I also think valuations. How are we valuing
21 companies? I don't know if these are PCAOB issues, but
22 I do believe that these would become issues for

1 investors and I would recommend that we take a look at
2 either one of those.

3 MR. HARRIS: Joe?

4 MR. CARCELLO: Maybe a more global one, Steve.
5 We were talking about the inspection deficiency rate
6 this morning. And even if we say, okay, well, let's
7 just look at those audits where there's a heightened
8 risk of problems, which is what you try to inspect,
9 those are the audits you try to look at. And the
10 inspection deficiency rates, whether they're 20 or 25 or
11 30 or 35, or whatever they are, they still I think
12 strike most people as high. And the Board's been around
13 for 15 years.

14 So then the question I think -- I think it's --
15 a fair question to ask is are you just getting a lot
16 better at identifying where problems are or are you
17 raising the bar, or is meaningfully improving quality,
18 even where it's most difficult to get right in the
19 hardest areas -- why are we not moving that more? And
20 what is the real challenges inside the financial
21 reporting process: auditors, audit committees, issuers
22 that are preventing that?

1 I have my own bias. I actually think in many
2 cases auditing is better than we deserve given the
3 institutional arrangements. I think the one weakness in
4 Sarbanes-Oxley is that audit committees have tremendous
5 responsibility and for every good person like Bob Tarola
6 there's someone on the other side who isn't.

7 And the accountability. The SEC does what they
8 can, but I think there's an issue with accountability
9 there. And it's very hard for auditors I think to hit
10 on every cylinder if they're fighting management and
11 fighting the audit committee at the same time. I think
12 at a certain point you have to be realistic what you
13 expect, too.

14 MR. HARRIS: Thank you. Sarah?

15 MS. DEANS: I suspect as I'm new to the group
16 this has been discussed in the past, but something that
17 I feel sort of over the last few years the lid has been
18 lifted a little bit for me on this issue of materiality
19 in the U.K., and it's certainly prompted some questions
20 over there. And I'd be very interested sort of -- and
21 it's such a hot topic in other areas, so for me that's
22 something that's really on my mind.

1 MR. HARRIS: Norman?

2 MR. HARRISON: Well, Steve, first of all thank
3 you once again for everything you've done to support us
4 and the groups and organizing such a great meeting. I
5 have been a -- I'm a charter member of this group, and
6 I've been thinking just over the past 30 minutes or so
7 as we were winding down the discussion of what a really
8 interesting day this has been.

9 And I think part of the reason it's been
10 fascinating to me is that this may be the first time I
11 think that all of the working group topics -- I mean,
12 there's a silver thread here that kind of ties
13 everything together and touches on some big issues that
14 I think would warrant our continuing attention going
15 forward.

16 So I think my short answer is in addition to new
17 topics we may take up for next year I think we need to
18 revisit some of these perhaps as a group. Because think
19 of what we've talked about today. We've talked about
20 potentially significant changes to the scope and the
21 business model of an audit, building a framework around
22 non-GAAP financial measures, reporting on CAMs an

1 expanded reporting model, which we're about to see your
2 final handiwork on. And we'll have a year of experience
3 under our belt by next year in terms of how that has
4 developed, what the reaction has been. Some of these
5 changes would be market-driven, others are regulatory.

6 But we've then also talked today about doing a
7 better job of measuring the quality of what may be
8 expanded or differently structured audits going forward.
9 The AQIs and increased reporting in transparency reports
10 around the results of internal audit quality reviews as
11 well as external ones that the firms engage in.

12 Now once we do a better job of measuring it, it
13 will be easier for investors to attach greater
14 significance and value to it, and therefore for them and
15 for the ultimate customer to be willing to pay more for
16 it, as Bob noted a few minutes ago, which is really what
17 got me thinking about all this.

18 And once there is greater market value to this
19 product or this service, there may be opportunities to
20 reward those who provide the best service, both at a
21 firm level through increased fees to the point the judge
22 and others have made about the value of the brand, if

1 you will, as well as possibly through -- this would be
2 nothing for this group to consider, but perhaps through
3 some changes to compensation models in firms where high
4 performing individuals and groups could be incentivized
5 or rewarded on the basis of good outcomes. Not good
6 outcomes in the sense of a clean audit, but good
7 outcomes in terms of external objective measures of
8 audit quality.

9 And that in turn will attract better talent and
10 address the issue we talked about in the last group
11 about what to do about young people who may have some
12 reluctance now to consider the audit profession because
13 it doesn't have the same appeal or glamour or even your
14 medium-term compensation potential. This may be --
15 these factors aligning may get us to a solution or the
16 beginnings of a solution to that.

17 So I really think there's been a fascinating
18 convergence of topics. I think they're all part of an
19 integrated set of issues around the business model of
20 the profession. And I would urge that we in some form
21 take it up again next year.

22 MR. HARRIS: Thank you. Anne?

1 MS. SIMPSON: Yes, I'd like to make a thanks to
2 our founder, Steve. It's been a fascinating day.

3 Three thoughts have caught me during the
4 discussions: The first is this issue of audit firm
5 governance. So much that we understand about corporate
6 performance flows from understanding governance ideas
7 like independent oversight, transparency. And if audit
8 quality is our goal, then I do feel the governance path
9 needs to be trodden. And looking at some international
10 examples or picking that up in a deeper discussion would
11 to me be very helpful.

12 Because in the U.S. you only -- in most or many
13 companies have the right for shareholders to ratify, but
14 we could strengthen that line of accountability to the
15 corporate owners and strengthen that sharper sense of
16 who are you working for. So that's one thought.

17 The other is -- and perhaps Norman expressed it
18 well about the scope of the audit. And I'm thinking
19 about these new reporting, into which bucket I put the
20 two parts of our working group, which is the non-GAAP
21 stuff, but also the IFRS world and the whole bundle of
22 new issues coming through around sustainability, or

1 externalities is the unifying theme for us.

2 And then in terms of the human capital side of
3 the ACAP report, it seems to me that this question about
4 diversity and talent management is critical. Because
5 diversity on corporate boards, we have terrific evidence
6 that it's really good for decision making, both on risk
7 and also on value. And as we look at more dimensions of
8 diversity from gender to race, ethnicity, disability,
9 sexual orientation; in other words anything, you're not
10 only capturing better talent because you've broadened
11 and deepened your pool to go and look for people, but
12 you also then get a much higher quality of input because
13 people come from different perspectives.

14 So it seems to me that that would be maybe a
15 complement to looking at the audit firm governance. But
16 I also like very much Sarah's point about materiality,
17 which I do think is a unifying theme through all of
18 this. But materiality we would want to hold onto it
19 through the eyes of the beholder, which is of course the
20 investor. We don't want that to me thought of in a more
21 diminished way as just an issuer consideration. But
22 thank you very much.

1 MR. HARRIS: Thank you, Anne.

2 Mike?

3 MR. SMART: First I'd like to thank you, Steve,
4 and the rest of the Board for allowing me an opportunity
5 to serve. I found today just fascinating and frankly
6 invigorating, just finding out some of the things that
7 you're trying to do and have been doing in the past.

8 As it relates to new ideas and topics of
9 discussion, from my perspective I'd actually like to
10 continue a focus on the non-GAAP accounting. I think
11 that's pretty critical from my perspective. And I think
12 from all investors' perspective. I think if accountants
13 can put a value and definition on derivatives, they can
14 very clearly define something as simple as EBITDA in
15 particular industries. I think that non-GAAP component
16 and issue sort of leads to valuation. So I think
17 they're sort of connected to the hip because many
18 investors use a lot of non-GAAP items for valuation
19 purposes.

20 The second item is that of human capital. As I
21 mentioned, I have a sincere interest in helping out in
22 any way I can. I think it's very important to try and

1 demonstrate and illustrate to those in college and
2 graduate school, the importance of the audit process,
3 the value that you're bringing. And I think that this
4 body can -- working with the profession can come up with
5 something that makes sense and accomplishes that goal.

6 I'd also like to help as much as I can on the
7 issue of diversity. Thank you again.

8 MR. HARRIS: Thank you. Curt?

9 MR. BUSER: Thanks, Steve. And I'd like to
10 compliment the Board on really everything you guys have
11 been doing. I think if you look back, really just as
12 Chairman Doty said at the beginning, over the course of
13 the PCAOB's existence the improvement in audit quality
14 of that time period has been very good. And so we
15 should not ever lose sight of really kind of that
16 collective work.

17 In terms of thoughts on what we should be looking
18 at, I'm going to put this out with -- it is a very
19 standard item, but it may not be in your direct purview
20 of scope. I have clearly no expectation that we'll
21 solve it, but a lot of these things have a long tail and
22 we got to get started on it.

1 So cyber security, business continuity and
2 disaster recovery. Those are areas that are ripe for
3 assurance. There's no easy answers. There are other
4 organizations that are working on products and the like,
5 but those are real threats, real issues that we need to
6 provide help to the profession, the community, the
7 preparer community. And it's clearly in the mind set of
8 investors. So thank you.

9 MR. HARRIS: I'm smiling because I brought up the
10 issue of cyber security maybe three or four years ago in
11 terms of what's the role of the auditor vis-à-vis
12 assurance on cyber security, so I would welcome any
13 thoughts because I think that the general sense that I
14 get from the profession is that things are fine as is.
15 And if they're not --

16 MR. BUSER: I think it's a really hard issue. I
17 think that the talent that you have can bring some fresh
18 ideas and as long as we kind of view it as one of these
19 things that we'll probably talk about for several years,
20 that's helpful.

21 MR. HARRIS: Peter?

22 MR. NACHTWEY: Thanks, Steve. I agree with

1 everything that's been said here so far. I'm not sure
2 how you're going to handle all the work by the time you
3 get around the table though.

4 (Laughter.)

5 MR. NACHTWEY: We're going to have 19 different
6 ideas of things for you guys to focus on. But I'll
7 actually just reiterate one that has been talked about
8 before; and I've spoken with Jay and Jeanette last night
9 on this in terms of the audit committee outreach, the
10 fact that -- I kind of view there's a -- there should be
11 a partnership there. I realize it's not directly in
12 your purview, but with the PCAOB kind of governing the
13 macro and setting the rules for where the rubber meets
14 the road is with the audit committees.

15 And Jeanette was kind enough to come and meet
16 with ours at Legg Mason several years ago. I think
17 there's a lot that can be learned. And a lot of audit
18 committee members, while they're financial experts,
19 aren't necessary audit experts in figuring out a way to
20 share learnings and best practices and strengthen the
21 role of audit committees I think will go a long way to
22 helping in terms of quality audits.

1 MR. HANSON: Just one quick reaction to Pete.
2 Thank you and I appreciate the invitations we get. I
3 recently met with another group, a specific company
4 audit committee, and very valuable for us. We learn a
5 lot from those interactions, so appreciate that.

6 Just one comment to follow up on something that
7 I think, Norm, you might have been holding these reports
8 out earlier relative to some of the firm transparency
9 reports. I can't remember who's -- I didn't see what
10 you had, but the one thing that was sticking with me is
11 the U.S. report you're referring to from that firm,
12 there's a much lengthier report than that I know I've
13 seen. I just looked it up. It's more equivalent to the
14 U.K. report. And so not a perfect analogy, but there's
15 much more out there for that particular firm you were
16 holding up than what you had in your hand.

17 MR. HARRIS: Tony?

18 MR. SONDHI: In terms of things that we might
19 want to consider for next year or so, I have seen a lot
20 of material lately on blockchain technology, the issues
21 that relate to it. Brainard has been talking about it
22 and how that affects data that the Federal Reserve, the

1 banking system is affected by.

2 But if you combine that information with say data
3 analytics, the artificial intelligence and how that's
4 affecting audits today -- because I know that some of
5 the audit firms are already starting to look into the
6 real-time auditing, as they like to call it. Deloitte
7 is one of them. And so these are the kinds of things.

8 And we -- obviously it's a very, very large
9 issue, very big issue, but we can -- I think we ought to
10 start thinking about it because it certainly affects the
11 way financial analysis is being done and will be done
12 tomorrow.

13 My second thought is to go back and take another
14 look -- this is along the lines of what Norman said.
15 The way I was looking at it was sort of like the post-
16 implementation reviews that the two -- the FASB and the
17 IASB have been conducting, except there are times when
18 I wish they would actually read what those post-
19 implementation reviews are telling them. But at the
20 same time I think we might want to do a little bit of
21 that as well and see if we can then look at it from that
22 perspective.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 And the last point is audit committees. Pete
2 just pointed out that they may be financial experts, but
3 they're not necessarily audit experts. Sometime back I
4 think Lynn had pointed out something about that
5 requirement for accounting literacy that was --
6 accounting literate people that we needed and how much
7 that had been watered down.

8 I was wondering if one could just go back and
9 take a look at a good sample of audit committees and
10 find out -- and rank them according to their accounting
11 or financial literacy. Might be a service we might be
12 able to provide. So if I do start that business, I
13 probably won't be here.

14 (Laughter.)

15 MR. SONDHI: But in any case, jokes aside, I
16 really do think that we need to take a look at
17 blockchain, artificial intelligence and how that's going
18 to affect it.

19 And last I wanted to say that I appreciate the
20 opportunity to talk about non-GAAP measures and I don't
21 know how I would be able to sufficiently thank you for
22 the help I got from both you -- from Nina and from you.

1 So I do appreciate that a great deal. Thanks.

2 MR. HARRIS: I must say that I've heard exactly
3 the same thing as you have with respect to the role and
4 relevance of blockchain and how it might impact the
5 audit of the future. I don't pretend to understand it.
6 I haven't spoken to too many people who do understand
7 it, but it's clearly coming and it's clearly a chain to
8 the audit. And so I would welcome your thinking on
9 that. And whether we take it up next year or at some
10 point in the future, it's coming.

11 Amy?

12 MS. MCGARRITY: Thank you. I guess first off I
13 just wanted to really express my gratitude to you,
14 Steve, and also just to be part of the group and the
15 conversation. It's been an incredible learning
16 opportunity for me today and throughout the time I've
17 been on the group.

18 I think Sarah mentioned it earlier that as
19 investors I think we maybe take a lot of this
20 information for granted, and so just being here today
21 has been an incredible opportunity, experience and
22 learning process for me. So I'm grateful for that.

1 I think a lot of the information that people have
2 suggested we continue to study is relevant and I look
3 forward to those discussions. Some areas that I'd like
4 to call out and echo include materiality -- and I think
5 that because I'm new to the group it's definitely been
6 spoken of before, so it may be a repeat for a lot of
7 you, but to some of the newer members it might be very
8 relevant.

9 And then Tony just talked about something quite
10 interesting that I hadn't even considered with
11 blockchain and AI. And I think BlackRock is doing a lot
12 with AI, so I'd be interested in Kevin's input into that
13 and to the investment process. But I think that could
14 be an area of increasing investor interest which could
15 benefit from audit oversight potentially. So those
16 could be some areas of interest for me.

17 And then I think the discussion of non-GAAP and
18 also integrated reporting could be continued as well.
19 I think we had a lot of interest there and a lot of good
20 information discussed. Thank you.

21 MR. HARRIS: Kevin?

22 MR. CHAVERS: First of all, I'd also like to

1 thank the Board for the opportunity to actually work
2 with Steve again, or work for Steve, as the case may be
3 from time to time.

4 A couple of observations and then a
5 recommendation. I was fascinated by the discussion
6 frankly about the industry and the business model of the
7 audit practice in firms and it strikes me as a very
8 similar conversation sort of in the wake of the
9 financial crisis that the rating agency models have gone
10 through in trying to understand their value limit, their
11 liability.

12 Both industries have the unique situation of
13 having frankly been written into our securities laws,
14 and so they are integral to the capital markets but seem
15 to struggle with how to make their value proposition
16 reflect the product that they delivered given the
17 significance that they enjoy. And they seem to be
18 struggling with a very similar conundrum.

19 So in terms of future-looking subjects I would
20 hearken back to a continuation of the non-GAAP
21 accounting standards, particularly though as it related
22 to the integrated reporting issue. I think as you look

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 forward to new topics it's important to be just that,
2 forward-looking.

3 And as sort of the ESG standards of disclosure
4 continue to be an evolving issue amongst the -- with the
5 SEC, I think it's important to look at what it means to
6 provide assurances for those standards going forward.
7 And whether it's in the traditional accounting model or
8 there are other validators or other sources of
9 assurances I think is a topic worthy of additional
10 conversation.

11 And then as a host of others have now touched
12 upon, the issues that technology brings to the fore of
13 cyber security, blockchain and the implications of even
14 the primitive of FinTech going forward I think is an
15 interesting topic for exploration going forward.

16 MR. HARRIS: Thank you, Kevin.

17 Linda?

18 MS. DE BEER: Thank you. I must say it was
19 certainly fascinating for me as well, so I really
20 enjoyed it and thank you for inviting me.

21 I think my comments are very similar to what a
22 lot of people have said. I don't think any of the

1 issues we discussed today have been put to bed. I think
2 there is still a lot of work on most of them.

3 For me a couple of them: Obviously the non-GAAP
4 I think are really important, but the one that just
5 really hit home for me is just drilling a little bit
6 deeper into the governance of the firms. It is such an
7 overarching issue, the governance of the firm, the
8 transparency of the firms, the whole business model of
9 the firms. I think to do justice to that there is
10 probably quite a bit of homework to be done to get the
11 right information to really understand how it works and
12 what underlies all of that.

13 But I think that is also the long-term key to the
14 survival and the thriving of the profession, because as
15 the world is changing, if the auditing profession is not
16 going to change in accordance, I think we're going to be
17 in trouble. So I think that on the one hand governance,
18 transparency and on the other hand audit quality. And
19 audit quality is actually such a big topic. It should
20 also stay on the agenda. If I think about audit quality
21 -- I think it was Norman that referred to the inspection
22 findings and understanding that and -- or maybe it was

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Joe.

2 And part of audit quality is also the skills, the
3 skills of the -- if we talk about human capital, the
4 skills that auditors need going forward, the skills that
5 auditors need in dealing with simple things as
6 accounting estimates, but also with all of these new
7 complex topics that are coming up. So I do think audit
8 quality is important. And you can't really de-link
9 these topics from one another.

10 And then obviously the upcoming aspects. That
11 was -- I had similar thoughts to Tony. I think the
12 things for example like big data, data analytics, all of
13 these upcoming topics that will again change the
14 business model and the way in which auditors will be
15 auditing in future away from sampling, probably do more
16 real-time audit, more complete populations and so on.

17 I think those things we must keep an eye on. So
18 you probably will have more than enough, Steve, to fill
19 your agenda.

20 MR. HARRIS: Bob?

21 MR. TAROLA: Yes, thank you, Steve, and thank you
22 for your leadership here. And I also want to say to the

1 Board I've been watching your work for -- since 2002, I
2 guess, and it's -- you need to be commended because
3 we're not really talking about bad audits much anymore.
4 And I was just one of your recent subjects. You
5 inspected a company where I serve as the chair of the
6 audit committee, and I got to talk to your inspectors
7 about what we do. So it was a good experience and
8 they're doing a good job.

9 I want to reemphasize a couple things: One is
10 what we're talking about; and I'd ask any investor in
11 the room, investors invest in managements. And a lot of
12 what we talked about today was how to help management
13 display their own credibility and capability by having
14 it in essence independently assessed.

15 The pass/fail audit report doesn't help them much
16 in that independent assessment, but certainly one that
17 talks about their judgments would help with that
18 independent assessment. So I think if one looks at it
19 with an open mind, it helps the auditing professions and
20 it also helps their clients to be perceived more -- with
21 more credibility in the marketplace.

22 And then I'll just endorse the -- I think a good

1 topic for this group would be the changing technology
2 environment. Not just how it might impact how auditors
3 do their work, but also how investors digest financial
4 information and the connectivity between the auditor and
5 the investor in that technology exchange.

6 The idea of only exchanging information as a
7 whole is probably an obsolete model because investors
8 don't digest financial information as a whole. They
9 digest it in bits. And we could find a way to get
10 connectivity between the user and the auditor in that
11 environment.

12 MR. HARRIS: Thanks, Bob.

13 Gary?

14 MR. WALSH: Yes, this has been the best meeting
15 that we've had so far in my opinion, that I've seen, and
16 so I was trying to figure out why that was the case.
17 And I think the topics have been really good, but we
18 also have a different mix and we're getting a lot more
19 of what's going on internationally. And I think we can
20 learn a ton from the different viewpoints, and so I
21 encourage us all to continue to reach out to wherever
22 good ideas are coming from.

1 I think I'd like to kind of lean against what
2 we've talked about a lot of the time here today and I'd
3 like to see a simplification of the financial reporting
4 process. I dream of the one-page annual report. I
5 think that would make -- give us a lot more free time.

6 (Laughter.)

7 MR. WALSH: But I do think that there is some
8 progress that can be made in terms of simplifying what
9 investors have to read. I want all the disclosures that
10 we've got and everything else, but I think that somehow
11 we should go through and figure out how to make it as
12 simple as possible. But thanks for having me.

13 MR. HARRIS: Well, thank you and thank you for
14 that comment about the international participation. I
15 think we can learn a lot from our international
16 counterparts and so we appreciate their input.

17 Parveen?

18 MR. GUPTA: Steve, I'd like to thank you and the
19 other Board members also. This was my first meeting, so
20 I really enjoyed a lot and thank you for the opportunity
21 to be a co-lead on one of the topics. It was a
22 tremendous learning experience for me.

1 One of the topics that come to my mind that maybe
2 will be of consideration is in the area of internal
3 control. And I know internal control over financial
4 reporting continues to remain a challenge, but I guess
5 what I'm thinking in that area is as follows: Currently
6 management uses the causal framework to opine against
7 the efficacy of their control systems. And then
8 auditors also use the same framework to render an
9 opinion, but at the same time you also have Auditing
10 Standard No. 5 where absence of material weakness leads
11 one to conclude the control systems over financial
12 reporting are effective.

13 But when you look at the causal framework, there
14 are five elements, and whatever little research I have
15 done in that area I understand that folks are evaluating
16 individually each one of those five components:
17 controlled environment, controlled activities, risk
18 assessment, monitoring, and information and
19 communication.

20 I wonder do the investors understand that, how
21 the existence of that framework -- how it is being
22 employed by the management and the use of the framework

1 by the auditors, and concurrently the existence of AS 5
2 criteria with regard to presence of absence of a
3 material weakness? How does that interplay and impact
4 the ultimately conclusion that comes on internal control
5 over financial reporting, whether the company has an
6 effective system or not an effective system?

7 It ties into the audit quality, because when we
8 talk about the audit quality under the current regime,
9 we are looking at -- not only at the process that leads
10 to the final product. We also look at the final
11 product. So I think it's important to maybe think that
12 how internal control is being evaluated, implemented and
13 what's the role of these standards in this area?

14 MR. HARRIS: Thank you.

15 Mike?

16 MR. HEAD: The good thing about being this far
17 down the path is that you can say me too, me too, me
18 too.

19 (Laughter.)

20 MR. HEAD: The bad thing is that you always feel
21 this pressure: do you need to come up with a new idea?
22 I'm not going to come up with a new idea.

1 But I think prospectively, from again an investor
2 and especially a retail investor point of view and how
3 heavily they're utilizing or relying on the non-GAAP
4 financial measures, I'd like to see us not let that drop
5 to the side too far. I'd like to see -- there was a lot
6 of comments about potential enhancement on format and
7 content of combination of the financial statements and
8 the footnotes that would allow you to readily see the
9 non-GAAP financial measures within the financial
10 statements and the supporting footnotes and this netting
11 and where do the numbers come from?

12 And in conjunction with that an audit framework
13 and standards to audit against. I think there's a lot
14 of value to the retail investor in that area. And I
15 think we scratched the surface today, but I think it's
16 a really, really important topic.

17 And then the way retail investors do their
18 investing today and this whole big data, blockchain,
19 cyber risk, data analytic, continuous auditing, all of
20 that technology, I think that's a significant area of
21 support, risk, help we could give the retail investors
22 also in that area.

1 MR. HARRIS: Larry?

2 MR. SHOVER: I have the booby prize, but I've had
3 this written since this morning, so I'm not copying
4 anybody.

5 (Laughter.)

6 MR. SHOVER: I'm thankful for everybody. I've
7 learned so much. Special thanks to Tony Sondhi down at
8 the end who led our group. And I am strongly proposing
9 Non-GAAP Part 2 next year. I am -- as useful as it is,
10 I am both suspicious and concerned with its rapid spike
11 in growth, although I do believe that it might be
12 because we live in a zero-knowledge world. Like
13 knowledge is cheap, information is cheap, and perhaps
14 that's part of it. I don't know.

15 The cynical part of me could say like why are
16 earnings adjustments always asymmetrical? Why? Why are
17 exceptions so often not exceptional? Or how is it that
18 management can define what -- their roles and get paid
19 on those roles without any oversight, or very limited
20 oversight?

21 That said, those aren't even the big issue. I
22 mean, I think the big issue is that we have to realize

1 that non-GAAP is probably here to stay and might even
2 grow, and how can we better educate people and how can
3 we come up with some type of comparability, if there is
4 any, or any kind of uniformity? If we start tomorrow,
5 maybe we'll have some answers by next year, but I really
6 do believe that that is the big issue. Thank you.

7 MR. HARRIS: Thank you. And then, Brian, you and
8 Wes have been -- you certainly have been covering us in
9 participating, Brian from the initiation. And if either
10 of you have comments that you'd like to make, we'd
11 certainly welcome them. And if you'd also pass along
12 our thanks to Chair White for her participation, that
13 would be most appreciated.

14 MR. CROTEAU: Yes, just for my part, having
15 participated in these meetings now for six years, I do
16 recognize the value and would just like to echo the
17 remarks that Chair White made this morning. Certainly
18 you've covered a range of important topics and I think
19 a lot to think about coming out of the meeting today.
20 I know that the PCAOB staff and SEC staff as well will
21 utilize this information and really value the work that
22 this group does and the contributions that you're

1 making.

2 MR. BRICKER: I'll be very brief. Much
3 appreciation for all of the work of the committee, the
4 group in the dialogue, the discussion that certainly
5 informs the work that we do and that we do with the
6 PCAOB. So we do appreciate that, as does Chair White
7 and the other commissioners. So thank you very much.
8 It's been a very productive day and discussion from my
9 perspective.

10 MR. HARRIS: Now a very special thanks first of
11 all to everybody here, but to our presenters.

12 I agree with the chairman. I think. Tony, that
13 your presentation on non-GAAP was extraordinarily well
14 done and insightful and certainly left a number of
15 issues for both us and the SEC to consider. And I know
16 because I've been, as I said, part of the traffic that
17 putting that together really was a yeoman's effort. So
18 for you and your entire team compliments.

19 Thank you, Parveen, for keeping our feet to the
20 fire with respect to the ACAP recommendations. I'm a
21 terrific supporter of the ACAP recommendations. And if
22 you could thank Lynn in absence and your entire working

1 group, I would appreciate that. But I thought your
2 presentation was excellent as well.

3 Joe has left, but I want to thank the empty chair
4 for his eight years' worth of his participation on this
5 issue, which is hopefully coming to a final point.

6 And, Sarah, for all your work in the U.K., for
7 your participation here today, for your presentation
8 thank you very much. It's well worth it to us.

9 And the same goes for you, Linda, from traveling
10 from South Africa. It's been a significant contribution.

11 And in conclusion these meetings could not take
12 place without Nina Mojiri-Azad and Tope Folarin. So
13 Nina and Tope, who are over here, both substantively,
14 administratively, every single aspect of this -- it's a
15 three-person effort and I want to really give you all
16 the credit in the world, which you deserve. So thank
17 you very much.

18 (Applause.)

19 MR. HARRIS: And with that, I hope to see you
20 next year.

21 (Whereupon, the above-entitled matter went off
22 the record at 4:45 p.m.)

A	ACAP's 165:13	accredit 186:22	additions 65:11
A-Ks 105:6	accelerate 131:12	accreditation 188:21	address 24:6 32:7 46:5
A-S 114:7	accelerated 134:13	189:1,8 191:12	68:17 81:13 84:9
A&M 28:21	acceleration 134:12	accumulate 63:10	125:12 230:14 275:1
A.C 30:9	136:6	accumulated 213:7	275:19 283:10
a.m 1:9 4:2 93:8,8	accept 150:13	accuracy 110:9 114:19	addressed 24:5 115:6
AAA 50:16 162:20	acceptable 131:10,22	115:6	122:14 235:7 237:14
165:4 166:13 167:13	241:2	accurate 8:14 54:16	adequacy 92:7 218:19
190:13,14,16 191:20	accepted 113:2 130:20	81:19 105:13 109:10	219:2
192:14 195:22	130:20	109:16 115:14 119:5	Adjourn 3:20
AACSB 189:1 191:10	access 9:19 10:1 11:21	119:9 227:20 235:16	adjust 61:18 224:6
191:11,16	167:9 169:15	accurately 67:13	adjusted 33:14 34:22
abbreviation 62:3	accomp 11:15	achieve 6:4 218:22	60:18 62:2 63:7
ABC 261:4	accompanying 94:13	achieved 218:17	114:10
Abhor 99:18	accomplish 161:4	achievements 11:14	adjusting 36:1 62:5
abilities 217:13	276:8	23:21	125:3 150:7
ability 11:21 13:14 38:5	accomplished 11:13,16	achieving 153:12	adjustment 59:10 61:16
64:4 67:7 70:10 110:3	49:9	acknowledge 11:18	125:2 277:9
110:20 127:19 150:9	accomplishes 287:5	27:8 62:14 163:18	adjustments 33:16
150:20 188:16 191:11	accomplishments 7:19	187:22	34:21 35:21 36:2
208:16,22 210:12,22	12:6	acknowledges 172:13	38:15 58:13 59:2,7
211:1 219:5,12	Accord 43:21 139:9	acquired 60:10	60:6 62:7 64:14 66:4
223:20	account 100:20 103:21	acquirer 38:15 60:17	74:12 124:19 125:3,7
able 60:19 77:16 80:5	123:15,21	acquisition 38:14 125:6	126:20 148:2 305:16
80:10 87:22 89:12	accountability 190:11	acquisitions 66:22	administration 7:10
114:4 116:16 126:1	225:9 253:18,19	Act 8:10,17 12:9 212:8	157:5 185:9
137:22 147:12 151:2	275:14 280:7,8	acted 9:13 164:6	administratively
161:14 191:9 200:3	284:14	action 9:12 176:9,17	308:14
207:15 208:13 218:20	accountable 44:11	225:9	adopted 171:6
230:12 244:14 245:16	103:18 139:15 229:6	actionable 247:7	adopting 251:5
252:10 253:2,8	229:6 275:9	actions 25:20 95:15	advance 10:17 161:13
292:12,21	accountancy 171:13	173:6	advanced 211:16
above-entitled 93:7	accountant 5:18 6:7	active 18:4 21:7 22:21	advice 8:4 12:4 213:17
155:17 308:21	18:2,2 28:2 29:3,3	74:16 210:4 211:6	advise 25:7
absence 102:20 155:4	accountants 202:8	actively 95:17 195:19	advising 16:11 222:13
226:9 302:10 303:2	258:18 286:12	activities 302:17	advisor 30:10 120:21
307:22	accounting 1:1 9:20	activity 117:16 197:4	advisors 104:21
absent 226:4	28:21 29:22 35:21	216:2	advisory 1:3,8 4:5 6:10
absolute 51:13	38:13 49:3 50:17,22	actual 76:6 114:7	7:10,14 8:1 10:16
absolutely 32:1 36:19	51:2 58:3 59:1 63:20	177:22 201:18 209:1	21:9 26:18 29:12,19
40:22 43:1 101:5	64:13 97:3 100:3,9	add 38:21 39:18 55:9	40:8 119:22 120:9
108:1,11,13 113:18	113:2 114:16 125:3	73:3 80:21 83:21	127:12 137:10 151:11
136:12 138:18 192:7	130:20 141:15,17,20	135:11 139:22 147:15	151:12 173:12 179:10
228:9 261:10 263:13	157:21 165:1,15,17	147:16 161:6 250:22	184:12 204:16,17
abstract 91:7	166:9,10,20 183:8,15	252:2 254:22 270:17	220:11,13 222:13
academia 189:22	185:11,16,21 186:5	added 68:10 126:3	266:7 267:9
academic 57:20 66:5	186:19,21 187:1,19	249:7 265:20	advocate 189:11
73:18 167:4 187:6,22	188:21 189:1,6,7	adding 248:8,11 251:8	advocates 121:16
academics 167:1	192:9 206:17 209:2	addition 11:18 19:10	123:9
ACAP 3:6,9 19:1 47:8	210:13 212:11 213:11	22:20 65:5,5 178:17	advocating 171:13
47:19 156:18 162:17	213:14 214:1 222:18	281:16	Aegon 274:16,20
164:5 169:18 178:1	223:6 224:2,3 246:2	additional 34:12 35:14	affect 13:14 42:12 64:4
182:18 183:5 187:2	265:3 272:19,20	39:16 55:9 57:2,10,15	86:14 122:10 153:2
196:4 199:3 204:6,11	273:6 276:3 286:10	62:19 68:11 76:7	271:7 292:18
205:15 208:10 209:17	292:5,6,10 295:21	112:11 155:4 172:17	afford 153:16
215:9 226:8 227:7	296:7 298:6	234:16 237:2 238:8	Africa 4:13 29:18 89:4
228:3 231:2 285:3	accounts 53:5 234:13	239:4 249:6 270:22	250:22 308:10
307:20,21	237:1 252:5,17 253:7	296:9	African 146:12

aftermath 228:16,18
afternoon 55:8 233:17
age 184:20 219:17
agencies 69:22
agency 20:20 183:14
 188:22 295:9
agenda 7:20 11:4 17:1
 17:6 18:21 21:1,18
 25:9 39:13 43:1 64:20
 65:4 74:22 95:22
 123:10 278:16 297:20
 298:19
agendas 13:6
aggregations 58:11
aggregators 63:9
aggressive 4:18 141:16
 141:18
aggressively 96:1
ago 15:17 34:8 38:11
 43:6 74:15 110:13
 136:9 148:5 156:19
 206:14,18 208:19
 223:13 227:10 249:11
 277:4 282:16 288:10
 289:16
agree 40:22 102:10
 106:17,21 107:7
 108:1,11 116:10
 161:11 258:21 259:5
 288:22 307:12
agreed 54:17 163:6
 207:17 276:7
agreeing 235:20
Agreement 43:13
agreements 42:1 43:10
 167:20 168:1 218:16
ahead 24:1,2 43:9 50:3
 50:11 83:11 95:3
 102:2 155:20 202:20
 205:21
AI 294:11,12
AICBA 222:16
AICPA 49:3 50:15,16
 162:20 165:12 166:11
 166:13 167:10,13
 168:7 170:5 192:15
 196:1 209:16,19
aiming 153:5
air 41:2,21
airplane 198:6
ALCOA 145:4
alert 95:11 170:4
alerts 10:4 152:19
Alfa 138:8
aligning 283:15
alignment 80:6
alleviating 65:8
allocation 63:22

allow 36:7 107:4,6
 119:18 168:22 199:8
 233:16 304:8
allowed 32:12 216:12
 216:13 272:3
allowing 39:5 61:18
 286:4
allows 38:19
alluded 16:22 191:10
 255:6
alluding 78:16
alpha 110:22 111:7
alteration 10:8
alternative 32:22 40:5
 62:19
Alternatives 28:18
amber 173:16
ambition 41:22
amending 9:15
amendment 40:19
amendments 56:17
 172:1
America 157:12
American 49:3 183:15
 192:9
Ameritrade 28:20
amortization 62:5
 66:21 126:3 147:14
 148:14
amortizations 63:17
amount 38:12 59:10
 60:4 64:2,12 100:15
 212:19,22 213:6,7
 219:19,20 248:8,11
 248:14 249:6
amounts 61:11,13
Amy 1:16 6:15 30:5
 293:11
analogy 41:3 290:14
analyses 58:1 66:6
analysis 19:22 36:19
 63:6 74:20 75:11
 101:9 145:16 177:12
 189:13 225:1 246:17
 246:21 264:11,19
 291:11
analyst 36:4 37:18
 252:13 264:21,22
analysts 32:17 33:2
 34:1,9 37:8 59:16
 64:6 68:21 69:16
 74:18 75:1 110:18,20
 139:12 140:21 141:2
 141:4,17 143:11
analysts' 66:19 143:10
analytic 304:19
analytical 210:22
analytics 26:5 291:3

298:12
analyze 211:1
Andersen 204:14,15,20
 209:6
anecdote 14:17 15:14
angle 163:11
Anne 1:18 18:11 28:6
 32:4 40:18,21 45:7,22
 72:1 83:6,14,15,18,20
 84:11 90:15 129:10
 129:10 135:9 137:18
 140:6 283:22 286:1
Anne's 139:22
annual 4:4 15:7 53:19
 94:14 97:5,16 100:5
 100:12,21 172:20
 196:11,17 237:6
 239:14 301:4
annually 99:4
answer 101:3 127:10
 130:8 133:17 137:5
 221:21 242:6 247:16
 281:16
answered 73:4 137:5
answers 80:16 226:13
 258:9 268:6 288:3
 306:5
anti-fraud 117:15
anticipate 5:6
anticipating 41:21
anybody 120:16 121:22
 229:8 256:5 305:4
anymore 139:21 262:7
 299:3
anyway 80:12 112:11
 135:7 240:22 256:14
 261:21
apologize 226:4
apparently 248:10,13
appeal 283:13
appear 269:21 271:20
appeared 199:16
 201:17
appears 264:12
applaud 73:12 258:20
Applause 220:4 308:18
apples 137:1
applicable 38:1 149:5
application 66:12
 178:20
applied 36:6 40:7 67:13
apply 117:15 122:8,9
 197:10
applying 211:4
appointment 170:8
appreciate 4:6 6:7
 136:4 147:11 177:1
 193:9 212:16 230:17

278:6 290:2,5 292:19
 293:1 301:16 307:6
 308:1
appreciated 4:11
 153:22 154:1 240:7
 243:15 306:13
appreciation 6:21 51:8
 307:3
appreciative 4:19
approach 155:6 189:10
 189:11 204:4 248:21
 268:9
approached 48:7
approaches 24:6 37:10
 74:5
appropriate 92:6 118:8
 126:21 151:22
appropriately 46:22
 172:2
appropriateness 17:16
approve 77:8 174:19
approximately 238:21
April 164:15
AQIs 169:10 174:12
 176:1 195:17 282:9
arbitrary 248:8
area 17:17,22 18:19
 23:4,6 38:8 45:13
 52:22 53:3,20 54:8
 76:21 78:5 96:2
 104:19 154:17 167:15
 168:2 169:2,6,13
 170:4,6,10,14 172:6
 172:11,19 173:1
 174:11,12 177:22
 182:12 194:18 215:22
 216:2 246:16 247:19
 248:22,22 249:17
 256:3 257:10 258:20
 271:13 294:14 302:2
 302:5,15 303:13
 304:14,20,22
areas 10:3 43:16 44:17
 48:17 79:13 121:5,13
 151:21 159:18 178:4
 250:4 252:1,4 257:9
 261:5,11 267:5
 279:19 280:21 288:2
 294:3,16
arena 44:8 45:5 106:15
argue 124:20 184:17
 188:10 238:21 244:14
 244:15
argued 241:18
arguing 199:10
argument 238:17
 241:20 242:21 244:21
arguments 208:15

241:12
arm 76:15
arms 161:13
arrangements 215:15
 218:12,14 219:6
 280:3
Arthur 157:9 204:14,15
article 38:11
articles 58:2
articulated 137:6
artificial 26:6 291:3
 292:17
AS-17 116:10
ascribe 229:4,4
Asia 42:9
aside 153:14 292:15
asked 32:7,7 48:22 75:2
 104:14 128:4 140:5,5
 140:5 145:19 146:9
 193:14 199:7 200:17
 222:5 233:18 249:5
 266:8 274:19 278:9
asking 32:17 114:6
 121:17,18 133:1,2,6
 139:5 141:6 144:17
 147:19 183:6 195:14
 197:19 223:2 229:1
 252:9
asks 57:9
aspect 34:17 46:5
 86:17 87:6 89:17
 185:2 251:7 308:14
aspects 46:15 57:16
 87:22 92:11,16 109:3
 109:19 203:13 298:10
asserting 118:12
assertion 148:20
assess 216:13
assessed 299:14
assessing 7:9
assessment 109:12
 178:20 180:9 181:16
 182:6 203:7 224:22
 299:16,18 302:18
assessments 141:20
 271:8
asset 74:16 76:4
assets 74:18 76:3
 122:10 129:4,6,11
 139:3
assign 190:11
assigned 49:1
assist 17:20 40:10
 169:4
assistance 194:9,12,17
assisting 24:12
associate 186:10
associated 22:16

109:21 120:16 122:3
 274:19
Associates 30:9
association 49:3 76:13
 97:20 98:19 183:15
 192:10 194:12 239:13
assume 130:21 205:4
assuming 259:3
assumptions 246:22
assurance 44:16 45:12
 46:10,16,16 78:15
 79:12 80:12 88:2,8,10
 88:12,21 89:1,5,7,7
 89:10,16,22 90:4
 92:14 101:4,13
 102:15 106:5,12
 107:5 109:2,2,5,6,21
 110:1 112:20,22
 113:7,10 132:20
 133:8,19 134:17
 142:12 268:1,7 269:7
 288:3,12
assurances 296:6,9
assure 95:7 105:12
assured 91:15 108:13
asymmetrical 305:16
attach 282:13
attached 43:14
attempt 73:20 245:9
attend 15:6 127:6
attendance 26:10
attending 222:5
attention 5:5 12:2 17:13
 18:7,20 21:3 23:6
 35:7 71:12 100:19
 118:3 151:22 173:5
 177:20 217:6 281:14
attitudes 12:19
attorney 157:10 203:20
attorneys 94:22
attract 162:5 192:4
 223:14 224:7,14
 227:12 283:9
attracting 223:4
attractive 220:14
 221:15,22
attractiveness 220:11
 228:5
attributable 12:6
audience 7:22 30:13
 101:22 164:16
audited 8:5 37:3 39:12
 52:16 67:17,21 69:6,8
 69:13 70:22 71:16
 82:21 94:16 95:2,14
 112:15 113:16 117:9
 118:2,2,5 119:3 124:2
 129:17,21 130:1,22

131:16 145:20 182:3
 196:10,15 197:14
 201:2,6 202:22 208:4
auditing 7:11 10:7
 21:21,22 22:7,12 26:3
 26:4 29:20,22 37:4,9
 40:7 47:22 52:18
 54:13 55:7 68:9,13
 69:1 81:20 87:10
 102:12 105:16 114:8
 120:7 149:9 157:5
 158:4,22 159:7 162:1
 165:9 171:15 184:4,6
 184:9,18,22 187:10
 188:3 194:6 216:14
 218:7 220:17 227:12
 228:5 229:5 230:10
 231:21 232:1 234:7
 235:11 238:12 251:1
 259:7 264:10 280:2
 291:6 297:15 298:15
 299:19 302:9 304:19
auditor 9:5,8 23:2 27:21
 52:17 53:8,16 54:19
 55:12,15,15 67:22
 68:19 76:13 79:11,22
 84:8 87:22 88:11 92:8
 93:16 94:17 96:14,15
 96:16 97:17 98:19
 102:16 108:13 145:12
 149:21 158:20,20
 159:1 167:20 169:16
 170:8 172:2 174:19
 175:16 178:15 223:9
 232:4,21 233:22
 234:15 235:5,6
 237:14 238:10 239:4
 239:14 240:3 248:16
 248:22 252:3,8,15,17
 253:14 256:3,7 257:7
 262:21 263:7,9
 264:13,19,20 265:7
 265:19 267:13 275:7
 288:11 300:4,10
auditor's 3:11,14 21:15
 52:16,20 68:4,9 178:9
 178:13 233:19,21
 234:17 237:3,7 239:2
 241:17 245:9 248:4
 249:13 256:17 262:11
 263:3,19 271:22
auditors 7:11 10:10
 12:10 16:17,17 22:11
 22:22 23:8 49:11 53:4
 68:17 76:15 77:4 81:4
 85:8 87:9,15 89:8
 102:12 109:12 114:3
 114:4,14 115:20

118:21,22 119:3,12
 123:21 126:13 133:9
 134:4 136:21 140:3,7
 142:12,15 146:2
 151:21 153:2 154:22
 154:22 172:7 193:15
 226:20 229:2 232:11
 242:13 249:19 251:4
 251:4 252:10 253:5
 254:9 255:2 258:18
 259:21 266:18 267:16
 270:11 275:1 279:21
 280:9 298:4,5,14
 300:2 302:8 303:1
auditors' 19:14 20:22
 26:20 234:19
audits 9:19 10:6,13
 12:3,18 13:1 16:16
 22:17 48:8,8 49:10,20
 113:1 128:7,9,12
 151:18 193:14 200:13
 200:14 209:21 232:1
 279:7,9 282:8 289:22
 291:4 299:3
augmented 34:15
August 53:2 68:8 234:3
authority 96:10 110:11
 191:15
automatically 251:19
 258:18
available 108:19 111:19
 162:19 163:17 165:21
 167:16 169:8,17,19
 169:20 171:2 201:8
 224:22 246:19
avalanche 31:19
avenues 72:18
average 200:8 248:12
averages 203:11
avoid 13:17 266:11
 267:4
awakenings 41:14
award 213:2 239:14
awarding 211:15
awards 212:9,9 213:1
aware 17:18 72:17
 102:14 114:20 115:21
 166:16 191:15 242:14
awareness 13:8
awful 18:7,20
awhile 276:20
awkward 133:4

B

B 1:9,11 134:4
back 4:12 46:18 47:14
 48:22 49:17 51:11,13
 53:2 54:5,13 58:18

- 78:6 93:4 97:21 100:1
107:21 114:1,16
115:3 116:12 126:4
132:7 148:20 151:13
152:1 153:3 155:11
155:15 156:17 160:10
182:11,14 203:14
204:3 206:13 208:8
214:14 219:16 223:8
224:20 226:7 234:1,3
240:18 246:1 250:9
274:18 277:12,13
287:11 291:13 292:3
292:8 295:20
- back-** 264:21
backdrop 132:15
background 8:1 40:1
65:16 157:2 189:21
backlog 98:11,16 99:1
101:6
backwards 198:19
bad 137:1 299:3 303:20
balance 203:8 212:4
balanced 240:2 259:1
ball 89:15 202:11,11
Ballroom 1:8
bank 117:20 118:17,18
157:12
bankers 57:21
banking 38:7 60:3
291:1
bar 279:17
base 150:5 234:22
based 75:6 77:1 82:4
104:17 105:9 107:12
118:14 143:11 144:2
169:8 176:6 257:3
273:21
baseline 128:14,16
151:18
basic 61:10 114:2 161:1
basically 49:14 184:7
185:8 192:9 212:8
216:6,17
basis 34:14 46:9 71:15
90:10 104:22 115:1
144:22 145:20,21
175:13,14 176:11
183:17 202:22 271:5
283:5
basket 277:6
basket- 187:7
battles 185:21 186:2
Baumann 2:8 27:20,20
93:16,22 108:17
116:9 195:2 209:14
231:17
BDO 273:9
- bear** 37:6
bearing 108:9
beat 111:3
Becker 190:21
becoming 190:3
bed 297:1
Beer 1:14 6:15 29:15,15
32:5 45:19 84:11
107:22 144:13 146:8
152:8 250:21 266:5
296:18
before's 263:5
beg 46:19 249:18
beginning 83:22 154:6
287:12
beginnings 283:16
begun 11:20
behalf 146:10
behavior 65:21 191:11
252:15 253:12 254:1
behind-the-scenes
15:9
beholder 285:19
Belgium 218:15
belief 73:15
believable 261:12
believe 11:12 12:17
13:12,15,20 21:22
46:22 54:11 57:5
58:18 73:14 80:22
81:1,7 105:10 108:12
108:19 109:1 112:21
123:3,4 144:1 155:5,6
157:14 172:5 178:5
178:13,22 179:16,16
182:11 235:11 236:10
243:15 263:6 264:15
270:7 272:16 274:11
275:21 278:22 305:11
306:6
believes 79:22 179:17
belt 282:3
benchmark 113:4
beneath 182:20
benefit 7:13 21:16
82:19 138:10 173:18
178:5 190:13 242:20
251:7 294:15
benefits 64:3 177:14
199:17
benefitted 153:7
benefitting 76:10
Bersot 1:12 6:14 28:15
28:15,16 142:18,19
142:19 143:1 160:19
278:17
bespoke 54:22 236:8
237:4
- Bess** 198:3
best 6:1,4 24:6 48:12
48:15 74:19 89:6,6
138:22 148:9 180:16
205:22 213:16 223:4
223:22 224:14 234:22
238:10 239:14 240:17
244:20,21 253:20
261:22 262:10 263:19
273:8,11 282:20
289:20 300:14
better 12:14 36:20 44:4
44:5 78:19 80:6 85:17
114:8 124:3 128:2
134:10 175:15 193:20
207:8,20,20 217:10
242:21 249:21 251:21
251:21 274:15 276:13
279:16 280:2 282:7
282:12 283:9 285:10
306:2
beyond 46:6,13 84:19
92:13 95:17 97:1
109:16 110:2 152:18
201:15 205:20 232:3
232:17
bias 280:1
bible 196:7
bifurcate 104:6
big 15:20 34:10 76:11
92:10,11 113:12
114:13 124:15 138:14
138:14 143:7 158:14
162:18 163:15,19
166:11 175:8 180:20
182:7 190:8 196:13
200:14,21 201:13
202:1 208:1 217:2,20
240:14,15 248:1,14
249:11 259:17 276:1
281:13 291:9 297:19
298:12 304:18 305:21
305:22 306:6
bigger 146:16 262:13
biggest 149:8 191:6
bilateral 215:14,18
218:12,14
bilaterally 218:22 219:5
Bill 195:8
billion 60:20 61:2 76:3
138:14 140:13,16
143:1
binders 160:13
bit 12:16 29:21 31:11
32:2,5 47:5,5 62:4
83:16 84:14 87:17
93:12 129:12 130:15
136:18 137:17 169:11
- 170:9 171:14 183:19
184:4 187:21 195:7
195:11 196:14 197:13
213:9 215:18 220:8
220:17 225:11 226:3
236:13,14 237:12
238:16 239:11 254:4
255:4,20 256:17
262:13,13,15,18,18
265:13,18 266:15,16
271:17 278:10 280:18
291:20 297:5,10
biting 191:8
bits 90:16 300:9
bitten 31:4
Black 166:4 194:8,8
Blackrock 30:3 129:3,8
129:21 136:9 294:11
Blair 30:6
bland 258:2 266:15
blander 256:22
blockchain 221:7
290:20 292:17 293:4
294:11 296:13 304:18
BNP 28:11
board 1:1 2:4 5:13,14
8:3 9:11,12,12 10:9
10:16,19,21 11:6
14:21 20:20 24:18
27:6 28:7 33:8 38:1
42:22 52:16 55:17,19
62:21 67:9 75:7 79:5
82:11 86:8 87:18
88:13 90:3 103:20
109:22 114:9 130:6
132:18 133:5,10
152:10,12 157:21
163:12 170:12,18,21
171:17 173:6 174:11
176:1,6,18 188:6
192:1,16 195:9 197:3
197:5,7 198:21
204:16,17,17 205:8
205:10 207:5 208:15
208:22 209:4 210:6,7
211:18 215:2 220:10
223:1 226:21 229:18
229:20 230:12 235:22
237:11,13 238:6
255:18 259:22 269:7
274:18 278:12 286:4
287:10 295:1 299:1
301:19
board's 8:16 90:2 175:3
177:20 178:9,21
238:15 279:12
boardrooms 164:1
boards 10:10 44:10

77:6 78:7,17 139:15
146:11 171:12 206:9
285:5
boast 215:6
Bob 152:8 157:19 266:2
267:21 280:5 282:16
298:20 300:12
bodies 39:5 76:20
171:10 197:2
body 118:20 177:7
193:18 228:17,20
230:1 287:4
bogging 206:19
boilerplate 55:1 236:9
240:10 244:2 260:14
263:14 269:6 277:2
277:20
boilerplate-type 268:6
booby 305:2
books 78:22 114:16
116:12
boring 267:18
boringly 258:3
borrow 60:20
borrowing 61:2
bottom 30:21 105:15
106:6
box 207:16
boy 107:14
BP 113:14
Brainard 290:21
brand 272:12,19 273:11
282:22
branding 272:11,18
break 92:21 93:4 154:4
155:10,15 158:12
222:18 231:9,12,14
breakdowns 10:6
Brian 2:3 5:21 20:16,18
20:18,21 27:8 29:2
72:10,13 127:6 154:1
306:7,9
Bricker 2:2 5:17 18:1
27:11 28:1,1 35:8
154:5 230:17 307:2
brief 7:16 24:19 45:20
127:8 194:22 233:15
235:9 307:2
briefcase 136:17
briefing 15:12 17:8
24:10
briefly 7:15 21:19 27:15
45:14 176:17 209:7,9
211:12,13 216:3
234:4,4 243:20 246:9
brightest 100:11 223:4
223:21 224:7,15
brilliant 231:15

bring 31:7,10 40:11
102:14 141:9 164:8
173:5 288:17
bringing 22:21 46:18
248:12 254:16 287:3
brings 38:16 92:21
296:12
British 113:12
broad 8:4 157:17
broadened 285:10
broader 95:18
broken 22:9,18 43:2
52:6
broker 104:19
broker-dealers 259:10
brokerage 57:21 66:6
73:18
brokers 12:12
brought 23:1 113:8
215:9 288:9
buck 87:21
bucket 284:19
budget 85:15
budgets 79:3
build 13:10 138:4
building 281:21
buildings 42:10
built 127:19
bullet 61:10
bully 225:15
bunch 85:16 116:4
208:3,3
bundle 126:8 284:21
bureaucratic 185:20
Buser 1:12 28:3,3 78:11
132:13 267:21 271:4
287:9 288:16
Bush 7:10 157:4
business 9:7 28:18
33:8 34:6 42:6 64:10
64:11 67:10 70:3 79:2
85:12 120:8,20
121:11,14 122:5
153:20 157:12 159:2
159:6,11 165:1
168:20 179:10 183:8
185:10 224:6 265:2
281:21 283:19 288:1
292:12 295:6 297:8
298:14
businesses 42:16 90:9
187:12
busy 4:8,20
buttressed 121:5
buttressing 121:8,12
buy 273:14

C

c 1:19 165:7
caboose 97:6,11
Cairns 276:6
calculate 118:13
calculated 70:21 150:4
248:7,9
calculating 150:16
calculation 249:5
271:15
calculations 98:21
California 4:16
call 62:3 79:18 125:2,11
206:3 259:6 271:5
291:6 294:4
called 22:6 129:22
277:11,12
calling 80:9
calls 34:3 40:13 111:17
131:2
CalPERS 28:7 41:16
129:10,22 138:19
143:7
campaign 222:17
CAMs 244:1 274:1
275:11,12 276:20
281:22
candid 109:9
candidly 109:6 190:19
capability 299:13
capable 220:16,16
capital 12:14 13:19,21
28:16 29:8 41:15,16
41:16 42:2,19,19,19
44:1 48:21 50:15
63:22 86:15,16,16
109:3 110:1 138:12
140:13 158:13 162:10
164:10,10 167:6
179:6 181:21 182:10
182:21 183:2 194:3
199:13 221:18 226:15
230:6 231:21 232:2,7
232:18 233:1 260:18
285:2 286:20 295:14
298:3
capitals 86:14,15
capped 98:9
capture 41:10 64:9
177:15
capturing 172:4 285:10
Carcello 1:13 26:19
28:13,13 51:19 55:22
81:11,12 102:8 127:2
127:3 129:10 132:8
190:6 214:8,13,19
233:9,12 243:18
254:22 261:1 269:2
271:9 279:4

card 130:5 144:11
267:19 272:4
cards 75:16 93:14,17
101:21
care 103:19 150:19
191:12 267:13
career 184:18
careful 102:19 181:7
carefully 10:22
Carlyle 28:3 129:12
135:12 136:10
carry-on 111:17
carrying 136:17 184:14
case 99:15 114:20
169:5 183:5 199:10
201:22 208:18 255:7
256:2 261:13,15
274:15 292:15 295:2
300:16
cases 22:14,22 23:1
125:21 170:22 174:17
201:19 239:9 254:15
256:6 257:4 274:5
280:2
cash 33:16 61:19,21
62:14 65:1 112:3,6
200:11 276:4,10
cast 174:18
casualty 122:6
catastrophic 168:15
196:10 197:14 201:15
201:18 208:14
categories 177:18
category 126:8 164:9
167:18 169:10 177:11
179:2
caught 284:3
causal 302:6,13
causality 183:3
cause 188:4 199:11
caveat 256:16
CD&I 152:14
CEA 176:21
ceding 102:2
censure 145:10
center 49:15,19 161:11
170:17 176:16,18
177:4,22 259:6
centers 167:2
Centigrade 122:3
central 179:6
century 139:1
CEO 205:7
CEOs 200:18
certain 17:16 35:22
68:10,11,14 69:21
96:8,9 117:3,8 136:12
161:16 213:7 280:12

- certainly** 15:11 23:7
33:12,22 36:7,9,15
42:11,17 44:15 49:20
53:14,20,22 58:17
59:1 60:13 63:9,12
66:3,15 67:1 68:8
69:17 70:4 74:5 77:17
85:2 87:6 91:21,21
95:9 96:1 103:10
114:2 123:14 126:16
145:17 146:1,11
154:11 163:19 166:20
167:5,12 172:22
178:3 191:10 203:9
207:1 214:15 215:1
220:9,21 221:8,22
222:19 230:19 231:4
236:10,22 238:12
239:5 240:13 241:21
242:2 243:20 251:8
252:20 253:14 254:1
254:18 260:9 261:22
267:2 269:3,20 274:5
280:19 291:10 296:19
299:16 306:8,11,17
307:4,14
- certificate** 188:12
certification 164:13
189:16
- cetera** 77:14,22 97:10
101:7 103:20 107:14
122:10 185:14
- CFA** 34:10 69:10 112:4
145:18
- CFAs** 104:20
- CFO** 27:22 28:3 134:2
277:11
- CFOs** 134:9
- chain** 182:21 184:4,6
185:1,14 188:5
221:12 293:7
- chains** 42:9
- chair** 2:2 4:19 5:16 11:6
11:19 12:1 14:5 15:15
24:14 26:1,9 27:6,11
29:13 31:14,16 35:6
45:17 72:5,9 75:21
82:16 83:2 146:12
153:22 183:22 184:1
185:4 186:2 215:12
229:16 230:21 265:6
265:13 276:6 299:5
306:12,17 307:6
308:3
- Chair's** 30:19
- chaired** 48:18
- chairman** 1:9,11 2:5
11:5,8 14:11 16:1
20:10 29:19 47:16
74:15 97:3 100:9
110:10 128:10 144:12
144:15 147:9 151:7
154:7 202:10 215:11
215:13,17 287:12
307:12
- chairmanship** 14:13
- chairs** 215:5
- challenge** 78:13,14
132:20 135:4 149:15
207:12 230:4 302:4
- challenged** 115:3 132:6
208:20
- challenges** 89:10,10,13
90:13 91:4 92:10
149:21 153:12 190:7
227:2 279:20
- challenging** 53:7
234:15
- chance** 134:5
- change** 38:3,17,20
41:22 48:7 50:22
71:10 79:16 115:10
121:21 123:4,4 134:5
135:6 190:19 191:11
210:2 220:22 221:8,9
224:10 246:21,21,22
261:7,14 268:19
274:2,4 277:9 297:16
298:13
- changed** 12:13,18
79:18 110:14 143:19
154:15,16 205:5
253:12 254:1 255:5
261:11,21 262:3,5
263:6 271:20
- changes** 20:2 50:21
58:6 61:22 62:9 64:22
65:10 71:14 150:10
164:16 165:5 172:3
206:15 209:16,20
210:18 211:18 231:3
247:3 256:13 281:20
282:5 283:3
- changing** 26:4 50:20
272:2 297:15 300:1
- channels** 44:19
- chapter** 84:1
- characteristics** 65:18
- characterize** 172:2
- characterized** 120:7,13
151:9
- charge** 124:22 148:8,9
152:4 156:17
- charged** 70:11 104:4
- charges** 22:15 64:2
147:14 148:3,5,11
- chart** 262:12
- charter** 281:5
- Chavers** 1:13 6:14 30:2
30:2 122:12,13 137:3
294:22
- cheap** 305:13,13
- check** 151:19
- checklist** 187:5
- chew** 45:1
- chief** 5:18 6:7 18:1,2
27:20 28:1,19 29:2,3
84:4 93:15
- chime** 183:20 193:1
223:8
- chin** 247:12
- China** 216:8,10 219:7
- choice** 131:9,11 167:21
242:20 278:18
- choices** 159:12
- choose** 129:2
- chosen** 11:1,1,2,2
- CIO** 28:17
- circles** 187:6,22
- circumstance** 228:4
- circumstances** 121:3
229:7
- cited** 38:11
- claim** 200:9
- claiming** 42:12
- clarification** 57:16
78:20 108:3,11 178:8
- clarify** 116:15 254:8,11
- clarity** 171:3
- class** 198:14
- classes** 76:4
- classroom** 189:15
- clean** 41:21 283:6
- clear** 8:10 12:6 18:13
31:8 34:17 36:14
66:17 69:17 71:4 80:7
82:4,15,18 95:1 126:6
126:11 142:1,2,11
163:22 190:8 227:3
228:15 229:17 235:21
244:12,12
- clear-cut** 235:19 241:14
- clearer** 125:8 161:7
- clearly** 10:18 23:12
34:4,14 50:13 54:1,11
54:21 55:3 64:11
65:18 70:6 71:8 84:18
93:12 111:5 125:11
125:21 126:17 147:5
187:2 193:13 235:17
237:19 239:3 241:5
241:18 243:4 244:22
248:17 252:18 256:17
257:13 267:7 286:14
- 287:20 288:7 293:7,7
- click** 233:11,12
- clicker** 83:17 84:4
- client** 227:18 272:16
273:13
- clients** 9:22 299:20
- cliff** 44:7
- climate** 41:22 43:8
121:21 123:3,4 139:7
- climb** 194:21
- close** 22:15 23:3 27:9
52:14 121:18 138:17
147:13 214:16 252:11
- closed** 8:15 196:22
- closely** 6:5 51:22 73:21
217:9
- closing** 3:18 144:14
154:4
- cloud** 59:5
- co-chair** 223:7
- co-lead** 301:21
- co-leading** 51:6
- co-leads** 47:9
- co-led** 51:10
- coal** 41:20
- coasts** 158:10
- code** 89:4
- coded** 181:6
- codified** 77:21 82:1
- cogent** 127:5
- cognitive** 210:20
- Cohen** 112:12 157:10
160:4
- collaboration** 170:12
215:10
- collaboratively** 24:8
- collapses** 41:19 42:10
- colleagues** 34:9 35:9
186:10
- collect** 215:5,6
- collecting** 184:8
- collective** 287:16
- collectively** 25:5
- college** 287:1
- colleges** 166:1,4 194:9
223:5
- color** 165:2 181:6
259:13
- color-coded** 163:18
- Colorado** 29:9
- column** 257:22
- combination** 304:7
- combine** 291:2
- combined** 89:5
- come** 4:15 33:1 37:22
50:6 54:5 77:1 79:7
80:7 85:4 93:4 100:1
104:13,14 105:14,17

- 114:1 130:19 133:8
141:19 148:20 150:15
150:22 155:11 159:6
161:1 166:13 167:15
176:20 184:16 189:3
194:6 203:14 204:1
205:17 219:20 222:15
222:16 240:18 250:9
250:16 254:19 261:19
262:16 266:13 271:9
285:13 287:4 289:15
302:1 303:21,22
304:11 306:3
comes 4:13 45:22
46:12 60:21 87:21
88:9 89:16 131:2
145:4 170:16 171:16
186:2 208:7 303:4
comfort 46:9,11 47:2
88:6,14 90:4 134:4
135:2 267:14
comfortable 76:22
133:6
coming 5:7 27:7 38:2
44:19 52:2 125:7
141:5 145:5 152:6
189:15 223:5 243:10
274:18 278:19 284:22
293:7,10 298:7
300:22 306:19 308:5
commended 299:2
commensurate 13:2
comment 14:15 53:1,1
54:9 62:8 71:8,13
78:4 90:13 99:12
103:6 104:10,11
106:8 116:9 122:14
127:5,7 128:6 132:13
134:15 137:4 138:1,8
148:20 149:6 151:13
154:3 196:21,21
226:6 234:3,5,22
242:2,22 249:2 257:2
257:18 258:16 266:8
278:5 290:6 301:14
commentary 16:12
138:3 139:18
commented 248:16
257:5
commenting 195:2
comments 4:18 5:12
21:10 26:12 27:6
30:14 51:12 57:19
71:8 72:10,13 79:1,15
82:8 84:12,20 94:21
95:20 96:2 101:14
102:8 104:8,9 117:6
137:7,8 144:14 147:8
147:12 154:4,6,7
158:10 176:5 194:7
210:6 231:10 253:21
258:1 265:8 266:5
296:21 304:6 306:10
commercial 169:21
273:9
commission 6:6 17:13
18:20 19:6 21:20 24:3
24:7,17 111:11
112:12,12 117:6
121:10 160:4,5
166:14,17 167:13,14
177:5,5 192:11 219:1
Commission's 6:6 12:3
117:15,19 118:8
commissioners 307:7
commissions 50:17
commit 213:22
commitment 24:11
committed 166:12
committee 7:11 10:11
12:2 19:1 29:14 47:20
48:3,18 68:5 78:7
82:11 87:19 97:15
98:1 104:13 111:12
111:14,16 119:22
120:9,21 127:12
129:15 133:5,10,11
134:9 156:18 178:7
192:21 199:3,5
202:18 206:8 207:17
234:12 241:22 251:20
257:22 258:8,14
259:20,21 265:6,17
268:18 276:3 280:11
289:9,18 290:4 299:6
307:3
Committee's 23:15
committees 9:6 77:7
81:7 101:16 146:11
154:20 157:13 174:16
251:9,12,14 265:22
270:11 279:21 280:4
289:14,21 292:1,9
commodity 124:6
common 36:5 63:2
66:11 69:4 85:5 89:3
commonly 61:15
communicate 33:7 68:4
communicated 232:14
234:11,12
communication 65:19
302:19
communications 62:21
68:21 161:7
communities 90:9
community 8:5,9 41:10
50:7 51:15 119:21
138:11 143:22 157:12
159:2,6,11 163:9
165:22 173:19 174:14
174:22 177:19 179:17
186:13 194:20 241:22
273:22 274:9,13
288:6,7
companies 8:11 12:11
29:14,18 36:8,20
38:20 41:14 42:18
44:3,10 46:3 58:12
59:3,4,6,16 60:6
62:10 63:20 66:12,14
66:21 67:2 78:17
79:21 80:1 85:10,15
85:18 86:1 97:9
114:21 117:8,13
119:14 121:3 123:1,6
124:20 125:18 126:20
129:20 130:1 131:3,5
132:14 135:16 139:1
140:22 141:8,16
142:5,6 145:3 146:13
146:13,22 148:7,13
159:11 182:3 205:13
230:7 236:17 242:4
248:19 251:3 254:12
274:2 278:21 284:13
companion 95:4
company 1:1 7:9 21:21
37:15 42:11,13 47:1
53:18 54:22 61:1
66:13 67:9 77:12,13
77:20 85:21 86:7
88:13,16 89:20 90:19
90:21 98:7 99:7
101:11 109:7,9
113:21 125:5 135:18
135:21 136:20 144:20
197:12 206:16 230:10
236:8 237:4 241:10
248:1,6,20 249:5,16
249:20 252:5,6,11
254:19 261:4,11
265:1,18 267:6
274:22 277:5 290:3
299:5 303:5
company's 91:9,10
118:7 119:10
company-specific
238:9 240:18 255:21
257:1
comparability 45:4
66:17 79:19 119:19
306:3
comparable 32:11,12
56:22 61:12 62:12
66:13 79:22
compare 36:7 63:18
compared 129:7 171:20
compares 35:2
comparison 16:8 63:5
77:19
compelling 44:2 127:21
244:20
compensation 42:4
67:2,3,4 73:22 77:21
125:4 148:17 207:2,4
207:9,11 223:21,22
224:12 227:1 231:18
231:18 283:3,14
competence 42:21
competency 161:21
competent 220:16
competition 48:19
159:10 167:17 228:1
230:10 254:4
competitive 227:1,2,11
228:7
competitiveness
226:17 227:5
complement 285:15
complete 91:12,13
134:7 174:12 187:9
298:16
completed 173:17
completely 229:13
completion 273:19
complex 53:7 91:14
187:12 190:3,3
210:13 232:6 234:15
298:7
complexity 42:15 142:3
142:5 144:2
compliance 35:13
57:13 58:6 88:20
115:16
complicated 216:11
245:15
complies 116:6
compliment 287:10
compliments 307:18
comply 113:1
complying 17:21 146:2
component 34:3
286:15
components 61:8
302:16
composition 44:11
comprehensive 58:1
65:1,2 67:8 90:19
137:11
comprehensively 36:1
Comprehensiveness
109:6

- compressing** 145:10
compression 144:2
computed 82:12
computing 59:5
concentration 48:19
 135:19 159:10 167:17
concept 9:16 21:5
 102:15 154:15,16
 176:4 177:4
concern 9:9 73:1,11
 76:19 81:13 174:21
 175:13 186:20 188:4
 189:12 191:6 194:18
 199:16 201:11 220:9
 227:9 262:14 266:18
 269:20 270:10
concerned 35:20 42:11
 143:20 144:2,6
 147:17 162:11 207:22
 305:10
concerning 178:17
 180:2
concerns 17:15 38:7
 58:21,21 60:5,13,15
 61:6 72:18,21 73:2
 75:7,8,10 76:11 78:12
 80:17 110:9 177:10
 206:20
conclude 168:10,22
 243:4 278:15 302:11
concluding 242:13
conclusion 159:4 211:2
 269:15 278:9 303:4
 308:11
conclusions 67:5
concurrently 303:1
condition 57:7 118:7
conditions 64:11
condoning 105:4
conduct 42:4 153:2
conducted 9:19 48:8
 69:11 176:3 178:18
 180:12 181:16
conducting 9:21 167:1
 291:17
conference 34:3 40:13
 78:6
conferring 12:7
confess 53:15
confidence 13:11
 140:19
confident 126:17
 136:14 253:17
confidentiality 219:10
 254:17
confirmation 180:11
confirmed 140:3
 178:15
- conflicting** 93:2
conflicts 170:3
confront 221:16
confusing 144:4
congratulations 6:1
 25:2
Congress 220:5 245:17
Congress' 12:7
conjunction 304:12
connected 44:20
 226:22 286:17
connection 8:21
connectivity 300:4,10
consensus 173:22
 174:22 226:13
consequence 255:8
consequences 36:2
 42:6 102:18 255:7
consider 8:21 10:22
 20:1 55:20 69:19
 89:22 91:2 94:13,14
 95:9,11 108:6 113:11
 191:21 237:12 238:7
 283:2,12 290:19
 307:15
considerable 5:3
 194:18
considerably 221:9
consideration 9:11
 65:12 91:18 285:21
 302:2
considerations 65:7
 94:3 235:6
considered 7:18 37:10
 58:6 65:4 70:17 157:3
 158:14 159:19 238:10
 294:10
considering 9:14 21:12
 95:12 213:17
consistency 79:15
 98:20,22 99:20
 114:19 150:3
consistent 48:10 80:7
 85:20 96:7 105:13
 154:6,7 232:1 235:22
 238:14
consistently 67:13,13
 70:21 82:12 101:7
consolidation 63:19,19
consonant 243:21
constant 108:21
constituency 8:22
constituents 19:6
constitutionality
 208:19
constrain 70:10
constructed 119:18
constructive 254:7
- consultation** 39:13
 64:20 65:4 71:2,7
Consultative 29:19
consulting 28:10 29:13
 30:10 179:10 200:13
 220:11,14
consumer 131:11
consumers 131:8
contact 255:2
contain 12:16
containing 67:21
content 21:15 52:19
 100:13 225:22 234:8
 304:7
CONTENTS 3:1
context 20:3 86:11
 110:16 114:18 116:4
 119:7 145:2 156:20
 195:12
continent 216:6
continuation 295:20
continue 13:14,20 19:3
 19:5 23:21 24:3,7
 38:22 174:12 198:20
 218:20 219:5 286:10
 294:2 296:4 300:21
continued 21:14 23:19
 294:18
continues 16:7 17:12
 17:12 164:20 302:4
continuing 14:2,12
 18:7 23:7 94:7 176:7
 231:6 281:14
continuity 288:1
continuous 108:21
 109:1,4 152:11
 304:19
continuously 192:2
 223:1
contractual 77:14
contribute 183:16
 226:6 250:8
contributed 22:2 23:17
contribution 308:10
contributions 20:19
 306:22
contributor 28:18
control 10:7 91:20
 102:2 180:5,9 181:14
 181:14 210:14 222:22
 268:15 270:8 302:3,3
 302:7,11 303:4,12
controlled 302:17,17
controlling 132:17
controls 58:4 171:19
 217:12 250:17 264:1
 268:14
conundrum 41:5
- 122:18 123:3 295:18
conveniently 156:5
convention 88:8
convergence 151:13
 283:18
conversation 119:19
 134:16 147:5 226:18
 227:14 229:21 230:2
 260:11 273:21 274:11
 293:15 295:8 296:10
conversations 172:15
 254:14,19
converted 221:5
Cook 97:3
cooperation 21:20 22:1
 209:12 218:1
cooperative 6:8 218:8
coordinated 31:12
 167:9 183:17
coordination 22:15
 209:12
Copenhagen 43:10
copies 7:20 180:19
copious 152:7
copy 162:18 193:7
copying 305:3
core 61:17 103:11,12
 120:13
corporate 43:16 45:2
 68:20 89:4 206:16
 284:5,15 285:5
corporate-style 207:18
corporates 85:3
corporation 18:3 44:13
 103:13
corporations 103:17
 167:19
corralling 245:7
correct 213:5
corrected 257:6,7
correctly 148:15 150:5
 150:7 151:3
correlate 259:4
correlation 236:11
correspondence 49:17
 176:6
cost 89:14 92:6 172:17
 177:10 219:17,20
 242:21 244:8
cost-saving 150:19
cost/benefit 177:11
costly 150:14
costs 177:12
cottage 141:21
Council 28:8 238:1
Councilors 239:1
counsel 11:21 127:15
count 136:20

- counterparts** 170:13
209:11,13 215:11,19
218:10 301:16
- countries** 216:5,7,20,21
217:4,5 219:6 242:16
- country** 48:4 66:16
146:6 181:12 218:14
- couple** 17:6 21:19
40:18 84:12 90:12
96:18 99:12 117:2
135:11,20 155:22
157:13 188:19 191:18
194:7,15 196:2
209:18 211:13 241:11
242:7 247:20 250:4
251:5 260:8,19
264:11 268:3 273:17
295:4 297:3 299:9
- course** 12:11 22:8 26:2
42:22 43:18 50:3
56:18 60:7 62:1 63:7
67:14 75:1 98:22
121:2 176:4 222:7
230:20 231:15,19
249:18 263:12 285:19
287:12
- courses** 187:8
- court** 48:11 114:14
139:18 208:18,20,21
227:16
- courts** 113:9
- cover** 37:5 182:9 271:3
- covered** 40:6 96:22
98:4 175:19 234:4
260:7 306:18
- covering** 306:8
- CPA** 50:16 164:14
169:4 188:1,10,13
189:15 190:18 195:3
197:18 209:8,15
210:2,8,10,16
- CPA's** 210:12
- CPAs** 209:22
- craft** 102:19
- crafty** 245:10
- cramming** 187:20
- craze** 110:8,16 111:10
- create** 64:13 92:5
110:22 133:1,3
176:18 268:6,9
- created** 8:11
- creation** 41:11 49:15,18
- credence** 76:13 144:7
- credibility** 16:15 154:13
299:13,21
- credible** 13:13 76:9
155:7 214:16
- credit** 186:21 187:8
188:8 206:1 229:15
308:16
- credit-rate** 98:13
- credits** 185:22
- crisis** 9:2 10:4 42:18
44:7 138:16 228:19
295:9
- criteria** 85:8 92:3
123:14 128:10 175:5
175:14 268:14 303:2
- critical** 24:12 32:1
33:10 35:20 36:19
44:15 49:8 53:3,4
54:6 55:13 65:19
66:20 67:15 78:12
95:5 99:21 103:16
151:5 153:7 168:14
178:11 182:16 185:4
186:6 210:21 228:9
232:4,19 233:1,2
234:10 235:2,4,7
236:4,6 237:15
238:18 241:9,14
248:5 249:14,19
261:4 266:19 267:1,5
268:8,21 271:7
273:18 275:5 285:4
286:11
- criticality** 133:13
- critically** 14:16 21:2
44:17 144:18 162:4
180:13 183:8
- criticize** 128:18
- criticized** 128:17
- Cromwell** 157:11
272:17
- Cromwell's** 272:15
- cross-sabbaticals**
166:3,15
- Croteau** 2:3 20:16 27:8
29:2,2 306:14
- Crowne** 1:8
- crunch** 187:17
- CSW** 28:4
- cultural** 217:15
- culture** 205:5 207:2
- cumulative** 277:9
- curious** 127:17,18
268:4
- currencies** 277:6
- current** 24:4 40:7
114:11 139:10 165:6
176:7 235:13 303:8
- currently** 9:14 28:20
60:12 165:3 221:3
302:5
- curricula** 50:20,22
- curriculum** 165:1,6
182:19 183:8 185:19
- Curt** 28:3 31:6 75:20
78:9 80:22 81:1,12
82:8 84:14 85:11
129:12 130:4,8 131:7
132:6 135:10,13
136:7 137:4 140:5
193:14 267:19 269:4
270:10 271:9 287:8
- Curt's** 82:22
- CURTIS** 1:12
- customer** 264:14
282:15
- cut** 103:12
- cyber** 288:1,10,12
296:13 304:19
- cyclical** 124:16
- cylinder** 280:10
- cynical** 305:15
-
- D**
-
- D** 2:6
- D.C** 1:9 158:9
- dad** 222:7
- daily** 153:2
- Damon** 1:18 48:2,18
116:21 127:11 128:4
151:19 156:1,15
157:2 159:10 175:21
225:16 232:17
- Damon's** 137:8,20
- Dan** 157:19
- dance** 140:7
- danger** 261:17 277:22
- data** 26:5 63:9 91:17
111:8 128:21 138:4
144:19,20 145:20
165:11,19 167:8,8,9
168:10 176:22,22
184:8 198:11,12
199:8,14,15,21 200:5
203:12 208:1 209:5
213:10 215:5 244:11
290:22 291:2 298:12
298:12 304:18,19
- database** 161:15 162:8
- databases** 143:13
171:1
- date** 131:12 173:10
- David** 157:20 276:6
- day** 10:20 17:2 31:2
49:7 50:18 51:7 72:11
116:17 131:4 141:5
142:11 143:16,19
152:5 153:15 188:3,9
189:9 207:4 219:17
222:5 255:10 272:6
281:8 284:2 307:8
- day-to-day** 104:16,22
- days** 26:20 34:15 38:11
132:1 145:6 224:8
258:10 263:9
- de** 1:14 6:14 29:15,15
32:5 45:19 84:11
107:22 144:13 146:8
152:8 250:21 266:5
296:18
- de-link** 298:8
- dead** 79:15
- deal** 4:16 7:14 11:13
25:12 115:16 182:13
253:13 293:1
- dealers** 12:12
- dealing** 172:12 194:7
298:5
- deals** 145:2 167:7 169:3
171:17
- dealt** 209:10
- Dean** 111:12
- deans** 1:14 4:14 6:14
28:11,11 51:11 52:9,9
123:17,18,18 185:10
212:10 233:6,10,14
247:15,18 252:2,16
253:19,22 254:11
256:16 258:5 261:16
270:17 271:12 280:15
- dear** 25:10 84:1 182:17
- debate** 49:16 92:14
106:17 124:21 158:20
163:19 266:17
- debated** 250:12 266:6
- debits** 62:7 99:17
- debt** 121:6 184:14
219:20
- decade** 20:6
- decade-plus** 20:7
- decades** 25:12 112:4
206:18
- deceive** 190:16
- December** 78:6
- decide** 6:2 89:20
202:17
- decided** 51:19 138:6
158:12 163:17 173:14
269:8
- decipher** 141:17
- decision** 105:9 133:11
208:20,21 247:1
285:6
- decisions** 46:8 63:22
90:10 118:13
- declined** 110:19 111:1
- decrease** 217:18,19
- dedicated** 12:2 140:21
- dedication** 14:22 15:3

- deepened** 285:11
deeper 284:10 297:6
deeply 246:16
Deepwater 120:14,17
defect 113:6 114:1
defend 200:7
deficiencies 268:17,20
 270:6
deficiency 175:6,9,11
 279:5,10
deficient 22:17
deficit 248:18
define 70:2 286:14
 305:18
defined 41:7 212:9
 276:15
definitely 159:5 162:12
 170:13 294:5
definition 32:9 61:7,10
 84:18 99:14 105:18
 276:16 286:13
definitions 36:5 37:22
 38:17 39:21 61:21
 66:11 69:4,20 70:4
 79:16 80:2,8 103:3
definitive 167:22
degree 88:22 91:15
 133:7 187:1 211:16
 214:6
degrees 43:14 117:13
 122:3 189:16 212:1
Delaware 103:19
delay 131:9,21
delayed 156:5,5,5
deliberating 26:7
deliberation 48:4
deliberations 158:2
 160:12
delighted 14:7
deliver 30:22
delivered 48:9 295:16
Deloitte 291:6
demand 32:16 33:1
 69:16
demands 228:8
demographic 167:8
demonstrate 287:1
demonstrated 100:5
denied 10:1
dentist 198:13
department 28:14,21
 100:10 183:22 184:2
Department's 7:10
depend 194:4
depending 193:22
depends 16:15
depicting 64:3
depositions 227:16

depreciation 62:5
Deputy 29:2
derivatives 286:13
derive 228:8 231:20
derives 231:19
deriving 141:22
describe 235:4
described 77:9 97:11
describing 55:14
description 53:4
 227:20 234:10
deserve 23:18 280:2
 308:16
deserves 176:14
 177:20
design 189:2
designed 227:8
desire 226:13
desired 40:9
despite 36:22,22
 110:17 111:1 224:7
dessert 226:2
detail 30:19 31:2 45:21
 47:5 65:15 234:18
detailed 180:3 181:14
 256:20
details 150:11 164:17
detection 49:20 178:10
determination 218:19
 219:1
determine 68:2 89:18
 212:11
determined 113:19
determining 25:20
develop 31:20 33:18
 43:8 45:15 64:13 82:5
 149:5 150:20 170:1
 176:10
developed 195:17
 282:4
developing 117:17
 188:15,16,17 216:19
development 240:16
developments 54:1
 237:21 242:16
develops 21:13
devote 18:7
devoted 182:12
devotion 4:7
dialog 10:11 15:8
dialogue 154:10,18
 155:5 230:17,20
 231:6 252:20 254:2
 307:4
dialoguing 254:9
dies 260:20
difference 10:15 12:20
 34:22 58:15 131:13
 141:7 181:22
differences 64:9 80:10
different 18:12 33:19
 33:20,21 39:21 44:19
 44:19,19 45:2 62:4
 69:15 73:1 76:4 80:2
 86:21 89:7 90:4
 100:18 115:2 116:5
 116:11 123:10 124:10
 129:13 130:15 135:14
 136:8 150:12 218:3
 237:8 242:15 246:20
 255:22 265:10 285:13
 289:5 300:18,20
differential 220:12
 221:20
differentiation 241:6
differently 185:12
 282:8
difficult 27:10 31:21
 40:15 55:19 70:1
 89:21 135:21 138:4
 142:14 148:16,17
 150:13 166:1 177:12
 177:15 194:20 214:9
 227:1 238:4 256:2,10
 279:18
difficulty 108:12
digest 300:3,8,9
digestible 105:7
diligently 21:12
diluted 62:16
dimensions 45:2 285:7
diminished 228:6
 285:21
Dingell 160:9
dinner 6:16 221:6
dinosaurs 204:18
diplomatic 132:11
dire 42:6
direct 112:3,5,9 153:5
 183:3 192:2 194:20
 205:10 236:11 276:5
 276:7,13 287:19
direction 55:5 73:11
 75:10 85:19 110:4,5
 165:11 168:11 170:18
 171:14,22 198:19
 204:11 206:10 259:12
 260:16
directions 256:1
directive 50:11 172:22
 202:4,4,5,15 208:6
directly 8:9 12:7 22:2
 53:15 61:12 131:21
 183:1 195:2,10 197:5
 231:12 254:9 289:11
director 27:21 28:6,10
 29:17 30:3 109:7
 176:19
directors 10:10 33:8
 62:21 67:10 103:20
 109:14
disability 285:8
disaggregation 39:16
disaggregations 65:6
disagree 107:7 236:2
disagreement 163:19
disagreements 63:14
 63:16
disappointed 242:2
 277:13
disaster 275:16,21
 288:2
discernible 138:10
discipline 12:10 103:1
 260:12
disclaimer 5:10
disclose 121:3 225:22
disclosed 69:8 91:12
 97:9 98:16 99:1,10
 236:6 268:16,21
disclosing 57:9,12
 242:19 267:17
disclosure 17:21 35:13
 37:17 41:2 42:3,22
 44:8,9 46:22 57:13
 58:5,7 70:19 91:10
 109:19 111:17 115:11
 120:6 121:16 139:5
 161:7 167:19 168:2
 171:19 178:6,13,14
 179:18 237:16 238:2
 238:4,18 242:4
 249:21 251:13,22
 256:8,11,13 261:14
 266:11 267:5 268:12
 271:15 275:2 276:1
 277:15 296:3
disclosures 53:6 75:4
 91:22 96:6,8,9 97:18
 98:6,15 109:15,17
 113:11 114:6 117:13
 121:1 136:19 150:11
 172:3,14 180:10
 234:13 235:8 260:9
 260:21 277:21 301:9
discount 246:22 248:3
 248:7,9,11,13 249:1,6
discounting 141:14
discouraging 198:17
discovered 212:14
discuss 7:15,18 53:12
 55:8 156:19 163:4
 178:12 234:18
discussed 9:1 54:6

64:21 65:10 69:19,21
111:14 112:13 174:6
207:16 220:7 248:20
248:22 249:12,15
250:19 259:20 280:16
294:20 297:1
discusses 56:21 66:1
discussing 7:7 25:15
226:16 227:13 256:9
discussion 3:5,9,14,16
5:2 11:3 14:2 17:2,4,8
20:15 26:11,21 27:12
45:11 49:16 51:7 52:8
55:10 56:6 84:15
92:22 93:5 120:5
130:10 139:19 140:15
141:1 154:9,20
158:20 173:20 178:6
180:3,5 181:14
201:21 204:10 230:8
232:18 233:16 236:7
236:19 237:13 240:8
240:12 246:6 250:15
250:16 274:7 281:7
284:10 286:9 294:17
295:5 307:4,8
discussions 21:9 25:22
45:16 58:3 130:12
131:6,20 157:5
166:22 266:10 284:4
294:3
disguised 245:9
display 299:13
dispose 234:19
disquiet 60:1
dissatisfaction 59:20
dissemination 176:22
dissenting 187:3
distances 4:9
distinct 117:3
distinction 134:14
153:4
distinctions 120:12
distinguished 157:10
distort 63:21
distressed 266:22
distribute 200:1
disturbing 275:4
disturbingly 175:7
divergent 147:6
diverse 31:9
diversity 44:2,4,12
164:20 195:11 198:2
198:7,19 212:7 285:4
285:5,8 287:7
divide 167:3
divided 173:8
divides 211:19

division 18:3 22:5,9
250:17 262:6 264:1
doctor 198:5
doctoral 166:10
documentation 10:8
77:10,17
documents 67:21 77:14
95:4
doing 8:20 19:22 20:1
25:19 32:20 35:16
44:15 45:13 48:12
70:11 71:3 75:11 80:9
80:16 85:19 100:3
114:2,21,22 115:15
136:10,22 137:2
146:13,22 150:1,6
152:10 162:7 173:2
176:21 180:18 187:5
192:3 197:21 202:3
203:15 215:20 217:10
226:1 230:7 232:13
237:12 241:12 259:5
262:1,21 263:7 282:6
286:7 287:11 294:11
299:8
dollar 200:9 229:11
277:7
dollars 129:4,5 140:14
140:17 184:20 219:22
219:22
domain 82:10 181:10
dominates 141:1
dominating 188:22
door 246:1
doors 196:22
dot 84:1,1,1
dotcom 110:8,16
111:10
Doty 2:5 11:5,9 14:12
20:10 151:8 181:6
202:10 212:19 218:11
220:5 287:12
Doty's 154:7
doubt 103:22 208:14
221:1
DOW 34:21 58:13
downhill 207:9
download 20:14
Dr 1:13,15 6:15
draft 158:11
dramatic 216:1
drastically 26:4
draw 20:8 67:6 154:20
227:6
drawing 120:11
drawn 228:13
draws 228:12
dream 301:4

drilling 266:18 297:5
drive 80:15 116:18,19
143:17 232:22
driven 189:9 192:8
223:21
driver 223:18
drivers 23:16
drives 142:3,4 227:5
232:18
driving 42:4 97:7
231:18
drop 304:4
dropped 249:3 262:17
drug 232:2
due 23:3 43:18 128:8
185:13 198:5 201:18
duplicate 88:17
Dutch 274:16
duties 22:11
duty 103:19,19
dwarfed 216:20
dwindling 226:19
dynamic 38:3 64:11
70:4 229:3
dynamics 228:7

E

E 1:21
earlier 17:18 57:13
65:14,21 75:9 84:16
87:7 90:13 99:13
137:6,8 144:11
145:22 175:2 255:6
255:13 274:8,11
290:8 293:18
early 26:20 41:13
131:15 145:20 176:17
204:15 251:5 258:10
263:9
earn 223:22
earnings 33:15 34:3,21
34:22 35:1 40:12
62:16 65:12 68:20
85:17 99:17 105:6
131:2 134:6 136:7,15
141:3,19,22 143:3,16
200:1 305:16
easier 105:7 252:7,21
282:13
easy 70:6 82:5 106:1
172:16 177:13 288:3
EBITDA 33:15,16 38:15
60:6,9,18 61:5 62:1,2
62:3,15 99:15,16
118:14,15,15 286:14
echo 20:10,18 27:5
136:6 137:4 198:1
294:4 306:16

economic 145:16
179:14
economics 224:14
227:5
economies 182:5
economy 13:18 179:7
179:15
edge 51:1
educate 306:2
educated 174:18
246:15
educating 174:14
education 50:18,22
51:2 186:21 274:1,9
274:12
educations 220:1
educator 221:16
educators 182:18
192:14
effect 151:3 168:19
197:8 255:1
effective 56:18 116:20
150:21 151:1 251:2
302:12 303:6,6
effectively 32:21
effectiveness 180:7
effects 150:6,8
effectuate 137:15
efficacy 302:7
efficient 13:1
effort 4:7 7:4 59:2
125:12 177:6 183:17
195:8 307:17 308:15
efforts 9:19 10:17 19:17
20:9 21:15 51:9
165:20 169:12 180:6
EFTs 60:10
eight 146:21 156:19
181:13 193:20 196:7
204:12 208:10,11
308:4
Eighty 172:22 202:4,15
Eighty-eight 181:13
either 19:4 61:11 64:3
79:21 98:22 126:7,21
129:18 130:22 141:12
165:4 173:16 195:15
196:12 227:4 228:6
244:1 257:10 279:2
306:9
elaborate 236:13
255:20
element 46:5 124:16,18
elements 41:10 92:1
124:16 126:9 173:9
302:14
eliminate 112:8
elite 186:12

else's 153:19
email 31:12
embedded 135:5
emblematic 64:17
embodied 98:8
embrace 44:3
emerge 117:9
emerging 12:22 13:9
 24:1 25:14,18 95:20
 216:20
emotionally 104:4
emphasis 73:13 78:5
 144:7,9 166:14
 210:15
emphasize 236:5
 243:20 258:17
emphasized 210:11
empirical 168:9
employ 61:22 176:10
 179:8
employed 302:22
employees 67:4
employers 191:3
empty 308:3
enable 44:10
enables 63:5
encourage 4:17 55:10
 119:15 126:14 212:7
 269:9 300:21
encouraged 230:1
 238:11 243:13 276:1
 276:13,15,18 278:3
encouragement 12:4
 24:15 176:9 177:16
encourages 213:13
encouraging 43:6
 242:19 243:8 270:13
 276:9
endorse 299:22
energy 22:12 43:17
enforce 116:16 244:4
 268:20
enforcement 22:5,5,14
 22:21 23:11 35:15
 37:1 73:12 74:7
engage 66:21 179:9
 252:5,21 282:11
engaged 20:6 232:11
 232:12 255:8
engagement 9:14 13:1
 78:7 139:1 172:12
 186:4 189:18
engagements 168:7
engine 97:7
engineering 224:2,9
engineers 223:11
enhance 52:19 234:7
enhanced 192:19

210:19
enhancement 304:6
enhancing 50:9 170:11
enjoy 295:17
enjoyed 230:19 296:20
 301:20
enlighten 197:21
enlightening 93:10
enormous 32:15 57:20
 58:17 60:4 100:14
 177:14
enormously 16:21
 161:6 256:20
ensure 48:15 70:21
 86:22 105:12 180:7
 195:10 209:21 220:15
entered 215:14
enterprise 109:20
 123:16
enterprises 123:14
entire 14:21 31:2 51:9
 72:11 196:3 221:12
 307:18,22
entirely 227:18
entities 179:15
entity 86:21 88:5
 266:20
entity- 266:8,14
entry 188:14
environment 24:4
 25:18 86:11,16 123:5
 211:5 227:2,15,22
 229:7,9 242:15 300:2
 300:11 302:17
environmental 91:13
 106:19 113:11 114:5
 121:11
envision 220:18
envisioned 177:5 178:1
EPS 58:14,15
equal 69:5 98:5 121:18
equally 32:18 103:1
equities 30:6
equity 28:5 59:16 63:19
 67:2 129:13 132:16
 132:16 135:13 140:6
 141:11 199:19 277:8
equivalent 251:2
 290:13
era 88:21
Ernst 257:21
error 129:7 257:6
errors 74:3 221:10
 257:5
escape 226:1
escapes 160:5
ESG 120:13 121:16
 122:17,21 296:3

ESMA 69:21
especially 4:19 7:1
 11:18 24:16 53:7
 104:19 106:19 115:22
 116:7 146:19 193:19
 193:21 204:1 206:2
 219:17 234:14 266:17
 271:6 274:3 304:2
essence 32:8 36:3 61:7
 67:6 68:22 111:15
 173:8 205:18 299:14
essential 187:11
essentially 81:17
 121:16 131:12 226:19
 244:2 261:10
establish 10:17
established 13:9
establishing 169:3
 177:22
establishment 161:10
estimate 150:21
estimates 63:16 141:3
 210:13 298:6
et 77:14,22 97:10 101:6
 103:20 107:13 122:10
 185:14
ETFs 60:11
ethnicity 285:8
EU 54:2 171:20 180:1
 219:1
EU's 172:21
Europe 16:9 50:3,10
 54:4 69:21 173:2
 203:1 206:1 214:7
 218:18,20 219:5
 243:10,11
European 50:5 125:18
 180:1,21 181:4 202:3
 202:15,20 203:12
 204:5 208:5 218:14
evaluate 94:20,22
 189:3
evaluated 163:10
 303:12
evaluating 95:1 123:15
 163:5 246:11 302:15
evaluation 122:21
 160:9
evaluations 248:19
evaluative 123:12
events 139:9
eventual 176:9 192:19
eventually 113:18
everybody 5:8 6:12,18
 7:3 27:15 31:14 34:2
 71:11 106:21 172:10
 188:9 278:10 305:6
 307:11

everybody's 5:10
 187:17
evidence 244:11,17,22
 285:5
evident 232:9
evolution 240:9 262:17
 263:20
evolve 13:21
evolved 262:8
evolving 123:5 240:16
 261:20 264:3 296:4
exact 247:12
exactly 84:2 100:14
 103:12 168:22 214:21
 241:8 247:17 253:22
 262:2 263:3 293:2
exam 164:14,21 188:1
 188:10,11,13,14
 190:19 195:3 209:8
 209:15 210:2,8,10,16
 210:19 211:5,8
examiners 60:15
example 9:12 20:5 22:4
 33:9 34:20 38:7 42:1
 42:7 66:13 70:20
 114:20 115:18 118:12
 121:11 125:22 147:19
 150:2 177:10 180:16
 184:9 217:16 219:13
 221:7 222:1 239:15
 239:19 240:20 241:1
 249:9,10 250:10
 257:4 262:3,10 277:4
 298:12
examples 10:14 22:14
 23:11 38:10 43:5 68:6
 90:22 182:1 242:6
 246:12 247:6,14,17
 247:18,21 254:16,19
 256:1,6,14,20 261:22
 284:10
exams 164:12 197:18
Exane 28:11
exceeded 35:1
exceeding 241:17
excellence 228:8
excellent 21:19 145:14
 221:15 225:6 269:4
 274:16 308:2
exception 258:19
exceptional 305:17
exceptions 236:1 259:8
 305:17
excess 110:22
exchange 24:17 166:16
 179:17 236:17 300:5
exchanging 300:6
excited 222:9 255:9

excitement 260:20
exciting 264:17
exclude 32:9 61:8,11
 66:18
excluded 61:13
executing 13:6
execution 12:19 86:12
executive 28:20 42:5
exercise 44:18 70:6
 226:10 228:12
exercises 226:11
exist 75:11 101:11
 102:16 153:12 164:20
 171:8 174:20 212:5
existence 287:13
 302:21 303:1
existing 37:4 56:16
 70:3 178:8 238:1
exists 6:8 106:22
 127:20 167:21 216:10
 230:1
expand 13:20 114:3
 153:1
expanded 10:11 256:8
 256:11 260:9 282:1,8
expansion 42:15
expect 71:14 126:1
 179:18 191:4 269:4
 274:3 280:13
expectation 116:10
 274:13 287:20
expectations 23:22
expenditures 66:20
expense 67:2
expenses 61:17 62:8
 67:1
expensive 120:15
experience 20:4,8
 53:14 55:2,11 126:9
 168:9 183:21 184:5
 186:7 187:4 189:17
 218:9 236:14,22
 239:2 242:3 266:6
 270:4 282:2 293:21
 299:7 301:22
expertise 9:5
experts 89:2 289:18,19
 292:2,3
explain 70:10 251:17
explanation 126:6
 180:8 262:5 270:4
explanations 126:19
explanatory 68:3
explicit 90:6
exploration 296:15
explore 246:16
explosion 120:14,17
exposed 21:4

exposes 242:13
exposure 158:11 248:1
express 5:12 6:20
 10:22 38:5 51:8
 293:13
expressed 60:1,4
 119:22 269:20 284:17
expresses 52:17
 233:22
extend 68:19
extended 5:16 236:18
 239:4
extending 22:18 271:21
extension 218:19 219:4
extensive 158:4,19
 219:8
extensively 66:4
extent 30:14 57:8 59:19
 117:11 118:11 151:12
 152:17 190:18 221:3
 222:20
external 89:8 91:12
 154:22 181:18 282:11
 283:7
externalities 285:1
externally 77:16 91:15
extra 26:3 253:16
extraordinarily 307:13
extraordinary 149:15
extremely 25:8 43:19
 45:18 74:10 93:11
 155:14
EY 257:21
eye 298:17
eyes 86:7,8 285:19

F

fabulous 223:13
face 17:1 51:20 52:7
 143:8,8 208:14
facilitates 63:6
facing 219:19,20 230:4
fact 48:13 59:2 74:22
 76:19 94:18 95:15
 110:22 111:5 112:22
 114:17 122:20 123:6
 123:11 143:3 148:8,9
 152:8 160:12 167:16
 184:11 185:5 197:6
 198:17 199:9 200:12
 201:4 202:7 203:13
 219:21 229:21,22
 238:1 240:22 241:19
 242:19 243:5 252:3
 260:13 261:19 264:18
 274:10 289:10
factor 231:18
factoring 111:10

factors 122:17,18
 283:15
facts 107:13 121:3
 215:8
FactSet 58:11 143:4
factual 91:22 92:2
 106:11 108:2 153:6
factual-based 107:4,6
 107:11
faculty 166:10,15 186:5
 186:9 189:15
fail 196:13,13 199:11
 201:13 202:1 208:1
failed 112:2
failure 128:19 229:3,5
failures 13:17 22:8 23:3
 23:9
fair 32:16 63:14 109:11
 119:9 130:7 210:13
 270:6,11 271:11
 279:15
fairly 5:1 63:2 70:18
 151:9 163:15 174:21
fairness 128:16
faithfully 8:18
fall 158:3
fallen 179:1 271:16
false 102:15 268:6
 269:7
familiar 97:2 174:4
 188:20 190:16 239:17
familiarity 133:8
family 244:7
famous 83:22 250:9
famously 42:9
far 31:1 73:21 84:4
 112:19 114:7 117:6
 124:9 162:11 199:1
 256:9 261:19 263:3
 289:1 300:15 303:16
 304:5
Fargo 115:18 228:22
 272:22,22
FASB 34:8 64:19,20
 65:8 71:12 82:2 96:5
 96:7 112:3 118:6
 150:11,13 154:12
 157:20 291:16
FASB's 39:13 71:2
fascinated 295:5
fascinating 159:5
 239:19 281:10 283:17
 284:2 286:5 296:19
fashion 278:7
fast 122:8
fault 124:2
favor 82:21
favored 66:15,16

fear 113:7
feasible 238:5
feature 86:4
February 97:21
fed 143:12
federal 60:15 205:21
 290:22
federally 203:22
fee 169:22
feeble 44:9
feedback 21:8,12
 174:16
feeds 191:8 192:17
feel 37:8 70:1 85:11
 125:13 126:17 128:2
 140:16 142:21 143:2
 155:20 161:3,5
 183:20 194:13 230:2
 242:9 252:19 255:9
 280:17 284:8 303:20
feeling 150:9 171:19
 187:17 196:12
fees 13:2 244:5 282:21
feet 307:19
fellow 15:20 27:6 222:9
fellowship 222:2
fellowships 168:7
felt 48:12 140:16
 173:17 196:14 198:6
 198:8 234:22 267:10
FERGUSON 2:5 26:13
 215:22
Fidelity 129:22
field 120:22 152:21
 165:18 188:11 223:20
fields 223:19 224:9
fifteen 110:13
fifth 182:8,9
fight 276:5
fighting 186:2 280:10
 280:11
figure 16:3 80:5 107:3
 126:10 151:2 167:22
 192:11 205:21 277:12
 300:16 301:11
figured 29:5
figures 124:13
figuring 162:22 289:19
filed 136:11 139:4
filers 144:20
filing 131:4 246:19
filings 68:15 136:13
fill 298:18
final 21:13 144:14
 154:3 159:17 169:14
 220:6 282:2 303:10
 303:10 308:5
finally 50:15 59:14 64:7

67:15 159:9,16
277:11
finance 18:3 170:15
185:13
finances 48:20 158:18
203:15
financially 162:2
financials 44:20 96:21
100:17 115:13 118:2
118:2 119:3,10
136:22 201:10 226:20
find 13:1 36:18 37:5,19
43:5 58:2,10,11 66:5
73:12 74:10 89:11
126:2,7 137:1 149:4
150:12 151:20 165:19
168:1,3,21 169:6
217:20 241:8,13
244:13 264:8 275:4
277:1 292:10 300:9
finding 159:4 167:3
257:11,11 258:19,19
267:12,15 269:13
286:6
findings 55:10,16
217:19 237:16 238:2
238:10,13,20,22
239:7,8 240:1,14
241:3,15 242:13,19
243:2,13 244:1,13
245:21 255:21 256:9
256:14,18,19 257:15
258:11,17 259:19
261:5 268:5 269:5,6,9
269:12,13,16 270:14
274:14,17 297:22
finds 118:6 256:3
fine 56:13 188:9 288:14
finer 211:15 213:7
finger 271:19
finish 14:14 171:7
210:5
finishing 222:2
FinTech 296:14
fire 307:20
fires 42:10
firm 9:7 23:1 29:13
30:10 36:7 48:20 50:9
74:19 76:6 89:11
113:13 140:20 143:7
143:15 158:18 169:5
170:15 171:15 178:19
193:5 197:9 203:12
203:15 206:4,7
219:12 224:4 241:1
242:20 272:19,20
282:21 284:4 285:15
290:8,11,15 297:7

firm's 180:20,21 181:2
181:11
firmit 139:8
firmly 13:9,15
firms 9:4,20,22 22:16
22:17 48:7,13,16 58:3
59:16 92:5 97:4
132:20 157:14,15,16
158:5 159:19 162:2
166:11 168:6,21
172:21 175:3,9,10,12
176:9 177:18 179:3,5
179:19 180:4,14,20
180:22 181:6 182:1,7
184:3 192:1,2 193:19
194:5 196:12 197:2,6
197:9 198:9 199:9,10
199:13,18 200:7,18
201:6,14 203:5,17
205:2,6 217:20
219:14 220:22 223:2
229:6,9 232:10
240:12,13,14 246:2
252:21 253:1 254:2,5
254:13 255:5 262:1
273:7 282:11 283:3
291:5 295:7 297:6,8,9
firms' 12:19
first 4:3 5:19 6:10 8:1
14:7,11,19 15:16
24:14 26:16,17 27:14
40:22 45:7 47:16
53:19 72:15 78:10
93:15 94:1 100:3
108:18 110:7 114:11
123:19 132:3,14
147:1 155:21 161:22
164:9,10 170:16
173:9 174:10,11
194:16 195:1 196:2
196:11 199:2 213:4,5
215:16 217:21 237:6
240:10 241:16 243:22
247:16 255:18 256:12
258:16 260:8 268:5
269:5 272:1 276:12
281:2,10 284:4 286:3
293:12 294:22 301:19
307:10
firstly 52:10 89:19
251:21
fiscal 58:15,16
fit 46:2 56:9 70:3 93:18
118:21 147:7,8
182:21 188:5 190:2
five 30:17 47:12 72:6
114:22 163:11 173:4
173:22 174:3,4 182:8

194:10 216:16 302:14
302:16
fix 114:1
flag 43:22 86:5 249:14
flagged 249:22
flagging 250:2
flavor 215:20
flexibility 85:10
flexible 38:17
flip 156:16 157:1
flow 33:16 43:3 61:19
61:21 62:14 112:6
152:11 276:4,11
flows 65:1 112:3 284:6
Flynn 157:14
focus 5:5 23:14 108:8
124:9 130:15 163:12
173:15 176:1 245:6
286:10 289:6
focused 52:22 54:8
139:5 166:15 187:16
205:11 211:3 227:18
focuses 22:7 123:20
focusing 23:8 150:7
Folarin 308:12
fold 40:11
folks 16:20 49:13
129:14,15 136:8,12
186:16 222:22 245:18
255:3,4 264:15
302:15
follow 102:8 108:17
112:8 130:13 152:16
170:20 215:3 290:6
followed 176:4 195:18
following 7:7 31:11
97:22 248:21 255:1
follows 139:2 302:5
foot 98:11,17
footnote 112:14,15
footnotes 39:11 40:5
70:20 96:21 105:3,16
277:5,6 304:8,10
forbid 169:5
force 78:17 210:5,17,18
forced 226:2
forces 15:21 44:6 80:5
229:19
forcing 76:15 186:8
fore 296:12
forecast 63:7 79:4
forecasts 34:1 63:10
foreclosure 10:6
foreign 9:3 157:22
170:13 218:11
foreign-registered 9:20
foreseeable 198:5
foresight 12:7 107:15

forever 117:14
forget 115:13 274:18
forgetting 4:14
form 52:19 88:11
118:10 172:1,4
193:13,18 205:9
234:8 283:20
formal 25:17 108:22
170:10 183:10
formally 117:14
format 304:6
formation 13:22 183:2
formed 8:2 47:20
167:13
former 23:2 97:3 195:9
Fort 140:14
forth 12:8 43:4 49:17
81:20 121:6 125:5
250:17 261:6 263:15
forthcoming 54:3
forthright 109:10
Fortieth 202:4
fortunate 15:6
fortune 6:2 197:11,12
forum 8:3
forums 168:7
forward 5:7 10:19 18:18
19:2 20:14 21:14 25:9
25:13,21 26:8,11
27:12 43:11 46:3 51:6
52:8 61:3 74:11 94:4
95:6,19 123:7 135:5
149:14 155:8 190:4
211:8 227:10 231:5
243:11 270:13 281:15
282:8 294:3 296:1,6
296:14,15 298:4
forward-looking 44:22
296:2
forwards 51:11
found 42:13 55:16
114:11 126:16 148:6
148:8 194:3 200:15
223:11 237:2,4,14
238:20 239:6 242:5
254:12 256:7 257:5
257:19 271:18 277:5
286:5
foundation 43:18
foundational 72:16
founded 78:12
founder 28:15 30:9
284:2
four 15:17 113:13
114:13 129:14,15
159:13 166:11 174:3
175:9 180:20 182:7,8
200:21 204:2 206:18

217:21 236:2 240:14
260:13 261:6 288:10
fourteen 145:6
fourth 178:22
Fox 28:18
fraction 182:4
frame 144:21 145:10
framework 34:6 81:22
82:1,7 85:7,7 90:5
92:3,4 96:7,9 102:11
105:18 108:4 132:21
133:3,16 137:7 139:8
139:10 140:9 148:21
149:3 151:4 281:21
302:6,8,13,21,22
304:12
frameworks 63:13
framing 258:6
frank 265:15
frankly 31:9 77:15
126:22 140:8 185:10
218:10 286:5 295:6
295:13
FRANZEL 2:6 25:2
224:16 225:6,14
255:19 258:12
fraud 22:7 49:15,20
118:18 161:11,12,14
161:15 170:17,22
171:1 176:16 177:4
177:17,18,22 178:10
227:19
frauds 177:1
FRC 232:10 255:3
free 61:19,21 62:14
155:20 183:20 194:13
301:5
freedom 38:4
freely 169:19
frequently 183:7
fresh 41:2 51:20 288:17
front 14:15 87:8 119:11
228:20 264:19
front-end 264:21
fruition 176:20
fruits 255:11
FTI 28:10
fulfilled 158:6
full 17:2,7 20:14 24:10
61:4 171:18 177:20
202:21 259:22
fuller 178:6
fully 134:7 173:17
fun 27:1
function 42:15 45:12
109:2 228:9
functioning 229:20
functions 88:19,20

fund 211:15 220:1
223:15
fundamental 37:1
74:20 138:18 140:21
148:1 149:4 174:13
fundamentally 37:6
73:19
funded 138:17
funding 166:19 177:8
199:12
funds 60:10 162:7
213:19 214:5
funnily 248:21
further 8:12 9:17 17:20
39:3 54:15 55:14 78:7
108:10 111:8 159:1,7
183:19 186:4 208:12
235:15 238:19 243:14
251:17 257:13 263:10
270:12 271:14
furthest 14:8 29:17
future 6:3 25:15,22
46:14 60:21 90:21
91:6 92:16 96:14
156:8 198:5 220:18
220:20 232:22 278:11
293:5,10 298:15
future-looking 295:19

G

G 1:13,22 36:9 56:17
110:12
G-A-P 37:6
GAAP 32:11,12 33:3
34:4,21 35:1 36:19
40:14,15 56:22 58:14
58:15 59:9,20 61:9,19
62:12,15 63:1,7,11
64:18 67:6,12 69:13
82:1 90:14 92:12 98:5
98:6 105:5 109:13
113:4 118:16 123:21
124:2,7,10,11,12
125:7,20,21 133:19
141:7,8 142:7 143:5
144:7 149:3,8 226:20
276:10
GAAP- 202:21
GAAP-basis 200:21
201:1,3,10
game 13:2 43:9 89:16
94:19 139:11,12
GAO 160:7
gap 37:5,6 68:22 124:6
124:14 142:7
gaps 124:11
Garten 111:11,12
Gary 1:22 29:7 140:11

140:12 142:20 152:5
153:15 175:21 300:13
GAS-deficient 128:7,9
Gate 22:9,18 43:2
gather 90:3
gathered 193:4
gathering 173:11
176:22
Gaylen 157:16
GE 127:15,18 146:9
gender 285:8
general 3:16 113:1
117:2 121:2 130:13
169:12 212:15 266:16
267:5 288:13
generally 48:5 78:21
130:19,20 132:16
134:9
generate 111:6
generated 13:5
generation 187:14
generic 195:21
geologists 88:15
George 100:10
getting 17:7 101:17,19
112:17 113:9 124:17
134:1,22 138:19
141:11 142:6 149:20
184:9 186:11,14
192:6 196:2 204:5
208:1 209:4 210:7
220:13 233:2 249:20
261:8 273:5,7 279:15
300:18
give 14:17 30:12,17
36:13 45:17 46:16
50:5,15 51:16 60:16
63:4 81:4 89:9,12
98:5 106:4 145:21
146:18 156:7 157:2
164:8 165:12 193:1
193:20 203:8 215:19
220:2 222:1 229:15
238:16 239:20 247:14
247:17,18,20 251:22
254:17 261:1 262:4,9
269:6 277:4 278:10
301:5 304:21 308:15
given 30:19 58:6 64:12
69:5 124:5 126:20
128:9 153:17 181:20
201:21 217:22 218:2
234:21 280:2 295:16
gives 33:19,20,21 36:16
85:9,10 252:5 262:12
giving 32:21 47:12
144:7 151:22 153:18
167:10 240:4 260:2

glad 20:17 125:14
147:11 209:14
glamorize 222:17
glamorous 222:13
glamour 283:13
glasses 20:15
global 30:6 42:8,16
43:15 85:3 106:20
122:3 123:5 216:17
217:1,7,12 219:12,14
269:15 279:4
globe 85:22
glossary 276:14
goal 153:13 171:1
192:19 217:16,22
222:19 284:8 287:5
god 169:5
Goelzer 157:19 170:19
Goldman 157:12
Google 81:15
Gordon 49:4
gosh 212:21
gotten 21:12 117:7
119:19 278:7
governance 9:3 50:10
50:12 89:4 137:15
170:16 171:15,19
179:2 180:4 182:6
197:6,11 198:9 199:1
203:13,15 205:1,2,4
206:13 207:18,20
218:6 251:18,21
265:17 284:5,6,8
285:15 297:6,7,17
governed 179:19
governing 197:2 205:9
207:5 289:12
governs 67:10
GPPC 215:12
grab 245:10
Grabowski 255:3
Gradison 195:8
graduate 187:1 287:2
graduating 165:15
220:13
grain 206:6
grand 219:18
granted 129:12 213:1
293:20
granting 211:22
grateful 26:15 293:22
gratitude 293:13
gravitate 222:14
greater 9:3,4 30:19 31:1
171:11 179:21 197:16
210:1,15 232:7
282:13,18
greatest 173:18 178:5

272:14
greatly 212:16 243:15
Greece 218:16
green 164:5
greeting 11:10
grief 156:8
grinding 50:19
grip 44:18
gross 62:12
ground 176:13
grounded 85:2
group's 10:16 41:4
groups 7:1 15:21 77:19
 80:6,7 151:12 158:13
 160:1 181:18 245:6
 281:4 283:4
grow 13:19 124:19
 306:2
growing 17:14 59:20
 143:13 149:17 167:5
grown 57:19
growth 35:3 305:11
guess 29:4 72:16 76:5
 105:1 109:21 129:21
 140:14 144:19 191:17
 219:2 241:16 249:7
 253:16 256:16 259:17
 260:6 271:12 293:12
 299:2 302:4
guidance 10:9 17:20
 18:4 37:4 43:8,19
 76:16 80:13
guide 230:13,14
gulf 142:10
gum 45:1
Gupta 1:15 6:15 28:22
 28:22 47:10 102:7
 155:21 160:17 162:15
 182:15 191:17 213:10
 215:4 220:20 225:4
 260:6 301:18
gyrated 223:12

H

H 1:17 2:5
half 73:17 144:19 200:9
Hamilton 1:8,8
hampered 150:10,22
hand 191:8 220:2 233:7
 275:8 290:16 297:17
 297:18
handiwork 282:2
handle 120:6 260:15
 289:2
handled 41:17 44:12
handles 59:9
hang 75:13
Hank 47:21

Hansen 157:16
HANSON 2:6 27:5
 130:10 246:4 254:8
 290:1
happen 46:7 131:18
 137:17 144:5 148:12
 169:5 244:4
happened 50:12 104:5
 109:7 149:11 160:11
 204:12 229:6 261:19
happening 86:12
 166:20 183:12 185:16
 187:13,18 218:6
 251:10
happens 88:5
happy 34:11 147:18
 182:13 193:4,6
 213:18 242:6 247:18
 257:7
harbor 243:2 245:14,22
 265:22 275:4,10,12
 275:16,20
hard 6:22 14:20 22:1
 24:8 40:14 94:5
 105:17 106:1,8
 128:20 134:21 190:11
 241:13 280:9 288:16
harder 106:13 252:11
 252:16
hardest 279:19
Harrison 1:15 28:9,9
 173:4,7 174:8 179:14
 181:1,3,8 281:2
harsh 128:8
hat 7:2 265:12,13
hate 134:2 146:1 262:9
hats 265:10
head 1:16 28:14,19,19
 104:2,3,3 105:8
 134:19 153:5 258:14
 303:16,20
headed 111:9,12
heading 25:3
heads 30:17,22 157:13
health 42:7,8 46:17
healthy 173:20
hear 5:1 8:8 31:16 52:3
 246:10 247:5 261:2
 269:3,21 270:4
heard 5:10,11 16:1 40:8
 97:1 127:5 128:11
 156:8,11 293:2
hearing 18:18 19:2 52:6
 232:10
hearings 48:4 158:8
 200:17
hearken 295:20
heart 25:10 37:18 52:14

175:4
heartening 39:14
heavily 16:17 304:3
heightened 279:7
held 8:2 71:10 151:10
help 13:18 14:3 39:18
 40:3,16 47:17 80:10
 99:15 125:10 163:9
 175:15 194:9,12
 212:17 219:22 221:17
 230:13 241:7 257:2
 287:6 288:6 292:22
 299:12,15,17 304:21
helped 10:16 163:8
 276:3
helpful 27:16 30:13,15
 37:20 45:18 49:6
 53:20 54:18 55:4,12
 55:18 67:12,16 73:13
 74:10 96:2,11 101:4
 127:11 135:8 140:20
 236:4,10 238:22
 239:6 240:11,19
 241:1,15 242:5,9
 247:13 252:4,22
 254:5,13,21 256:2,22
 257:19 263:8,21
 270:22 284:11 288:20
helping 13:10,16 20:8
 26:22 263:20 286:21
 289:22
helps 200:7 299:19,20
Herz 157:20
hey 79:18 188:10
Hi 27:20 142:19
hid 196:4
hide 186:10,17
high 84:22 86:3 175:7
 209:21,22 219:20
 233:3 272:1 279:12
 283:3
high-quality 232:1
higher 73:20 110:15
 175:11 185:9,21
 224:11,12 248:3,12
 285:12
higher-order 210:20
highest 58:18 211:22
 211:22
highlight 117:8
highlighted 187:2
highly 93:10 121:20
 122:1 236:8 237:4
 244:13
hindsight 190:14
hip 286:17
hire 179:11 191:4
 203:18,19,20

hires 165:17
historically 104:12
 166:3 194:8,8
history 7:15 174:8
 263:21
hit 185:6 272:8 280:9
 297:5
hitting 55:22
hold 44:10 229:5 275:8
 285:18
holding 139:14 290:7
 290:16
holistic 44:22 137:11
 251:22
home 297:5
homework 136:22
 180:18 274:10 297:10
homogenous 139:21
honest 156:12 251:9
honey 184:15
honored 52:11
hook 252:6
hooks 189:8
hope 43:18 127:6
 198:20,21 230:11
 308:19
hoped 204:8
hopefully 4:14 5:1 43:2
 50:2 92:17 95:5
 124:13 126:9 135:7
 220:1 233:16 308:5
hopeless 263:15
hoping 276:8
horizon 25:14 120:14
 120:17
host 46:15 122:22
 296:11
hot 10:9 95:20 280:21
Hotel 1:8
hour 56:8 92:22 186:21
hours 143:18 164:17
 188:8 211:9
house 66:6,6 88:15
 156:3,14 225:19
houses 57:21 73:18
hovering 138:16
Howard 194:13
huge 139:6 203:9 257:3
human 41:16 42:2,19
 44:1 48:21 50:15
 86:16 114:6 158:13
 162:10 164:9,10
 167:6 182:10,21
 185:14 186:1 194:2
 226:15 230:6 285:2
 286:20 298:3
humans 221:4,11
humble 104:16

humongous 208:2
hundreds 140:22
hunky-dory 113:13
hurdle 184:22
hurdles 132:3 183:21
 190:4

I

i.e 133:19
IAASB 29:20 237:22
 266:7
IACPA 78:6
IAG 7:15 9:18 16:20
IASB 39:19 64:19 65:10
 71:3 291:17
IASC 276:5
Id' 271:10
idea 41:1 130:2,2 134:2
 150:15 164:8 165:12
 188:20 265:21 300:6
 303:21,22
ideally 241:15
ideas 94:3 284:6 286:8
 288:18 289:6 300:22
identical 53:10 236:19
identically 131:4
identification 9:14
 177:17
identified 69:3 178:19
 183:20 252:8
identify 22:11 24:4 68:1
 235:4 273:20
identifying 25:18
 279:16
IFIAR 215:11 216:3,4
 216:13,16
IFRS 284:21
ignoring 144:8
illustrate 239:11 287:1
IMA 239:12,16,20
image 222:19
immaterial 120:18
immemorial 51:14
impact 20:11 23:12
 41:21 43:11 90:20
 111:20 121:10,11
 187:9,10 205:5
 207:13 221:9 293:4
 300:2 303:3
impacts 122:2 183:1
impairment 148:6
imparting 187:10
impediments 217:11,14
impetus 265:5
implement 49:1
implementation 160:1
 164:4 169:13 186:22
 291:16,19

implemented 19:9,9
 134:20 156:21 161:5
 173:18 181:15 303:12
implication 92:7
implications 10:5
 120:19 296:13
implies 43:15
importance 11:22 19:4
 23:8,14 31:22 33:11
 177:1 197:1 231:5
 287:2
importantly 92:8
impose 217:13
imposed 172:17
impossible 91:15
impressed 15:7 25:4
 152:14
improper 10:8
improve 13:21 18:8
 21:15 48:9,13,14
 49:19,19 50:17
 112:18 217:11 231:22
 254:6
improved 12:18 139:5,7
 198:12 264:2,2
improvement 23:15
 45:3 54:12 211:7
 235:12 241:19,20
 287:13
improvements 22:3
 23:17 65:3 210:9
 211:8 234:16
improving 13:16 23:13
 49:22 279:17
in- 88:14
inadequacies 256:12
inadequately 64:3
inappropriate 254:18
inappropriately 23:3
incentives 42:3
incentivized 283:4
incidents 168:2
include 12:11 22:15
 32:11 53:4 61:12
 106:22 108:10 210:21
 234:10 238:22 239:8
 243:13 256:18 294:4
included 9:6 19:18
 32:10 61:4,11 62:6
 71:18,18 105:15
 239:6 240:1,14 243:3
includes 16:20 18:21
 98:9
including 9:2 10:5
 11:17 19:5,13 21:8
 24:3 60:21 64:22
 110:21 178:8 180:7
 181:13 217:8 218:16

236:18 241:14 245:8
 259:19
inclusion 39:10 40:4
 44:2,4,12 168:5 238:9
income 33:14 61:16
 62:13,16 64:22 65:1,2
 65:11 200:3 249:12
 249:14
incomplete 42:3 238:19
inconsistencies 68:2
 87:11 101:10
inconsistency 94:15
 95:13
inconsistent 34:5 63:13
 66:12
inconsistently 36:6
incorporated 221:2
incorrect 113:20,20
incorrectly 64:3
increase 13:2 32:15
 34:19 35:7,11,15,18
 38:14 58:17 60:21
 166:4 216:2 217:18
 246:2
increased 9:18 37:1
 38:12 59:17 146:1
 211:9 282:9,21
increases 61:4
increasing 161:20
 294:14
increasingly 121:19
incredible 293:15,21
incredibly 154:8 230:2
 253:1,9
incremental 242:13
incumbent 24:2
independence 9:8
 22:22 23:2,8,9 42:21
 89:1 169:16 170:2
 171:12 178:15 180:10
 180:11,15 223:10
independent 8:14
 12:13 16:16 29:17
 54:16 119:17 171:17
 197:3,7 205:12 206:4
 206:8 207:19 216:9
 235:16 284:7 299:16
 299:18
independently 70:14
 177:7 299:14
India 216:8,8
indicate 30:14 152:19
 225:18 235:6
indicated 112:18
 195:22 225:19
indicates 11:12 12:22
indicating 44:3 75:4
indication 85:9

indicator 19:15 122:22
 123:11 262:20
indicators 9:7,16 98:10
 98:21 100:2 101:5
 153:8 175:14 195:18
 195:20
indictment 229:18,19
individual 135:18 218:3
individually 58:22
 302:16
individuals 25:5 129:1
 194:6 283:4
industrial 39:5 216:6
industrialized 216:7
industries 66:14 286:15
 295:12
industry 39:5 41:20
 65:22 66:14 79:19,20
 79:21 80:6,6 82:6,13
 85:21,21 86:1 111:18
 114:21 141:21 206:14
 266:11,22 267:5
 295:6
industry's 137:16
industry-specific
 266:21 274:3
inevitably 228:6
inferences 67:5
influence 86:12 223:1
influenced 252:15
inform 20:8 55:1 101:11
informal 212:13
informally 117:14 170:9
informative 8:13 52:20
 54:16,19 58:9 154:9
 234:9 235:16,18,21
 238:9,14
informed 19:12,16
 49:12,13 174:16
 186:14 252:12,13
 275:6
informs 154:9,10,12
 219:13 307:5
initial 17:3 21:4 57:14
 57:19 256:12 266:17
initially 60:18 133:21
 244:1 269:11
initiation 306:9
initiative 22:10,13,19
 82:16 95:10 166:13
 176:13 177:19
initiatives 19:13 35:13
 36:10 57:14 58:7
 110:4 170:21 173:15
 177:11
innovate 49:19
innumerable 215:14
input 10:16 16:19 21:9

210:7,7 285:12
294:12 301:16
inputs 66:4
inside 255:5 261:11
269:10 279:20
insight 86:20 239:4
253:13 257:8 260:3
263:8
insightful 13:13 307:14
insights 88:4 258:15
265:1
insisting 251:4
inspect 12:9 218:11,13
218:20 244:3 279:8
inspected 10:13 128:12
299:5
inspection 10:12 20:7
20:11 210:11 219:2
279:5,10 297:21
inspections 9:3,21
12:18,22 23:13 175:3
219:11
inspectors 10:2 299:6
instance 147:2 232:3
instances 9:12 55:3
instantly 237:20
Institute 34:10 69:11,16
112:4 145:18
institution 42:2 98:12
191:5
institutional 28:8
146:17 280:3
institutions 145:4
194:8
instruction 189:19
instructions 156:15
instructive 151:15
instructor 28:20
intangibles 66:21 126:5
147:15 148:15
integral 295:14
integrated 32:6 41:9
42:14 46:1,12 72:1,8
83:12 84:16,22 85:4,6
85:19 86:4,20,21 87:1
88:9 89:13,20 90:5
91:22 103:8,21 104:7
106:7 107:1 120:5
122:15 127:9,15
146:14,21 227:10
229:12 230:5 283:19
294:18 295:22
integrative 108:4
109:18
integrity 87:1,21 89:12
90:8 118:9 180:14
intellectual 86:16
Intellectually 128:1

intelligence 26:6 291:3
292:17
intended 43:12 169:18
259:15
intends 10:21
intent 32:19 236:20
intention 85:6 86:5
163:20 234:7
interact 184:3 220:22
226:7
interacting 184:5
186:16 218:5
interactions 290:5
interest 5:3 8:13 11:16
23:5 54:15 65:12 87:3
93:12 98:13 99:17
138:12 193:2 206:3
206:10,22 215:6
235:15 250:18 252:18
286:21 294:14,16,19
interested 31:8 69:12
99:3 146:15 152:17
267:11 280:20 294:12
interesting 110:17
130:10 141:1 155:14
159:2 173:19 194:3
217:3 262:21 263:10
265:8,11 271:18
281:8 294:10 296:15
interests 8:12 54:14
235:14
interfaces 120:4
interim 5:18 18:1 27:11
130:15 144:22
intermediaries 118:12
internal 10:7 58:4 89:8
91:20 133:5 154:22
170:22 180:5,11
181:14 205:11 210:14
264:1 268:13 270:8
282:10 302:2,3 303:4
303:12
internally 33:6 62:20
64:1 181:17 205:11
international 15:18
41:22 53:21 59:22
87:8 108:3 157:20
193:5 209:11,13
215:10,19 216:2
218:1 237:21 243:7
251:1 276:3,11 284:9
301:14,15
internationally 39:20
54:1 116:8 300:19
interplay 303:3
interpretation 152:20
interpretations 152:18
interpretative 91:7

interrupt 72:3
intertwined 119:20
intervals 154:18
interweaves 117:5
intricately 195:9
introduce 6:13,19
27:15
introduced 20:17 119:2
introduction 3:3 56:16
93:11
Introductions 3:2
invent 119:14
invest 162:8 299:11
invested 246:11
investing 13:11 76:7
105:2 163:9 304:18
investment 8:9 28:6
30:7,10 41:10 57:21
66:6,20 104:20 105:9
118:13 239:13 294:13
investments 63:20
104:16,22
investor 1:3 4:5 7:14
8:1,4,19 10:16 12:3
23:22 26:18 36:5 50:7
51:15 57:21 68:20
73:13 74:4 80:3,4
86:6 108:7 119:21,22
120:9,20 127:11
137:13 142:9 143:20
143:21 144:6 145:18
151:10 163:8 173:19
174:14,22 177:19
179:16 183:2 243:6
245:7,18 252:13
254:9 264:21 270:1
273:21 274:9,12
285:20 294:14 299:10
300:5 304:1,2,14
investor's 35:17 36:15
41:18 104:15 149:17
investors' 32:16 105:7
286:12
invigorating 286:6
invitation 71:8
invitations 290:2
invite 192:22
inviting 296:20
involve 109:12 245:17
involved 29:20 53:7
109:8 136:21 148:5
195:2,10 226:11
234:14 248:14
involvement 21:7 210:1
211:10
involves 25:17 39:4
involving 102:16
IOSCO 15:19

IPO 203:18
Ireland 218:16
ironic 264:9
ISA 87:8 251:2,2,13
isolation 230:6,9,10
issue 5:9 9:13 31:10
36:3 51:11 59:8 60:1
65:8 78:10,12 92:12
93:1 95:18 99:21
114:5 115:16 120:13
125:9,13 134:2
137:11 140:8 146:4
149:6 158:14 174:13
179:1 182:1 190:10
190:10 191:9 198:2
204:22 230:18 235:1
235:5 245:3,4 249:11
249:16 250:3 252:12
255:21 267:12 269:19
280:8,18 283:10
284:4 286:16 287:7
288:10,16 291:9,9
295:22 296:4 297:7
305:21,22 306:6
308:5
issued 9:15 10:1,4,9,11
21:5 34:8 48:3,5,14
64:20 68:8 110:12
113:3 152:19 160:10
issuer 9:22 264:16
269:15 285:21
issuers 17:20 229:10
270:10 279:21
issues 10:10 24:4,6
25:10,11,13,14,19
26:7 32:6 49:21 56:1
59:15 64:14 71:21
91:13 92:14 95:21
106:14 120:7,8,8,16
120:20 121:9,11,13
121:20 122:21 147:17
180:14 196:2 215:9
225:7,10 227:9,19
228:1 269:5 278:12
278:21,22 281:13
283:19 284:22 288:5
290:20 296:12 297:1
307:15
issuing 134:3
Italy 218:17
item 56:18 112:11,15
125:21 248:15 286:20
287:19
items 17:7 32:10,11
81:2 114:15 124:17
124:20 125:4,22
126:8,15 143:5 235:8
286:18

IWSB's 54:2

J**J** 1:15,16**JAMES** 2:5**Jay** 2:6 14:20 24:21

27:4 130:6 132:5

133:22 144:16 246:3

251:7 289:8

Jay's 247:16**jazz** 138:5**Jeanette** 2:6 14:20

24:19 25:1 95:19

160:8 194:18 255:17

266:7 289:8,15

Jeff 111:12**Jenkins** 111:16**Jim** 35:9 49:4,22**Jo** 2:2 11:20 47:16**Jo's** 154:6**job** 11:20 27:10 55:22

84:5 105:22 106:9

138:19 141:14 146:22

158:16 184:16 190:6

222:4 227:19 243:18

258:20 263:7 272:14

274:18 282:7,12

299:8

Joe 26:19 28:13 51:10

51:13 55:21 75:20

80:21 81:11 85:7 92:2

96:8 102:8 127:2

132:5,13 135:11

137:4 138:14 146:9

151:17 175:4 182:11

182:17 183:19 184:1

185:3,5 190:5 222:21

224:13 231:12 233:4

233:6,8 243:17 246:8

260:6 278:4 279:3

298:1 308:3

Joe's 52:5 178:11

263:13 265:21

Joffe 198:3**Johannesburg** 30:1**join** 4:21 11:9 52:11

264:18

joined 125:11**joined-up** 137:21**joining** 187:19**joint** 167:13 189:22

219:11

jokes 292:15**JOSEPH** 1:13**Journal** 38:11**journals** 186:12,17**judge** 1:20 272:3,8,8

282:21

judgment 53:8 121:9

188:15

judgments 107:7

234:15 240:2,5

258:21 299:17

July 127:13 128:4 222:5**jumped** 50:3**June** 97:19 184:1**jurisdiction** 117:19,20

117:21 192:2 195:22

jurisdictions 10:1

66:15 164:20 171:6

188:9 218:12

justice 297:9**justification** 238:16**justified** 149:18**justify** 148:16,17**K****keen** 55:20**keep** 23:21 65:14 67:11

67:15 101:15 103:11

104:1 117:3 151:5

153:18 156:12 176:15

177:21 233:15 298:17

keeping 62:10 307:19**keeps** 183:14 241:2

251:9

kept 156:4**Kevin** 1:13 6:14 30:2

122:12 129:3 137:19

294:21 296:16

Kevin's 294:12**key** 49:8 53:12 55:13

86:3 98:9,21 100:2

101:5 108:8 153:8

207:11 222:11 248:5

251:17,19 262:4

266:19 297:13

kick 93:16,20**kinds** 64:17 97:13

172:3 217:11,15

218:7 227:13 273:6

277:21 291:7

King 29:8 140:13**Kingdom** 232:9 244:11

269:14,22 270:5,9

knew 20:17 243:18

253:14

knowing 128:2 251:16**knowledge** 20:3 114:4

253:4 265:1 305:13

known 74:19 111:11

157:13 246:18 272:12

knows 34:2 47:19 71:12

172:10

Kornforst 18:2**Korvath** 272:18**KPI** 111:22**KPIs** 98:9 100:18

111:15,17 112:2,5

134:15,22 142:14

232:20

KPMG 157:14 238:20

239:16 240:2 241:11

250:9

kudos 50:5,16 203:1**Kyoto** 43:10**L****L.A** 158:9**labels** 42:13**labor** 192:18 255:11**lack** 76:20 185:8 188:6

230:9

lacking 126:21**lady** 207:6,10**laid** 274:20**landscape** 12:14

118:21

language 209:1 236:9

263:14 276:17

large 23:1 67:3 88:22

137:13,13 145:4

166:21 169:4 172:21

179:2 201:19 222:20

291:8

largely 96:20 136:1

190:13

larger 52:8 97:3 120:19

193:19 221:3,18

229:19

largest 42:11 74:16

197:9 200:12 213:1

Larry 28:17 305:1**late** 54:7 234:21 238:3**lately** 57:12 290:20**latest** 165:11**laughed** 83:22**Laughter** 29:6 99:19

102:4 129:9 132:10

140:18 142:22 150:17

156:10 174:7 179:13

193:8,11 225:3,20

258:4 265:14 266:1,3

277:17 289:4 292:14

301:6 303:19 305:5

launched 164:15**law** 103:19 116:1

203:21 224:1,4,10

LAWRENCE 1:17**laws** 115:16,21 116:6

205:21 295:13

laying 119:11**lead** 47:11 78:19 102:17

157:10 192:4 227:11

leaders 7:2,3 227:16**leadership** 14:12 52:4

65:22 75:22 206:7

217:1,6,12 229:4

298:22

leads 153:4 233:4

286:16 302:10 303:9

lean 301:1**learn** 218:4,5 264:5

276:20 277:1 290:4

300:20 301:15

learned 9:2 184:8 211:4

216:15 242:8 289:17

305:7

learning 218:9 293:15

293:22 301:22

learnings 289:20**leasing** 64:16**leave** 40:9 51:16 75:18

93:17 107:14 129:1

144:12 160:14 231:14

leaves 39:9 40:4 149:2

242:19

lecture 29:21**led** 26:19 62:2 159:9

160:13 247:12 274:11

305:8

left 55:21 72:6 99:13

212:10 257:17 307:14

308:3

legal 180:4 242:14,14

242:22 243:1 245:3

245:14,22 246:2

272:11 275:3,14

Legg 27:22 76:2 129:4

129:21 289:16

legislate 208:22 209:1**legislation** 209:3**legislative** 179:8,11**Lehigh** 29:1 184:9**lending** 60:13 76:13**length** 106:17**lengthier** 290:12**lens** 163:5**lessons** 9:2**let's** 65:17 83:11 101:20

120:22,22 121:5,7,12

121:13 130:17,19,21

132:15 174:10 202:14

208:5 255:17 261:4

269:17 279:6

letter 47:18 53:1,2

199:4 230:19 234:3,5

235:1 243:1 278:5

letters 71:13 162:20

224:19 229:1

level 42:5,5 46:9,10

47:2 84:22 85:10 86:3

89:1 120:22 121:1,8
121:12 135:3,22
165:4 177:16 179:18
186:10 188:11,14
189:18,19 217:6
219:1,1 282:21
levels 139:6 227:1
leverage 118:13
leveraged 38:8 60:8,16
Levitt 157:9
Lew 14:19 24:21 26:12
209:10 215:11,16
LEWIS 2:5
liabilities 122:10
138:22
liability 92:8 158:20,21
159:1,7 199:17
242:14,22 245:3
246:2 265:20 295:11
licensing 60:22
lid 280:17
lie 24:1,2
life 11:13 143:14 144:5
177:7 189:16 220:2
244:6
lifetime 148:14
lift 31:13
lifted 280:18
light 115:22 116:7
189:3 218:3 219:13
liked 257:20
limit 36:16 37:11,13,21
43:15 295:10
limitations 34:4 39:8
63:11 66:10
limited 60:9 62:5 66:17
109:13 173:15 199:15
245:14 305:19
Limiting 70:7
limits 135:19
Linda 1:14 4:13 6:14
29:15 32:5 41:6 45:6
45:14 83:6,14,16,17
84:2,5 92:19 93:9
107:20 114:3 122:16
127:9 144:13 146:7
149:6 152:8 250:20
266:4 296:17 308:9
Linda's 84:9
line 30:21 85:14 105:15
106:6 171:7 186:4
235:8 284:14
lines 172:21 193:13
202:13 291:14
linkage 183:3
linked 78:22
links 41:22 221:12
Lipton 272:18

liquidity 33:21 35:22
59:13,21 60:14 63:22
64:5 199:12
list 9:21 12:17 126:10
138:6 143:3 151:19
168:19 247:8
listed 29:18 143:5
182:3 236:17 251:3
listen 71:13 213:18
listened 26:21 272:6
274:7
listening 7:21 30:13
81:14 264:10
listing 176:19
literacy 292:5,11
literate 292:6
litigation 200:8
little 15:14,16 26:2
29:21 31:11 32:2,5
47:5,5 62:4 84:14
87:17 128:8 129:12
130:15 156:7 164:1
169:11 180:18 183:19
184:4 187:21 195:11
196:14 197:13 213:9
215:17 220:8,17
225:11 226:3 237:12
238:16 239:11 243:14
249:1,9 252:16
253:16 256:17 262:12
266:15,16 278:10
280:18 291:20 297:5
302:14
live 305:12
lively 5:2
LLC 29:12
LLCs 205:15
LLPs 205:15
loans 38:8 60:8,16
located 1:8
London 198:4 236:17
long 29:21 42:20 59:8
76:8 111:14 115:7
131:21 138:21 171:21
264:6 278:1 287:21
288:18 289:21
long- 138:17
long-term 41:17 86:13
123:13 139:14 297:13
longer 38:21 174:4
187:21 244:7 260:18
264:3
longstanding 25:11
look 5:7 18:18 19:2
20:14 21:14 25:9,21
26:11 27:11 37:4
38:10 39:12 46:8
47:22 50:4 51:6 52:8

53:16,17,18,19 54:10
58:18 59:2 60:2 65:17
67:18 68:13 69:15
71:2,3 73:15,17 76:5
85:17 87:9 89:10
101:8,10 103:18
112:5 119:4 122:21
123:15 124:14 125:19
139:3 140:7 149:9,14
149:19 150:20 153:11
155:8 161:14 182:20
184:11 193:19 199:8
200:5 203:11 205:1
205:13 207:2 208:2
208:16,17,20 219:12
226:20 227:8 231:5
237:6,7,9 242:3
243:11 249:13 251:19
257:15,17 262:10
271:22 276:10 279:1
279:7,9 285:7,11
287:11 291:5,14,21
292:9,16 294:2
295:22 296:5 302:13
303:10
looked 49:7 74:5 111:8
113:19 160:21 161:22
198:11 202:2 209:15
223:16 248:3 250:7
270:12 278:17 290:13
looking 38:8 45:4 46:14
95:12,20 118:19
121:22 122:17 125:18
131:7 139:13 140:4
152:1 163:7 196:19
198:9 202:6 222:3
227:7 276:17 284:9
285:15 287:17 291:15
303:9
looks 10:19 68:14
100:21 124:15 299:18
lose 287:15
loss 62:13,16 70:8
lost 276:5
lots 105:2 169:12
266:10
love 52:6 107:1 179:10
222:7
lower 141:15 142:3,5
143:20 144:4 184:6
188:2 213:6
loyalty 103:19
lunch 151:17 187:15
225:17
luncheon 156:3
Luther 29:8 140:12
Lynn 1:21 29:9 47:9,11
51:4,9 74:14 110:6

116:22 128:6,8,18
138:9 144:13 155:21
160:17 162:17 175:21
193:9 194:14,15
197:21 224:16 225:4
225:17 226:8 227:6
230:19 273:16 275:19
276:19 292:4 307:22
Lynn's 119:7

M

M 1:17,20 2:6
macro 289:13
Madam 47:16
madly 138:13
magnitude 206:15
main 81:21
maintaining 159:19
major 11:14 17:6 19:13
21:1 42:1 58:3 129:14
158:21 160:3 191:3
216:6,7 217:4,5
270:10
majority 137:2 143:8
212:4 256:18
makeover 265:4,5
makers 186:14
making 7:4 39:11 43:2
49:9 59:3 60:6 79:1
82:9 104:21 138:9
146:22 155:8 182:21
192:5 196:7 209:16
222:8 230:7 275:19
285:6 307:1
manage 42:18 77:12
140:13
managed 70:16 143:1
management 28:16
29:8 30:7 32:18,20
33:5,11 36:17,18 37:8
41:15 57:4,11 62:18
63:4 64:5,8 65:20,21
67:9 68:5 73:22 74:19
76:3 79:2,6,16,22
81:9 86:7 122:21
123:12 129:4,6 133:8
136:21 140:13 143:8
155:1 227:18 239:13
256:8,11 259:20
280:10 285:4 299:12
302:6,22 305:18
management's 70:10
107:5,12 240:1
258:21
managements 299:11
manager 29:8
managers 37:14 74:16
74:17 75:2

managing 28:4,9 30:3
33:8 70:12
mandate 12:4 39:10
109:22 110:2 130:21
132:14 179:8,11
185:15 241:17 260:17
mandated 121:1 130:22
140:10 203:21,22
Mandating 238:4
mandatorily 71:18
manifest 247:2
manner 48:10 178:18
179:19 181:15
March 97:19,21 98:16
Marek 255:3
marginal 270:1
margins 61:19
mark 18:2 72:21
market 51:21 97:13,19
98:12,15,20 99:2,8
102:22 111:3,21
112:18 123:20 139:13
141:13 192:8 266:22
282:18
market-driven 282:5
marketing 185:13,22
222:17 265:4
marketplace 100:19
155:3 247:4 299:21
markets 12:15 13:19
97:7 103:10 109:3
110:1 138:12 144:5
179:7 181:21 221:19
231:21 232:2,8,18
233:1 260:18 295:14
MARTIN 2:8
Marty 27:18,20 93:16
93:20 99:11,22
108:17,18 110:4
111:10 114:7 116:22
130:14 133:15 134:14
152:16 195:2 197:17
209:7 245:4
Mary 1:12 2:2,9 6:14
11:19 28:15 47:16
142:18,19 144:10
154:6 160:18 195:13
197:19 209:9 211:12
212:19 213:11 214:8
278:13
Mason 27:22 76:2
129:5,21 289:16
mass 234:11
masses 253:6
master's 211:22 214:15
214:16,19
material 31:20 40:1
45:5 53:6,12 55:13

57:9 58:2 65:16 68:1
68:5 90:1 91:12 94:15
94:17 95:13,14
112:14 121:10 122:20
123:6 167:22 234:13
236:20 248:5 250:1
268:15 290:20 302:10
303:3
materiality 79:6,8 89:17
89:18,19 115:6,7,10
139:17 268:11 271:3
271:6,8,15,16 280:18
285:16,18 294:4
materials 15:12 121:3
matter 53:5 93:3,7,11
105:10,17 123:11
137:13 151:21 155:17
167:16 184:11 185:5
186:15 224:14 236:15
237:15,18 248:5
249:14,20 268:21
269:1 271:7 273:19
308:21
matters 8:5 11:22 19:3
53:3,5 54:6 55:13
95:5 153:8 178:11
210:12 232:4 234:11
235:2,4,7 236:4,7
238:18 241:10,14
250:15 255:10 268:8
mature 188:15
McGARRITY 1:16 6:15
30:5,5 293:12
McKinsey 223:13,17
mean 5:3 15:2,14 16:7
16:13 18:12 19:18
20:5,12 22:5 37:6
72:22 78:20 79:9,17
81:9 94:22 103:2
108:10 117:11 118:15
120:19 134:12 139:6
190:6 213:21 214:9
229:17 241:3 249:15
252:20 269:13 271:5
272:14 273:2,9
281:11 305:22
meaningful 9:11 54:11
63:1 164:2 235:12
meaningfully 279:17
means 4:16,22,22 5:6
65:19 164:1 218:19
273:10,14 296:5
meant 11:19
meas 79:7
measure 32:11 57:11
76:14 86:9 102:15
105:18 123:13 177:13
207:21

measured 90:20 101:7
131:22
measurement 34:5
63:13
measures 3:4,5 7:8
17:4,10 32:3,8,9,13
32:15,21 33:6,14,15
33:17 34:14,16 35:22
36:1,3,16,20 38:22
40:18 46:2,4 56:9,21
59:12,13,18,20 61:8,9
61:15 63:1,12,21 64:5
65:9,12 66:2,3,7 67:7
67:12,17,17 69:1,7,13
70:2,7,13,19 73:15,19
74:22 77:5,11,15,18
79:7 82:3 84:18 85:15
90:14,14 92:12 98:3,4
98:8 99:4,8 102:10,13
102:21 103:7 104:7
106:6,11 130:18
133:14 134:17 142:13
149:22 155:2 210:14
232:20 281:22 283:7
292:20 304:4,9
measuring 255:4 282:7
282:12
mechanism 13:21
25:17 159:22 160:7
169:3 183:10
mechanisms 223:2
medal 14:8
media 58:2
medical 224:1,10
272:11
medium-term 283:14
meet 14:1 70:5 289:15
meeting 1:5 4:4 6:10,22
8:2,7 26:17 40:9
74:21 75:1 225:18
230:12 278:16,18
281:4 300:14 301:19
306:19
meetings 7:5,6 15:7,11
16:2 25:15 26:17
141:4 250:19 259:20
306:15 308:11
meets 289:13
member 15:19 130:6
181:11,22 195:9
206:4,11 274:19
281:5
members 2:4 5:5,11,11
5:14 6:11 7:13 11:6
11:11 15:2,3 24:18
27:6 48:2 134:10
157:8,13,18 171:18
173:21 174:5 175:19

175:22 192:10,22
197:3,7 216:5,7
220:10 259:21 289:18
294:7 301:19
membership 196:14
memories 204:13,16
memorization 210:19
memorizing 211:4
memory 188:14
memos 273:19
mentality 186:8 187:6
207:15
mention 161:9,18 163:4
212:6,19 243:1
mentioned 8:7 13:7,12
23:14 26:1 31:6 46:19
53:9 82:9 84:16 87:7
87:20 94:8 95:19 96:7
96:8 110:4 162:17
175:18 176:16 180:1
198:13 210:3 211:8
224:13 230:21 232:17
236:2 237:5 239:12
286:21 293:18
merely 218:20
merit 212:9,10,11
mess 226:3
message 13:15
messaging 30:22
met 1:8 6:15 74:15
100:11 199:5 290:3
method 63:20 112:3,6,8
112:9 267:2 276:5,8
276:13
methods 251:17,20
266:19,19
metric 149:1
metrics 63:1,22 65:5,18
66:18 68:18 69:4,5
122:9
mic 272:8
Michael 1:16,19 6:17
28:4,19 80:19,22
193:2 198:2
Michel 157:22
microphone 231:10
253:21
middle 202:14
Mike 4:12 93:19 97:2
104:2,3 153:5 175:21
212:17 255:16 258:13
267:8 286:2 303:15
mildly 4:19 240:3,3
million 60:19 129:5
166:12 219:22,22
mind 13:9 31:8 38:16
65:14 67:11,15 81:21
101:15 104:1 108:9

151:5 160:6 260:4
 266:10 280:22 288:7
 299:19 302:1
mind- 206:18
mindful 176:20
minds 223:21
mindset 207:15
minimum 109:8 273:7
mining 88:13
minorities 165:9 195:6
minority 138:10 166:1,5
 194:19 256:19
minute 30:17 93:4
 174:2
minutes 40:18 47:12
 72:6 178:12 260:8
 281:6 282:16
mirror 251:12
misconception 249:8
mislead 275:8
misleading 75:5 111:7
 113:7,18,19 143:22
 248:15
mismanagement 42:8
mismanaging 42:2
missed 92:9 260:7
 277:19
missing 90:1 103:12
 146:19
mission 13:15 24:12
 25:7 54:13,18 189:2,4
 189:4,6,10,22 227:4
 227:18 235:14,22
 238:15
misspoke 181:5
misstatement 68:6
 94:18 95:15 236:20
 248:6 250:2
misstatements 53:13
 55:14
mistake 190:14
mistaken 174:3
mistakes 152:3
mix 300:18
mobility 171:5
model 3:12,14 7:12 9:7
 9:15 19:14 20:22
 26:20 33:3 34:4 80:14
 80:14 85:12 89:7
 103:15,15 122:19,20
 172:8 196:5 224:3,6
 224:11 246:21 281:21
 282:1 283:19 295:6
 296:7 297:8 298:14
 300:7
modeled 219:8
models 64:10 66:4 70:3
 88:8 100:22 143:11

168:21 265:2 283:3
 295:9
moderate 143:20
modern 207:18
modifying 238:7
Mojiri-Azad 308:12
moment 6:18 84:20
 219:15
momentum 23:20
money 76:7 77:12
 105:2,2 184:19,21
 200:3 214:3
moniker 41:8
monitor 24:3 160:1
 201:12 209:5
monitoring 160:7
 168:15 183:7 215:13
 302:18
months 57:17 64:16
 97:7,11,12 108:22
 132:1 187:20
moral 191:14
morning 5:2 12:16
 29:11,15 30:2,5 127:5
 156:4 169:11 222:9
 226:18 229:14 230:22
 237:5 279:6 305:3
 306:17
morning's 227:14 230:8
 232:18
mortgage 10:6
motivate 184:18
MOUs 219:8
move 25:13 89:15 95:5
 95:21 100:5 109:2
 152:9 162:12 174:1
 174:10 188:4 190:22
 191:1,9 202:11
 204:11 239:10 263:18
 270:13
moved 95:3 198:18
 261:21 262:12,15
 263:22
movement 41:9 74:11
 165:10 172:9
moves 88:21
moving 46:3 85:18
 97:13,19 98:15,20
 99:2,9 128:13 167:6
 202:10 241:17 259:14
 279:19
multi-faceted 42:16
multiple 66:22 144:1,4
 228:22 247:1
multiples 141:15 142:3
 142:6
mutual 60:10

N

N.W 1:9
NACHTWAY 135:10
Nachtwey 1:17 27:22
 27:22 75:21 76:2
 129:7 288:22 289:5
naive 137:17
name 22:10 30:12
 76:17 148:22 272:13
 272:15,17,20,22
 273:12,14
narrow 84:17 110:1
 152:21
narrowly 276:4
NASBA 49:4 162:20
 170:5 171:9,13
 190:13,18,19 191:20
 192:15 196:1
national 22:16 49:15
 161:11 165:3 170:17
natural 41:16
naturally 78:19
nature 42:16 98:6 136:4
 155:2 186:1 230:4,4
Navy 226:3
near 25:10 163:13
 173:6 182:17
nearly 44:6
necessarily 5:14 34:7
 63:18 85:22 88:9,16
 95:2 104:9 147:15,16
 148:2 292:3
necessary 12:10 48:7
 91:2 289:19
neck 82:17
need 13:22 16:13 25:20
 38:4 40:10 42:14,18
 43:15,22 44:9 45:3
 46:9 70:4 85:11,12,12
 88:17 91:16 92:15
 102:14 103:2 104:1
 106:5,5 107:2,3 109:2
 112:9 122:8 128:14
 137:7,20,22 149:4,13
 151:17 152:13 158:16
 162:5,6,6,7,9 165:20
 174:15 185:12 195:18
 197:2 198:15 204:7
 209:22 229:10 230:3
 241:5 268:16 272:10
 274:12 275:6 281:17
 288:5 292:16 298:4,5
 299:2 303:21
needed 68:3 207:18
 256:7,8 267:14 292:6
needing 138:4
needle 190:22 191:1,10
needs 10:18 14:1 16:4

23:6 50:13 70:5 87:9
 88:2 90:3,8 110:2
 111:8 116:3 125:6
 141:10 152:12 172:6
 172:22 265:3 275:6
 284:9
negative 199:19 207:13
 259:3
negatives 259:2
neglect 22:11
nervous 265:20
net 61:16 62:16
netted 150:15
netting 150:16 304:10
network 219:12
networks 217:2,7
never 37:16,18 115:2
 159:22 160:6 273:5
nevertheless 249:21
new 5:11 6:11 7:13 15:2
 21:5 23:22 25:16 26:1
 41:22 43:15,20 44:17
 52:7,10,15 54:3 56:8
 64:14,16 65:5 79:12
 80:13 84:7 88:21
 89:15 98:11 99:1
 100:8 138:4 164:14
 165:17 178:21 210:2
 210:7,10,12,16 218:6
 218:7,7,8 219:13
 232:3 233:19 239:2
 241:4,8 242:4 246:16
 246:19 257:8 260:11
 262:8 280:15 281:16
 284:19,22 286:8
 294:5 296:1 298:6
 303:21,22
newer 294:7
news 28:18 105:5
 170:14 207:7
nice 126:12 132:8,8,11
 215:2
night 4:12 6:17 220:8
 220:21 221:6 246:9
 289:8
Nina 193:6 292:22
 308:12,13
nine 36:15 181:3,13
 183:22
nodding 80:20
nominating 206:8
non- 40:14 69:12 92:11
 105:4 123:20 124:1
 125:6 141:7
non-cash 64:2
non-executive 29:17
non-financial 103:7
non-institutional

143:21
non-recurring 112:14
non-undergraduate
 187:18
non-white 165:18
non-whites 165:15
Norm 181:6 195:14
 203:11 290:7
normal 5:9 249:1,2
normally 61:8 77:4
 248:9
Norman 1:15 28:9
 163:13 182:15 281:1
 284:17 291:14 297:21
norms 248:3
note 117:4 126:6
noted 50:1 58:20
 282:16
notes 152:7,7
noticed 206:2
notion 117:22 119:14
 202:14 275:3
nuggets 247:20
number 4:8 5:5 8:21 9:1
 9:11 17:14 19:6,8
 21:8 29:18 37:12
 43:14,14 48:5 49:8
 57:20 59:18 61:12
 62:15 66:5 69:12,14
 70:7 76:3,6,8 77:13
 81:16,17 93:13
 122:13 125:21,22
 126:7,8,11 128:20
 129:11,11 130:12
 136:8 143:6 147:6
 148:13 150:15 157:11
 157:18,21 158:6,7
 164:17 165:16,17
 167:7,7,12 169:10
 170:5,11 172:1,7,12
 172:20 173:15 185:21
 187:7 188:7 196:22
 197:5 208:18 211:22
 212:20 213:1 217:19
 221:3 231:2 257:3
 307:14
numbers 61:14,20
 62:12 63:8,8 75:12
 90:22 97:21 100:5
 101:4,16 102:13
 109:16 110:15 113:17
 115:2,9 117:9 118:4,4
 118:16 119:2,5,8
 123:21,21 124:2,9,10
 124:12 125:17 131:14
 132:18 133:7,19
 134:1,6 136:14 142:2
 143:2,6,12,16 144:3,8

145:5 148:16,18
 149:16,18 150:16
 175:11 211:19 230:8
 248:18 304:11
numerous 22:17

O

o'clock 93:4
oath 114:14
objective 33:18 86:19
 108:4 176:1 283:7
objectivity 9:8
obligation 95:11 105:12
 105:20 106:3 121:2
 206:22
obligations 17:22 204:1
observable 247:3
observation 125:16
observations 10:2
 96:19 117:2 123:19
 126:22 295:4
observed 250:5
observers 157:19
obsolete 300:7
obstacles 153:12
obtain 8:4 9:19 73:20
 172:16 178:5
obvious 39:7 191:13
 240:21 262:6
obviously 15:9,19
 16:20 17:1 18:15 19:6
 19:19 20:5,22 23:6
 24:2 45:20 47:4 72:17
 75:9 91:5 117:15
 134:20 146:10,20
 165:20 179:6 183:13
 189:8 190:9,10
 192:16 224:17 234:18
 251:1 254:16,18
 261:2 268:15,17
 291:8 297:3 298:10
occupy 179:6
occur 79:14 169:13
 204:21,21 221:11
 274:5,6
occurred 13:18 51:1
 125:1 164:2,4 165:10
 169:13 170:3 172:15
 231:3 239:8
occurring 164:16 165:5
 168:8 170:9,14 171:9
October 1:7 156:19
 159:16
offer 5:22 17:6 198:22
offered 62:18 64:8
 239:4
offering 35:22 194:17
 203:19

office 6:6 28:1 29:3
 145:16 184:16
offices 186:11
oil 113:14
old 5:11 15:2 184:13
 222:3
omissions 221:10
once 4:17 52:3 78:9
 93:9 109:11 132:4
 143:17 148:8 156:9
 156:11 168:9 174:8
 183:19 202:16 281:3
 282:12,18
one's 106:8
one-off 124:17,20,22
one-page 301:4
ones 57:12 63:12 66:15
 66:16 105:1 107:11
 107:12 119:17 146:16
 193:19 200:14 203:4
 245:18 257:15 262:16
 262:17,22 282:11
onus 81:3,8
open 3:5,9,14 79:13
 92:22 93:5 101:20
 254:13 299:19
opened 127:20
opening 95:19
operate 135:14 199:22
 219:5
operated 277:7
operating 59:21 61:17
 62:20
operation 22:9,18
operational 171:12
operationally 131:17
operations 57:7 62:13
opine 107:1 302:6
opinion 52:18 89:9,12
 102:17 104:16 107:12
 113:17,21 146:18
 153:6 164:2 234:1
 268:9 269:19 270:3
 270:18,22 300:15
 302:9
opinions 107:5 143:10
 187:3
opportunities 80:15
 282:19
opportunity 21:18
 43:19 52:3 78:15
 136:3 142:15 147:11
 178:16 218:2 253:2
 267:22 286:4 292:20
 293:16,21 295:1
 301:20
oppose 159:6 275:9
opposed 97:20 120:8

184:18 189:10
opposite 277:10
optimistic 240:3
options 159:14
ORA 176:21
orange 164:3,19
order 6:4 8:12 31:20
 48:8 107:20 132:5
 192:3
ordering 130:2,3
organization 16:11
 76:12 208:18 216:4
 217:3 272:12 273:12
organizations 6:9,13
 6:19 22:2 27:16 39:5
 39:20 49:1 65:22
 191:20 192:5 224:19
 224:21 288:4
organize 155:19
organizing 147:5 165:4
 281:4
orientation 285:9
original 133:16 234:1
originally 56:4 177:4
 178:1 190:12
ought 31:7 37:2,3,8,11
 45:12 63:15 69:19
 118:19 119:11 120:11
 133:6,20 135:1
 196:15 197:7,10,10
 278:15 291:9
outcome 267:15
outcomes 176:2 283:5
 283:6,7
outfits 169:21
outliers 272:1
outline 7:21 31:14
outreach 16:19 51:14
 194:19 209:10 216:3
 289:9
outset 5:9 153:21
outside 23:11 82:13
 106:16 113:18 206:21
 212:3 215:7 264:15
outstanding 13:5
outweigh 241:20
overall 158:12 203:16
 220:7 248:14 254:12
 270:21
overarching 297:7
overload 37:17
overpriced 66:8
overrate 55:2
oversee 8:11 109:9
overseeing 21:21
oversight 1:1 8:5 12:13
 14:1 23:15 45:17
 60:12 119:18 218:7

284:7 294:15 305:19
305:20
overstate 31:22
overstated 72:20
overtaken 139:10
overview 30:18 45:18
47:12 51:17 52:1 56:3
overwhelming 244:17
overwhelmingly 139:4
244:12
owe 198:7
owner 28:15
owners 44:10 139:12
139:20 140:1 284:15
ownership 138:11
139:13
owns 190:8 225:7

P

P 1:15
P-R-O-C-E-E-D-I-N-G-S
4:1
p.m 155:11,18,18
308:22
pace 23:22
package 224:18
packets 7:20
page 164:8
pages 127:20 146:15
181:4,4,13 250:14
263:16
paid 105:22 223:11
305:18
panel 26:19 159:4
178:3,12
panelists 127:14
paper 39:13 64:20 65:4
71:2,7 100:11
para-professionals
224:5
paragraph 68:4 276:12
parents 184:14
Paribas 28:12
Paris 43:13,21 139:8
part 13:16 15:18 17:3
19:21 78:8 103:5
112:10 137:9 138:22
158:19 160:12 198:9
205:2 211:6 221:11
222:11 226:5 281:9
283:18 293:14 298:2
305:9,14,15 306:14
307:16
partially 19:9
participant 210:4
participated 157:21
158:1 306:15
participating 6:21

306:9
participation 301:14
306:12 308:4,7
particular 16:18 19:3
38:21 68:15 122:22
123:16 165:2,14
166:12 169:19 175:18
183:14 184:22 188:18
199:10 210:2 286:15
290:15
particularly 6:6 54:19
55:11 60:5 74:8 78:8
122:17 123:13 124:5
124:22 168:14 185:10
188:22 212:17 216:19
239:6 241:21 250:5
254:20 295:21
parties 77:10,18 82:14
167:20 264:16
partly 9:17
partner 9:14 28:4 172:5
172:13 205:3,4
partners 22:16 23:2
200:2,2,20,22 205:8,8
205:9 207:11
partnership 199:22
205:10 289:11
parts 86:17 199:22
284:20
party 113:18
Parveen 1:15 6:15
28:22 47:10,11 51:5
93:18 102:5 113:8
152:3 156:1,16 173:7
176:16 182:11,14
185:6 190:7 191:10
214:20 220:6 224:13
224:16 225:2 230:19
260:5 261:2 301:17
307:19
pass 188:1 306:11
pass/fail 299:15
passed 204:17
passionate 258:16
path 111:10 135:5
284:8 303:17
Pathways 166:14
167:14
patterns 161:16
Paul 157:9
Paulson 47:21 157:7
177:5
Pause 56:14
pay 71:12 100:19
141:15 200:3 224:11
229:11 232:2 282:15
paying 118:3 200:11
228:10

payouts 200:8,8,12
PCAOB 2:4,7 5:15 6:5
8:10 9:18,22 10:1
11:12 12:6,8 13:8
14:12,16,18,21 16:6
19:12 20:5 21:4,11,20
22:15 23:21 24:8,12
26:16 27:21 43:1
44:15 45:13 46:18
49:3,16,18 54:14 68:8
82:15 118:21,22
151:14 154:11 157:19
161:13 162:20 166:18
168:8,17 170:4 171:9
190:9 191:13 196:19
204:18 209:20 217:8
228:13,17 229:4,15
231:6 233:20 244:3
278:21 289:12 306:20
307:6
PCAOB's 7:14 16:19
19:14,16 21:14 23:13
25:7 117:18 137:12
168:15 287:13
peer 77:19,20
peers 63:5 77:22
pending 170:19
penny 200:9,9
pension 223:15 248:1,2
248:18 249:4
people 4:15 5:7 26:22
37:11,14 47:19 61:21
62:2 75:8,11 78:21
88:3 90:8 100:4,8,11
101:9,22 103:14,15
110:18 111:2,6,14
115:3 116:11,14,14
121:21 123:20 127:22
130:2 133:17 141:9
142:4 145:5 148:21
149:7 153:5 157:11
157:22 158:15 159:6
161:21 162:6,6
163:18 179:11 187:22
189:20 190:15 191:7
199:5 202:16,17
203:18 204:13 205:7
206:20,21 207:5,21
214:21 218:5 220:1
220:16 224:7,8 227:6
227:13 228:10,12,13
231:13 233:3 242:7
245:7,8 255:12,14
267:9,18 273:2,9,18
276:16 278:13 279:12
283:11 285:11,13
292:6 293:6 294:1
296:22 306:2

people's 244:5
per-share 59:12
PERA 29:10
perceive 227:22 271:1
perceived 254:5 270:19
299:20
percent 35:2,3 58:12,16
58:16 69:14 111:2
113:1,3 128:7,9,19
135:20 138:17 165:14
165:18,19 175:10,10
184:21 200:1 211:20
211:20,21 212:1,3
214:17 217:18,19
238:21
percentage 272:2
perfect 134:12 161:4
290:14
perfectly 195:17
performance 7:9 32:22
33:20 34:14 59:21
62:20,22 63:21 64:4
68:18 86:10 98:7,10
98:21 99:8 100:2
101:5 121:14 153:8
284:6
performed 16:16
performing 175:16
283:4
period 39:1 92:22 100:7
175:8 183:11 259:16
287:14
periodic 154:18 232:20
periods 66:22 109:1
permanent 138:22
permissible 18:6
permit 38:4
permitted 32:12 174:17
person 29:16 203:21
206:5 207:6,12
245:18 264:20 280:5
personal 23:3 73:15
74:13 105:2 107:7
189:14
personally 17:9 271:17
perspective 7:5 32:22
33:19,20 35:17 36:4
36:15,17,21 37:15
38:9 39:12 53:14,21
59:10 63:5 66:19 67:8
86:14 88:17 99:21
101:2 104:15 105:7
133:5 149:17 201:12
205:12 206:21 208:8
286:9,11,12 291:22
307:9
perspectives 8:19
18:19 19:2 33:7

285:13
pessimistic 240:3
Pete 27:22 75:19 76:2
78:16 79:1 81:12 82:8
84:14 87:14 88:7
129:4,5 131:7 132:6
135:9 205:4 290:1
292:1
Pete's 82:22 137:4
Peter 1:17 288:21
Petroleum 113:12
PhD 166:4,6,9
PhDs 166:6
phenomenal 219:16,19
220:2
photocopy 193:6
phrase 73:2
physical 42:19
pick 45:5 53:18 237:6
246:7 248:18
picked 58:8 78:21
248:19
picking 157:8 206:5,7
284:10
picture 67:8 90:17
119:9 181:19 251:22
piece 99:22 133:11,11
139:19 173:12 199:2
199:3
piecemeal 268:9
269:19 270:3,18
271:5
pieces 90:16 116:5,6
199:2
place 15:8 20:2 67:19
78:10 110:13 133:4
134:5 148:12 159:22
165:3 166:14 169:16
169:19 180:9 183:7
183:10 184:3 191:22
202:9 204:19 205:22
206:18 210:2 223:3
308:12
placement 214:17
places 169:17
plan 86:9 168:19 176:7
233:10
planning 19:17 20:9
plans 155:13
platinum 266:21
play 192:14,15,15,16,16
271:6
played 13:16
player 129:14
players 41:20 226:12
playing 120:22 142:7
188:11
plays 207:3

Plaza 1:8
please 56:9 65:14 71:5
72:4 73:6 83:9,18
102:2 147:20 155:20
194:13
pleased 16:18 25:16
34:10 52:12
pleasure 127:12
plenty 25:13 233:16
242:6
plethora 33:13
plus 219:22
point 35:19 37:7 39:18
40:12 41:18 43:5
58:14 60:16 61:10
71:16 87:14 88:7
99:22 100:8,13
102:10,13 109:21
110:9,20 111:18
113:8 119:7 122:16
124:11 126:12,19
127:4 135:12 137:20
139:18,22 142:10
148:15 149:4 151:20
154:14 155:1 159:12
160:7 162:15 163:3
174:2 175:4 178:4
185:6,7 194:2 198:20
202:7,9,20 204:8
211:16 225:13 233:6
235:20 236:5 240:18
241:16 242:11 243:2
245:7 249:22 250:22
252:2,22 257:14
259:16 260:7 263:13
266:10,12 267:7
270:12 271:11,13
275:19 276:6 277:20
280:12 282:21 285:16
292:1 293:10 304:2
308:5
point-in-time 92:12
pointed 31:19 33:12
35:6,8,10 57:12,18
58:11,20 61:7 65:14
65:21 114:3 149:7,7
157:3 203:11 231:17
292:2,4
points 23:7 31:21 45:22
100:18 127:8 162:14
188:19 211:14 236:2
242:7 250:19
policy 30:3 167:2
186:14 201:12
polite 176:12
political 106:14,20
123:3 229:19
pool 158:13 223:5

285:11
pools 192:18
poor 44:9 126:21
pop 115:17
popped 110:8
popping 187:14
population 166:5
212:15
populations 298:16
portfolio 29:8 42:12
74:17 75:1 98:12
129:20 132:14
portion 60:20 67:4
162:10 173:11
ports 122:6
position 49:12 120:8,10
120:11 132:17 161:14
176:19 179:6
positioned 44:4,5
positive 12:20 20:11
23:20 53:14 165:10
229:22 230:3 254:3
positives 259:2
possibilities 39:9
possibility 70:13 71:5
201:14 209:6 237:12
238:7
possible 55:9 92:4
105:14 242:21 243:14
301:12
possibly 96:14,21
151:11 199:18 283:1
post 203:9
post- 186:22 291:15,18
post-retirement 199:17
post-Sarbanes-Oxley
154:17
potential 24:5 96:6
163:9 168:15 177:14
192:12 250:1 283:14
304:6
potentially 124:17
242:12 243:1 259:2
263:9 268:2 281:20
294:15
power 171:18 190:15
190:17
powers 12:8
PR 44:18
practical 77:3 125:16
126:12,19 133:17
145:8 189:17
practice 10:4 137:16
152:19 166:10 170:4
181:17 186:13,16
189:22 238:10 244:20
244:22 262:1,10
263:19 270:19 271:19

295:7
practiced 152:21
practices 17:16 117:17
180:10 240:17 289:20
practitioners 167:2,4
Prada 158:1
praised 23:18
pre-tax 125:22 272:2
pre-tenure 186:9
precedents 243:7
precipitated 199:9
preclude 209:4
predicting 66:7,8
predictive 91:6
predictor 148:9
prefer 37:13 120:1,1
204:3
premature 172:2,5
preparation 8:13 15:10
54:15 141:5 230:21
235:15
prepare 85:15
prepared 41:6 201:10
216:16
preparer 265:12,17
288:7
preparer's 144:18
preparers 146:5 229:10
preparing 85:3 190:1
prescribe 69:3,19
prescriptions 98:11
presence 303:2
present 1:10 52:1 90:18
119:8 199:14
presentation 40:1 54:9
56:7 57:5 61:17 64:21
70:19 81:15 82:4 83:6
94:6 124:13 127:14
173:9 175:2 180:18
200:6 224:17 231:15
233:5,15 235:1
257:20 307:13 308:2
308:7
presentations 30:18
40:15 68:20 158:7
presented 41:6 56:22
59:13 67:14 69:8
82:11 93:2 118:1
258:7
presenters 307:11
presenting 32:21 66:1
81:9 119:6
presents 149:15 261:5
President 29:12 30:8
presiding 1:9
press 97:8,18 131:2,9
pressure 146:1 253:16
303:21

- pressures** 26:2
pretend 130:17 293:5
pretty 81:1 95:6 111:18
 134:3 162:14 193:16
 228:15 247:11 270:2
 272:1 275:2,2 286:11
preventing 279:22
prevention 227:19
previous 35:3 61:5
 236:3 262:14
previously 29:19 125:1
 221:4
price 61:4 143:19 247:3
prices 73:22 100:6
 143:17
pricing 111:20 112:19
primarily 103:18 166:22
 216:8
primary 108:7,9
primitive 296:14
principal 29:7 235:5
principle 179:5
principles 35:21 38:13
 59:1 77:2 130:20
 161:2
principles-based 76:22
printed 162:18
prior 15:7 25:19 176:8
priorities 10:17 16:5
 163:12 170:17 171:17
 173:4 194:10
prioritize 156:20
priority 19:4 168:19
 176:14 177:20
private 28:5 59:16
 129:13 130:2,3
 132:16,16,17 135:13
 140:6 141:11 158:8
 166:19 193:15
privately 260:1
prize 29:16 305:2
proactive 251:16
probably 61:20 62:8
 66:19 74:19 80:5
 82:16 85:1 89:5 92:14
 101:14 106:16 133:19
 133:20 134:22 159:21
 160:10 177:13 191:1
 207:12 224:5 245:16
 269:11 273:22 274:4
 274:11 288:19 292:13
 297:10 298:15,18
 300:7 306:1
problem 59:8 70:1
 92:11 143:13 148:1
 149:8,19 161:12
 191:5 192:8 210:21
 211:1 225:5,8 229:12
 230:5,6,7,9,11 261:15
 263:22 269:22 270:19
 271:1 273:10 276:2
 276:14,18
problematic 115:1
 128:11 237:19
problems 64:17 71:1
 75:4 114:9 115:20
 148:19 185:7,18
 190:9 210:11 216:18
 216:20,21 264:12
 273:6 279:8,16
procedures 68:16
 96:14,15 237:16
 267:11,17
proceed 56:9,12 83:9
 83:14
proceedings 24:11
process 9:5 10:6 21:6
 25:17 26:3,4 54:8
 79:9 88:12 135:3
 138:1 141:22 142:16
 146:20 157:7 162:4
 165:3 176:2 178:14
 178:20 180:15 185:20
 187:18 210:11 251:18
 259:13,14 261:20
 264:6,20 279:21
 287:2 293:22 294:13
 301:4 303:9
processes 46:21 47:3
 91:18,19 182:6 183:7
 263:1
prodding 80:8
produce 229:7,9
producing 188:5
product 30:6 48:9,11
 48:15 158:17 268:2
 282:19 295:16 303:10
 303:11
production 13:3
productive 14:21 151:9
 173:14 307:8
products 288:4
profession 7:11 21:21
 47:22 94:21 124:8
 128:17 136:3 157:6
 158:22 159:7 160:4
 161:21 165:10 186:5
 194:6 198:18 199:5,6
 204:10 206:17 209:2
 218:2 222:18 224:8
 227:8,12,17 228:5
 229:5 233:3 264:10
 264:17 265:3,8 268:1
 272:10,11,11 283:12
 283:20 287:4 288:6
 288:14 297:14,15
professional 9:8 27:21
 124:1 145:13 170:2
 177:18 181:17 188:16
 210:22 227:2 270:21
professionally 166:15
professionals 105:11
 105:20 221:1
professions 223:11
 224:1 299:19
Professor 28:13,22
professors 166:10
 183:16
profile 167:8
profit 62:13 125:22
 272:2
profitability 59:21
program 20:7,11 23:14
 27:17 83:12 166:11
 167:8 168:4 189:1
 195:6,8 197:20
 211:17 212:7 213:13
 214:16,20
programs 166:5 185:11
 185:17 186:19 187:14
 187:19 188:21 211:16
 214:16
progress 21:14 49:6
 50:1,2,19 51:1 107:16
 155:8 162:22 163:3,5
 163:10,21 164:2
 166:6,7 168:10,11
 169:1,7 170:3,13
 171:5,14 172:6,19,22
 196:7 198:15 211:6
 211:11 301:8
project 19:15 25:20
 98:8 166:6 234:21
 238:3
project's 54:7
projects 170:5
proliferation 32:14
 33:13 84:7 110:18
prominence 56:20 69:6
 98:5
promises 155:14
promoted 252:18
prompted 9:10 254:1
 280:19
proper 240:19
properly 36:1
property 122:5
proponents 123:8
proportion 63:19
proposal 21:6 94:8,19
 173:13 234:1 235:11
 237:10 238:7 243:5
 243:12
proposals 60:2 70:17
 71:6,11 139:3 233:19
 234:6
proposed 52:18 54:12
 55:7 65:5 68:9,11
 150:11 219:13 234:6
 234:17 235:2,3,11,18
proposes 66:1
proposing 305:8
proposition 295:15
proprietary 102:12
prospectively 304:1
protect 8:12 10:18
 24:13 54:14 235:14
protected 179:15
protection 12:3 183:2
protections 275:14
protocol 218:13,21
 219:7
protocols 181:18
proud 127:16
prove 253:8
proverbial 187:7
provide 8:3 10:12 18:4
 33:18 36:11 39:1
 62:11,22 67:8 68:3
 99:14 107:5 144:20
 150:14 162:16 174:16
 182:2 199:21 203:4,5
 219:9 264:14 275:14
 282:20 288:6 292:12
 296:6
provided 18:9,16 34:13
 35:14 37:3 49:2,5
 54:21 56:17 58:4 63:3
 65:16 71:14 100:15
 100:18 101:16 147:20
 150:5 155:2 179:21
 239:21
provider 88:10 89:22
 131:10 212:3
providers 46:16 88:12
 89:1,8 90:4 131:8
provides 33:5 57:6
 175:12
providing 9:13 32:19
 58:13 62:19 102:17
 106:12 109:10 174:14
 192:17 200:20,21
 201:1 219:21
provisions 117:15
 171:5
provoked 93:12
proxy 77:21
pub 106:17
public 1:1 5:22 8:3,11
 8:13 12:11 13:9,11
 21:21 29:14 30:3 48:4
 48:10 54:15 59:16

68:21 71:9 77:12,13
77:20 82:10 109:7
111:19 133:2 141:12
144:20 158:8 167:19
170:9 171:2 181:9
184:7 185:15 189:5,6
189:7,10 193:21
199:3 200:16 201:8
201:12 205:13 206:3
206:10,16,22 209:2
213:11,14 214:1
230:10 235:15 265:3
265:16
public- 227:11
public-spirited 227:4
229:8
publically 135:15
publicly 167:16 169:8
246:18 268:20
publish 186:17
publish-or-perish
186:8
published 9:21 100:4
159:20 186:12
publishing 193:22
pull 74:11 160:22
pulled 81:15 161:17
180:19
pulling 61:3
pulpit 225:15
purity 141:20
purpose 9:20 103:13
182:22 188:5 190:2,3
214:6 263:16
purposes 57:10 77:18
139:14 225:22 286:19
pursue 111:22 186:3
192:1 196:9,20 230:1
pursuing 195:19
purview 287:19 289:12
push 80:10 84:19 110:3
225:10
pushed 251:3
pushing 147:19
put 4:7,19 7:4 48:18
56:10 69:9 76:17 81:3
88:13 90:15 95:10
112:16 118:5 130:5
131:20 132:15 146:1
147:1 157:6 158:11
158:16 159:22 191:19
195:7 204:15 205:22
206:2 210:15 223:9
227:10 236:1 238:8
242:18 260:12 271:18
272:3,17 284:19
286:13 287:18 297:1
puts 26:2 133:4 253:15

putting 49:11 50:16
144:8 185:5 223:3
307:17
puzzling 100:8
PwC 257:15
pyramid 224:10

Q

Q&A 35:14
qualified 166:9
qualitative 106:12,15
107:8
quality 9:7,16 13:16
15:1,4,21,22 16:7
19:15 20:20 22:3
23:13,16,17 42:21
45:3 48:9,14,14 49:10
49:22 110:14 126:21
141:14,19,22 161:6
168:16 175:13,15,16
180:5,8 181:14,16
183:1 187:9 192:18
209:21,22 216:14,17
216:18,21 217:11,13
231:22 233:3 262:20
263:8 275:15 279:17
282:7,10 283:8 284:8
285:12 287:13 289:22
297:18,19,20 298:2,8
303:7,8
quantifiable 121:21
122:2,7
quantified 120:18
quantitative 142:2
177:13 217:22
quarter 109:8,12
quarterly 97:17 99:5
100:17 139:12
quasi-public 228:11
question 21:22 37:1
46:19 71:15 72:16
73:5 75:2 82:6 84:3
97:22 101:3,18
103:11 111:4,9
118:20 119:11 120:4
120:6 129:18 130:8
131:1 133:22 136:5
137:5,9,11 138:17
140:2,4 144:17,19
145:14 146:5,9
149:16,20 193:12
195:1 204:7 208:14
220:7 221:14,15,16
223:9 242:10 244:18
247:12 249:18 251:8
258:9 266:8 271:3
279:14,15 285:3
question's 261:16

questioning 130:14
192:3 241:22
questions 69:2 72:9,13
78:18 81:8 92:5 93:1
95:2 131:20 133:16
177:9 188:17 194:16
223:2 224:22 250:11
268:3 273:5 280:19
queue 130:7 132:7
quick 78:4 107:22
116:9 146:8 290:1
quickly 17:5,5 81:18
88:3 107:20 137:3
145:3 164:7
quite 20:13,13 23:12
31:9 33:4 59:4 77:15
83:1 85:3,5,9 86:1
89:2,3 91:14 93:12
107:10 127:16 136:18
146:22 147:6 170:9
171:6,13 185:10
195:7 216:1 233:15
235:20 236:14,19
240:10 241:13 242:1
247:22,22 250:15
251:5 253:9 254:13
255:4 257:19 258:2
261:17 262:21 264:8
294:9 297:10
quote 8:15 165:11
241:11

R

R 2:2,5
race 285:8
raiders 139:20
raise 13:2 16:7 106:14
145:14 194:2 199:15
264:13 269:5
raised 5:4 60:15 71:21
95:2 111:9 121:21
147:14 149:21 175:4
196:22 250:11
raises 60:12 151:19
raising 14:22 15:3
78:10 145:12 146:5
187:16 249:19 279:17
random 128:13 212:2
randomize 151:17
range 24:5 240:4 241:3
249:2 257:2,16
266:16 306:18
rank 292:10
rapid 41:19 305:10
rate 98:13 114:2 128:19
150:21 151:1 156:15
175:11 188:1 232:2
246:22 248:3,7,9,12
248:13 249:1,6 279:5
rates 113:6 175:6,9
279:10
ratification 131:15
ratify 284:13
rating 295:9
rationale 63:2 147:20
196:16
rationales 62:18
ratios 118:13
re-proposed 52:15
233:20 234:2
reach 42:16 80:6
145:17 300:21
react 112:18
reaction 282:4 290:1
read 37:19 67:22 81:16
81:18 94:13,20 95:8
95:11 105:3 108:3
143:9 162:18 170:14
175:5 178:16 255:12
255:15 267:18 273:3
291:18 301:9
reader 84:1 86:6
readily 304:8
reading 94:16 127:22
193:3 244:8
real 75:8,10 78:4
107:16 132:20 144:3
146:4 148:1 162:1
189:16 226:12 227:8
239:21 261:6 266:18
279:20 288:5,5
real-time 98:15 291:6
298:16
realistic 90:18 280:12
reality 46:3,7 116:14
145:8 269:10
realize 55:18 62:14
102:20 124:1 289:11
305:22
realized 54:7 162:4
reappointment 174:19
reason 6:7 58:9 60:7
64:7 100:12 112:20
149:1 153:13 164:18
165:1 228:12 270:16
276:2,21 281:9
reasonable 43:3 179:18
257:1,16
reasons 183:13 201:20
244:15
rebuilt 228:14,16
recalculated 107:13
recalibrate 61:18
recall 111:13 157:22
recap 173:10 233:20
235:9

- receipt** 176:5
receive 110:21 213:18
received 21:2 69:10
 71:9 173:16 176:6
 239:11
receives 214:11
receiving 182:4,5
recipients 211:19
 212:13,14,15 213:8
 213:12
reckoning 142:11 152:6
 153:15
recognition 74:10
 185:8 278:19
recognize 6:11 24:18
 24:20 93:15,17
 101:22 103:2,4 109:3
 130:5 144:13 152:11
 154:3 225:21 255:18
 269:11 306:16
recognized 6:16 76:20
 139:16 161:17
recognizing 122:1
recommend 193:17
 239:18 279:1
recommendation 7:9
 129:16 159:1 164:5,9
 164:11 167:18 168:13
 170:7 171:4,15 182:9
 182:18 183:6 195:19
 197:14 201:17 209:17
 215:21 295:5
recommendations 3:7
 3:9 9:18 10:15 19:1,7
 19:8,10,11,16,18
 39:14,15,17 40:3 47:8
 48:5,6,16 65:7 69:18
 112:2 156:18,20
 158:11 159:17,17
 160:15,22 161:4
 162:11 163:6,8
 165:13 167:7 182:10
 190:12 196:4,9 208:3
 215:10 227:7,10
 231:2 278:11,12
 307:20,21
recommended 112:4
 175:22 178:7 204:6
 239:16
recommending 192:8
recommends 71:2
recomputation 61:16
reconcile 126:5 277:10
reconciled 98:5 99:7
reconciles 81:19
reconciliation 36:10
 113:16 114:16 115:2
 115:11 125:20 151:2
- reconciliations** 36:11
 62:11,11,17 101:17
 112:10 126:14 147:16
 150:4
reconciling 125:22
 126:8
record 12:15 30:15 52:6
 93:8 155:18 200:17
 308:22
recorded 199:16
records 78:22 92:7
 114:17 116:12
recover 176:17
recovery 288:2
recruit 44:5
recruiting 165:9 166:1
 195:5,6
recurring 66:20 67:1
red 164:1 173:16
reemphasize 299:9
refer 54:13 89:5 118:16
 235:7,13
reference 151:13
referenced 154:10
referred 89:18 90:15
 92:2 96:20 152:3
 153:15 236:14 297:21
referring 153:3 290:11
refined 256:7
reflect 5:14 59:20
 124:14 231:2 251:12
 295:16
reflected 15:12 34:7
 210:10 212:15
reflecting 152:1 231:4
reflective 15:12 118:6
reflects 17:1 18:22
reform 137:16 159:7
 201:17
reforms 158:21 159:1
refresh 43:19
refreshments 231:14
refund 214:3
refused 199:13
refute 128:20
Reg 36:9 56:17 110:12
 119:20 120:2 121:1
regard 25:16 54:19
 102:9 103:6 120:21
 145:15 165:7,8 170:7
 170:15 238:17 303:2
regarding 55:8 68:14
 94:9 164:21 170:2
 180:6 221:14
regardless 69:7 244:1
regards 68:18
regime 12:12 123:6
 219:2 243:22 303:8
- register** 12:9
registered 9:22
registrant's 57:10
registrants 136:4
regularly 123:15
regulated 8:8
regulations 36:22
 41:21 56:16 57:4
 62:10 115:17,21
 116:7
regulator 216:9 217:8
 218:3
regulator's 117:21
regulators 8:8 15:20
 38:7 46:21 59:22 60:4
 118:19 125:12 153:16
 157:22 167:2 186:14
 217:20
regulatory 20:3 69:22
 103:17 123:5 139:8
 170:12 171:8,10
 282:5
rehabilitation 169:4
reinforce 154:19
reinforcing 155:6
reiterate 243:5 289:7
relate 109:16 126:15
 290:21
related 10:3,3 41:7
 45:12 73:21 178:9
 268:8 295:21
relates 53:5 125:21
 182:9 234:13 245:20
 259:10 268:13 286:8
relating 176:22 177:17
relation 119:1 228:22
relations 215:18 216:11
relationship 6:8 14:2
 27:9 86:17 114:12
 115:7,10,12 154:21
relationships 23:4
relative 58:16 130:14
 181:21 290:8
relatively 54:7 109:22
 164:7 234:21 258:10
release 9:16 21:5 98:4
 131:9 134:6 136:7,15
 176:5
releases 68:20 97:8,9
 97:18 105:5,6 131:2
relevance 7:8 33:11
 43:20 226:19 228:4
 231:20 233:2 293:4
relevant 41:11 43:4
 52:20 78:1 85:16 87:7
 103:10 109:15 121:14
 122:20 142:16 166:2
 227:21 232:2,7,16,16
- 234:8 235:8 241:9
 294:2,8
reliability 18:9 47:4
 87:1 91:3
reliable 18:17 43:3
 46:11 87:4 91:17
 105:13 150:21 192:20
reliance 149:17
relied 259:9
relinquish 83:17
reluctance 283:12
rely 16:17
relying 143:9 304:3
remain 302:4
remains 83:5 164:4
remarkable 20:21
remarks 3:18 11:5
 12:16 99:14 173:12
 195:21 306:17
remember 26:19
 135:13 169:7 204:14
 245:4,5,7 290:9
remind 94:11
reminded 26:16 198:14
 267:8
remiss 198:2
render 302:8
renewal 218:21
rep 264:21
repeat 294:6
repeating 241:2
repel 44:6
repetition 228:21
reported 8:18 34:20
 60:18 61:19 67:14
 131:14 135:4 136:14
 143:16 170:21 257:22
reporting 3:12,14 7:12
 9:15 13:17 16:15
 17:16,19 19:14 20:22
 22:6,8 24:1 26:1,20
 32:6 34:9,21 39:15,17
 40:11 41:9 42:14 45:2
 46:1,6,7,13 65:2 72:9
 78:19 80:14 84:17
 85:1,4,6 88:9 90:5
 92:13,15 96:16 97:5,6
 97:16,18 103:8,22
 104:7 106:7 122:15
 127:9 133:2,3,9 139:7
 139:10 146:21 149:22
 172:7 180:2 192:20
 196:5 210:15 232:21
 238:11 239:1,5
 251:15,20 264:15
 270:8,8 279:21
 281:22 282:1,9
 284:19 294:18 295:22

301:3 302:4,12 303:5
reports 8:14 10:12 50:5
 50:6 53:12,16 54:16
 54:19 55:3,12 57:21
 72:1 83:12 85:19
 86:20 100:13 139:12
 143:3 160:3 167:15
 168:1 193:3 203:10
 205:1 218:7 235:16
 235:17 236:18 238:14
 239:14 240:15 241:6
 244:7 251:6 256:17
 257:21 267:18 282:9
 290:7,9
represent 95:13 119:9
 235:12
representative 200:18
representatives 2:1
 8:20 159:3 168:6
 204:10 217:4
represented 19:7
represents 54:11 94:15
 211:21 218:15
Republic 219:7
request 43:7 47:21
 158:3,4 160:9 237:11
requested 235:3
requests 57:15
require 68:16 70:18
 94:12 122:18 152:22
 178:21 180:3 238:2
 269:9
required 5:9 61:9 63:17
 67:22 68:3 71:18 96:6
 96:15 119:8 144:22
 212:8 234:12 237:13
 237:17,20,22 238:12
 257:12,14 271:21
requirement 53:3,11
 54:3 69:9 119:4
 214:10 234:19 236:6
 239:8 251:11,14
 292:5
requirements 57:2,4
 58:5 67:19 68:12
 121:7,8 164:21
 169:16 188:7 235:3
 236:3,16 237:21
 239:3 268:12
requires 36:10 114:15
 116:1 137:12
requiring 112:13
 118:22 201:5 237:19
 244:19 271:14
research 12:22 13:10
 13:12,13 25:19 73:16
 73:18 74:20 95:21
 100:3 111:5 148:4

161:11 162:22 166:20
 167:1,4 169:8 173:10
 177:17 186:11 188:7
 302:14
Reserve 290:22
reserves 88:15
resilient 13:19
resist 225:16
resistance 264:9
resolved 228:1 268:18
resource 19:11
resources 70:11 88:15
 185:14
respect 11:5 39:14,15
 39:17 50:14 57:6 60:5
 62:22 63:14 64:18
 65:8 68:22 74:8 83:11
 95:8 97:17 98:19 99:4
 128:8 133:22 149:15
 182:5 185:13 195:5
 196:4,5,17 197:8,15
 215:19,21 217:16
 232:22 268:9 274:21
 275:3 278:9 293:3
 307:20
respectfully 123:2,8
 137:8
respective 6:22 7:1
respond 73:6,9 107:20
 129:2,19,19 132:7
 135:21 146:10
responded 64:19
response 9:17 17:14
 49:2,5 100:1 122:16
 137:12 146:8 168:17
responses 149:11
 162:21 276:22
responsibilities 9:5
 12:8 68:14,17,19
 137:15 154:21 227:21
responsibility 87:18
 90:3 97:17 118:9
 178:10 190:21 280:5
responsible 226:17
responsive 123:7
 210:18
rest 14:9 51:22 95:4
 185:7 286:4
restated 113:5
restatements 13:4
restrict 167:20
restriction 214:4,5
restrictions 213:19
restructuring 62:7
 124:22 147:13 148:3
 148:5,8,9,11
result 60:19 70:8
 105:11 116:17,19

166:6 173:18 178:14
 218:4 256:10 258:7
 271:21
resulted 113:20
resulting 61:2 220:12
results 6:4 57:7 66:17
 164:6 175:3,5 178:18
 180:9,12 237:15
 256:15 258:17 259:8
 259:13,19 282:10
resumed 93:8 155:18
retail 42:10 104:19
 105:7,21 304:2,14,17
 304:21
retailer 98:17 110:18
retailers 249:11
retaining 165:9
retention 165:20 215:3
retired 28:19
return 110:22,22 184:6
returns 111:7 138:18
revenue 10:8 59:6
 64:14 74:9,10,11
 187:14,17 278:19
revenues 59:3,9 60:22
 122:10 181:22
review 77:8 91:18
 133:19 145:1,11,12
 163:17 173:10,16
 239:2
reviewed 15:13 113:4
 144:22 235:5
reviews 180:11,12
 181:16,18 282:10
 291:16,19
revised 164:14
revising 100:22 143:11
revisions 68:2
revisit 155:11 177:21
 281:18
revisited 154:17
reward 214:11 221:21
 282:20
rewarded 283:5
rewards 222:19
right-on 127:7
rightfully 184:17
ripe 96:5 288:2
rise 122:2 201:11
 220:10 228:17
risk 10:3 26:3 41:12
 42:17 43:8 46:16 79:9
 85:13 88:19 98:13
 122:22 123:12 124:7
 134:8,10 139:7 144:5
 145:9,12 168:16
 178:20 182:6 196:10
 197:14 201:15,18

208:1,14 209:5 248:5
 248:10 250:1 252:8
 257:10 260:21 262:4
 262:13 263:13 264:3
 267:16 270:18 274:21
 279:8 285:6 302:17
 304:19,21
risk-based 151:18
risks 24:1 25:19 53:12
 55:13 60:13,14 91:11
 178:19 236:20 250:13
 250:16 262:8 263:20
road 208:10 269:16
 289:14
Robert 1:20 29:11
 108:15,16 264:7,8
robotic 222:2
robust 37:22 64:9 70:5
 149:10
Rodgin 157:9
role 9:6 12:2 13:8 23:15
 34:11 44:15 46:20,20
 84:8 87:19 110:1
 142:7 151:14 154:19
 155:7 165:22 166:17
 183:22 192:14,15,15
 192:15,16 209:20
 221:18 231:20 232:7
 232:16,21 233:1
 266:20 288:11 289:21
 293:3 303:13
roles 305:18,19
rolled 92:17 210:3
rolling 116:4
Rolls-Royce 239:16
 250:10 256:21 262:11
 274:15
room 106:16,21 137:21
 190:15 239:18 245:8
 246:10 250:7 273:18
 278:14 299:11
rotation 172:5
round 245:5
rounding 129:7
roundtable 21:9
roundtables 71:9 171:8
rubber 289:13
rude 41:14
rule 21:13 23:1 53:10
 54:10 167:21 169:14
 170:10 219:13 235:2
rule-making 154:16
rules 77:1 155:7 178:8
 178:21 223:10 289:13
rules- 76:22
run 176:13
running 36:18 37:14
 79:2 216:16

runs 67:9 154:13,14
207:9

S

S-K 119:20 120:2 121:1
121:4
S&P 58:10
Sachs 157:12
sad 221:15
safe 243:1 245:14,22
265:21 275:4,9,12,15
275:20
safety 42:7,8 46:17
120:12
SAG 97:4 151:11
salaries 184:12 191:6
salary 184:11,22
220:12 221:20
sales 98:10,17,18 99:1
101:6
salt 206:6
same- 98:22
same-store 98:18
sample 292:9
sampling 298:15
sanctions 22:17
Sarah 1:14 4:14 6:14
28:11 51:10,11,22
52:2,6,9 123:17,18
127:4 147:14 243:18
245:13 246:7,8
252:14 254:8 255:1
255:13,20 260:6
261:2 266:14 269:3
269:21 278:4 280:14
293:18 308:6
Sarah's 52:1 250:22
270:4 285:16
Sarbanes 110:10
Sarbanes-Oxley 8:10
8:17 12:9 195:7 212:8
280:4
satisfied 167:12 216:10
Saves 80:4
saw 80:19 113:11
127:22 139:6 168:18
224:18 275:12
saying 4:6,10,18 31:18
47:19 55:15 71:6
100:14 108:1,18
113:13 117:1 121:17
121:19 127:3,17
135:19 176:12 184:15
201:14 202:21 227:6
227:17 253:17 259:7
261:10 273:11 275:22
277:6,19
says 98:16 208:21

212:8 272:19 276:8
277:14
scale 166:21
scandals 204:15
228:17
scary 206:19 265:13,18
schedule 4:21 30:16,20
155:12 160:21
schedules 4:8
scheme 163:18,22
Schnurr 35:9,10
scholars 166:11
scholarship 182:13
195:6,8 197:20 209:9
211:15,17 219:16
scholarships 212:20
school 198:12 212:12
212:12 214:10 219:19
287:2
schools 190:20 191:12
211:21 212:1,4,5,11
science 224:10
sciences 166:21
scope 281:20 284:18
287:20
scoped 270:15
score 173:16
scorecard 265:16
scoring 141:20
scratched 304:15
sea-level 122:2
search 167:22
searches 168:3
SEC 2:1 5:18 15:16,19
17:19 19:12 21:13
22:14 26:9 28:2 29:4
31:15 35:7,20 36:9
43:1,6,9 44:14 49:3
57:14 58:20 60:12
72:18 75:2,3 83:4
96:5,11 98:4 110:11
120:1,9,21 127:11
137:12 147:18 150:6
151:11 152:14 162:20
168:8 171:9 190:10
191:13 228:13 244:3
245:16 280:7 296:5
306:20 307:15
SEC's 22:5 119:20
219:8
SEC-registered 125:19
second 33:2 49:15 61:9
72:3 98:2 99:22 100:2
103:6 106:7 115:5
124:11 134:22 138:8
167:18 244:10 255:17
269:19 274:14 286:20
291:13

second-tier 157:15
175:12
Secondly 43:22
seconds 131:22
Secretary 47:21 157:6
section 139:13 159:8,9
159:14 168:1
Section(10)a 115:22
sector 42:10 43:16,17
securing 172:18
securities 15:20 24:17
66:8 116:1 135:16
166:16 203:19 295:13
security 288:1,10,12
296:13
seeing 115:17 153:4
189:14 207:1 210:10
221:20 228:21
seek 219:6
seeking 194:5
seen 41:19 42:1,8 51:21
57:17 71:11 75:7 88:3
113:15 115:18 143:15
164:1 173:8 228:9
250:14 251:5,8 253:7
256:6,21 257:4
260:21 261:3 275:13
290:13,19 300:15
segment 34:9,14 39:15
39:17 65:2
select 159:12 205:9
212:1
selected 205:7
selection 128:10
157:17 159:12 175:4
212:2
self 258:18
self-directed 104:21
self-explanatory
162:14 278:5
self-help 137:15
self-mission 189:9
self-regulation 39:7
70:14
selling 169:21
Senator 110:10
senators 229:1
send 47:18 134:6 193:6
senior 28:9 42:5 83:4
127:14 217:6
sense 23:5 32:20 33:1,4
33:10,21 99:6,20
128:2 147:13,22
148:2,11 150:20
167:12 168:14 169:14
170:4 187:5 189:11
189:14 221:13 227:3
227:4 268:6 269:7

283:6 284:15 287:5
288:13
sensitive 232:5
sensitivity 98:12,13
sent 199:4
sentence 104:11 238:8
sentences 104:9
separate 172:8 218:22
separated 138:5
September 97:19
series 245:5,6
serious 38:7 95:11
120:20 161:12
seriously 111:4 113:10
119:16 209:18
serve 146:12 214:6
228:13 286:5 299:5
served 8:20 48:20
107:18 166:17 196:6
276:2
service 5:22 14:22 15:3
59:5 228:11 259:6
282:19,20 292:11
services 88:18 179:9
200:14 220:11 222:13
serving 25:18 156:14
174:4
session 151:10 154:4
155:13,14 156:4
sessions 154:2
set 12:8,9 77:1 79:3
111:21 118:16 136:20
141:3 161:15 167:9
175:14 176:1 187:11
188:18 192:6 200:22
201:10 205:16 207:5
217:16 227:10 241:5
283:19 288:7
sets 79:16
setters 45:5 46:20 69:3
setting 19:13 20:9
25:17,20 76:20 79:9
95:10 149:14 155:5
197:4 207:10 289:13
settled 222:3
settlements 200:10
201:19
setup 103:17
seven 8:18 25:3 113:3
145:6 146:21 193:5
193:20 201:5
Seventh 4:4
seventies 112:12
severe 228:2
sexual 285:9
SFG 28:17
shape 13:22
share 7:17 33:15 34:22

35:1,1 62:16 75:8
76:12,19 186:19
193:1 289:20
share-based 67:1,3
125:4
shared 94:3 210:6
shareholder 103:14
106:10 108:8 122:19
122:20 135:22
shareholders 43:7
103:18 108:20 139:21
170:8 174:17 232:15
260:2 284:13
shareowner 139:3
sharing 219:9
Sharpens 253:18,19
sharper 284:15
sheet 203:8
shifting 103:3
shifts 64:11
ship 152:15
shipping 122:7
short 11:13 47:14 66:22
204:13,16 244:6
281:16
short-term 188:13
shortcoming 159:21
shortcomings 33:3
74:3
shortcut 112:8 141:21
shortfall 68:22
shortly 171:16
shots 116:5
shoulder 136:18
Shover 1:17 28:17,17
305:2,6
show 14:17 113:2
180:17 253:3
showed 200:7
shown 77:6,6
shows 58:17 69:11
111:5 227:14
side 32:16 50:10 60:3
141:11,12 144:18
145:18 165:21 184:12
223:6 238:17 265:19
280:6 285:2 304:5
sides 33:11
sight 253:7 287:15
sign 136:13 229:22
signals 65:20
signature 172:13
significance 218:18
282:14 295:17
significant 4:9 13:3
20:13 22:3 32:17 34:3
35:4 57:22 60:20 62:9
67:4 69:13 70:8 71:10

74:8 157:4 158:14
164:19 200:11 219:4
241:20 268:17,20
269:1 270:6 281:20
304:20 308:10
significantly 57:19
187:16 188:8
signing 229:1
silo 207:14
silver 281:12
Silvers 1:18 116:21,22
156:1 226:2
similar 53:10,22 54:4
79:21 80:1 87:9
202:13 236:15,20
295:8,18 296:21
298:11
similarly 5:17
simple 79:17 221:20
222:1 276:2 277:14
286:14 298:5 301:12
simplification 301:3
simplifying 301:8
simply 31:18 69:9,11
121:18 152:21 174:20
178:4 237:16 263:7
277:15
Simpson 1:18 28:6,6
32:4 40:21,21 45:9
83:19,20 137:18,19
253:18 284:1
sincere 286:21
single 88:10 89:9,12
145:19 151:10 169:15
217:8 308:14
sit 75:7 137:10 141:3
143:7 164:21 184:16
site 225:12
sitting 81:14 217:5
277:16
situation 113:15 115:18
224:4 295:12
six 60:9 86:15 113:2
114:21 261:4,8,11
306:15
size 124:6 181:21
SJOQUIST 2:9 211:13
212:21 213:13,21
214:2,4,12,18 215:1
skeptical 16:16
skepticism 9:9 170:2
188:16 210:22 253:10
skill 88:16 187:11
188:18
skilled 16:17 162:6
skills 92:6 138:4 210:20
211:1 264:22 298:2,3
298:4,4

skip 107:19
slide 72:19 87:16
156:16 160:18 174:1
188:19 190:5 191:18
211:14 236:3
slides 41:6 56:5,10 84:9
86:4 94:8 155:22
162:16 163:2
slow 50:19 51:2,2,3
slowed 226:3
small 69:14 115:9
134:10 148:13 247:22
smaller 140:16 142:21
157:16 168:6
smart 1:19 6:17 26:22
28:4,4 80:22,22
139:22 180:22 181:2
193:9,12 213:19,22
214:3 286:3
smiling 288:9
social 86:17 114:5
120:7,19
societies 222:16
society 103:13 128:15
Software 59:5
Solar 61:1
sold 60:10 262:6
solicited 158:10
solution 96:6 264:11
283:15,16
solutions 92:17 192:12
solve 92:11 122:18
123:2 125:10 287:21
solved 185:7 270:14
solving 210:21
somebody 130:19,21
222:15 265:7
something's 273:3,4
somewhat 31:5 53:10
53:22 177:13 179:15
196:6 198:17 201:15
236:15
son 222:1
Sondhi 1:19 30:8,8,9
31:4,17 56:10,15 72:4
72:7 73:8 83:15 99:11
99:20 102:1 147:10
150:2,18 275:18
277:18 290:18 292:15
305:7
Sondhi's 153:13
soon 50:2 95:6
sophisticated 270:2
sorry 99:13 129:10
135:9 255:17 271:2
277:19
sort 14:17 15:15 16:3
20:10 38:18 40:10

54:10 56:15 61:16
72:16 79:12 80:8
83:22 87:8 91:19
92:12 95:2,10 101:3
102:11,22 109:20
118:18 119:10,13
124:16 125:9,11
126:9 131:16 147:12
163:9 169:14 189:13
192:21 194:11 216:1
221:5 222:17 230:12
240:16 241:5,6 242:7
250:4 251:12,16
252:9 254:4 257:9,17
261:16,22 262:9,12
262:15 266:20 267:1
267:4,11,14 270:18
271:16 278:1 280:17
280:20 286:16,17
291:15 295:8 296:3
Sorter 100:10
sorts 46:14
soundness 88:6
sounds 117:1 233:12
source 101:6 169:15
sources 33:1 168:15
169:9 296:8
South 4:13 29:18 42:9
89:4 146:12 250:22
308:10
SOX 208:22
space 18:8 22:20 117:7
123:9 129:13,14
130:3 170:10
Spain 4:12
spare 160:20
speak 30:12 53:15 73:9
136:2 253:11 270:21
speaking 18:4 138:10
speaks 278:6
special 121:17 305:7
307:10
specialist 30:6
specific 19:10 68:16
82:6 86:1 115:11
121:6,8 196:18 199:7
236:11 238:13 240:20
242:7 243:2 244:13
247:20,20 252:1
255:21 257:11 263:15
266:9,15,19 290:3
specifically 8:3 84:9
86:11 87:3 180:8
254:12 267:6
speeches 35:8
spend 47:12 56:8
161:10 216:22
spending 25:6 128:3

141:5
spike 305:10
spinoff 142:4
spirited 27:12 227:12
spoke 85:8,11 220:21
 266:14 267:8
spoken 6:16 152:16
 228:19 237:1 240:6
 289:8 293:6 294:6
sponsoring 239:13
SPORKIN 1:20 272:5,9
spot 194:4
square 98:11,17
stability 182:7 203:7
 208:17
staff 2:7 5:13,15 14:22
 17:19 21:11 22:21
 26:9 83:4 88:18 170:4
 210:5 232:11 255:8
 306:20,20
staffed 48:8
staffing 177:8
staffs 22:1
stage 54:7 233:17
 234:21 238:3
stages 41:13 266:17
stakeholder 103:15
 106:10,15 108:7,9
 122:19
stakeholders 8:17 21:8
 24:9 87:2 108:6,20
 147:3 232:14 260:2
stalwart 51:13
stand 38:2 90:7
standard 19:13 20:9
 25:17 34:8 40:8 45:4
 46:20 52:15,19 54:13
 55:1,7 64:16 68:9,13
 68:16 69:3 76:20
 79:20 87:9 94:10,12
 95:10 102:11,16,20
 105:18 112:7 114:7
 114:18 116:18,19
 133:20,20 134:18
 145:1 148:6 172:7
 197:4 233:20 234:7
 235:12,13 236:9
 237:22 238:1,12
 241:6 251:2 254:6
 268:19 276:4 287:19
 302:10
standard- 149:13 155:4
standard-setting 13:6
 78:14 82:16
standardize 130:17
standardized 111:18
standards 12:9 22:12
 27:21 29:21,22 40:8

44:16 64:13,14 89:2
 103:4 113:2 114:8,12
 119:18 133:15 145:13
 146:3 149:5,8,11
 152:10,20,22 153:3
 157:21 178:9 180:1
 191:12 197:11 235:18
 251:1 273:8,8 295:21
 296:3,6 303:13
 304:13
standing 99:17 151:16
 228:11
standpoint 80:17 268:1
stands 62:3 211:17
STANLEY 1:20
start 7:12 14:11 22:4
 27:18 31:3,15 47:18
 56:6 85:18 102:6
 127:3 152:9,18
 155:21 156:2,3 186:1
 191:7 199:4 202:14
 208:5 210:5 222:4
 263:5 265:9 267:17
 269:2 276:11 291:10
 292:12 306:4
started 27:14,17 59:4
 62:6 93:13 99:12
 100:3 143:15 147:19
 158:3 166:18 170:18
 200:4,5,16 202:6
 213:6 216:4 251:4
 287:22
starting 11:8 17:10,11
 59:4 147:22 153:14
 184:10 191:6 202:7,9
 213:4 225:13 278:13
 291:5
starts 223:22 259:14
state 108:4 171:12
 188:6 222:16 238:8
 259:7
statement 24:20,21
 52:21 57:9 64:21,22
 65:1,11 90:6 112:6
 117:12 126:2 131:16
 152:5 178:8 180:6
 234:10 240:21
statements 11:7 24:19
 24:22 39:11 52:17
 53:6 67:22 68:10
 70:20 77:5 81:20
 94:16 95:14 96:22
 104:18 106:4 107:2
 107:10 109:13 113:3
 114:13 115:8 117:10
 117:22 119:15,16
 126:15,18 181:16
 194:22 196:10,15

197:15 200:22 201:2
 201:3,6 202:22 208:5
 218:13,21 219:7
 232:19 233:22 234:14
 248:15 249:13 251:15
 268:10 276:4,11
 304:7,10
States 74:17,20 171:21
 197:9 216:19 229:1
 269:10
static 154:15
stating 120:10
statistically 13:3
statistics 99:9 215:7
status 18:22 165:7
 179:14,16
stay 274:1 297:20 306:1
step 39:3 75:9 84:6
 101:3 110:11 135:1
 178:3 206:9 238:19
 251:16
stepped 27:11 152:14
 184:1 260:8
stepping 133:21
steps 17:14 84:2
 211:10
Steve 11:9,12 13:7
 14:13 16:22 18:21
 20:18 25:2 31:17,18
 46:19 51:19 75:21
 78:11 93:22 102:7
 107:22 108:16 132:8
 137:3 147:10 151:8
 154:8 209:14 219:15
 223:7 250:21 254:22
 255:19 267:21 279:4
 281:2 284:2 286:3
 287:9 288:22 293:14
 295:2,2 298:18,21
 301:18
Steve's 204:6
Steven 1:9,11 45:19
 72:12
stewardship 139:2
stick 276:21,22
sticking 290:10
sticks 278:1
sticky 50:12
stimulation 153:18
stock 73:22 143:17
 148:16 231:1 236:17
 250:11
stockholder's 277:8
stocks 246:11 250:7
 270:1
stood 214:14
stop 21:17
stops 87:21

store 99:1
stores 98:18
story 229:12
straight 7:19 105:15
straightaway 237:9
strategic 19:16 20:8
 168:18
strategies 43:16
strategize 86:9
strategy 46:14 85:13
 86:6,13 91:9,10
streamlining 56:7
street 1:9 38:11 106:16
 141:2 225:18
strength 179:20
strengthen 284:14,15
 289:20
strengthened 120:3
 243:12
stretch 190:9
stretching 138:22
strike 181:5 279:12
strikes 118:17 119:10
 295:7
strong 14:12 40:10
 127:7 162:2 173:21
 174:21 175:13 177:3
 193:21 227:4 243:6
 270:15
stronger 180:2
strongly 55:6 73:14
 125:13 159:3 176:15
 177:21 178:22 179:17
 198:7 237:10 267:10
 275:22 278:2 305:8
struck 15:15
structural 124:18
 217:14
structure 38:18 48:21
 121:6 138:11 158:18
 170:15 180:4 205:5
 205:14,16,17 206:13
 206:16 207:3,4
structured 282:8
structures 34:6,6 64:10
 70:3 180:4
struggle 295:15
struggling 106:9
 134:16 295:18
student 184:9,13,16
 219:19
students 165:15 184:3
 187:5,7,19 188:1
 189:5 190:2 192:6
 211:15 220:13,15
 221:17,22 222:12,14
 223:12,18
studies 44:3 57:20

58:10,11,19 74:2
113:2 145:18
study 111:8 145:17
157:4 161:14 168:20
176:8 183:11 192:11
205:17,21 209:19
223:10,13,17 294:2
stuff 110:7 111:2
112:20 114:2,22
122:7 148:22 169:12
208:6 244:8 274:19
284:21
stuff's 78:21
stumbled 43:11
suasion 191:14
subgroup 52:15
subgroups 48:17,19
subject 18:4 50:13
60:12 71:19 93:3,11
94:8 96:4,17 105:16
107:15,16 119:17
151:21
subjective 53:7 106:12
106:15 107:8,11,12
108:2 232:5 234:15
subjects 295:19 299:4
submit 12:15 123:2
137:8 191:22
submitted 53:1 234:3
subscribe 103:14,15
subscription 59:9
subscriptions 99:1
subsequent 9:10
256:13
subsequently 60:9
249:16
substance 51:18 56:8
226:19
substantial 21:2 184:21
substantially 50:3
223:12 224:12
substantive 7:5 61:3
226:13
substantively 308:13
subtle 120:10
subtotals 65:6,11
success 6:3
successful 7:5 164:6
sudden 112:17
sufficient 105:8 203:6
sufficiently 64:9 228:10
228:14,16 292:21
suggest 118:1 120:16
193:18 244:21,22
278:2
suggested 37:11 65:3
243:14 277:9 294:2
suggesting 13:10

244:19 261:13 269:8
suggestion 39:4
suggestions 10:19 40:2
65:7 71:3 81:13 82:22
82:22 250:8 278:11
suitable 41:17 92:2
Sullivan 157:11 272:15
272:17
sum 184:21
summarize 147:7
151:16 163:3 234:6
summarized 235:3
summary 135:10 143:4
235:9
summed 48:6 81:1
summing 41:4
sunk 113:14
supervision 219:14
supplement 96:21
supplemental 40:6
supplementary 71:19
119:2,5
supplier 249:12,14
supply 42:8 166:9
182:21 184:4,5 185:1
185:13 188:5
support 11:17,19 24:15
26:10 81:6 139:7
189:13 226:14 237:10
242:4,4 243:5,7
245:14 281:3 304:21
supported 159:3
supporter 307:21
supporting 243:1
304:10
supportive 54:12
245:22
supports 55:6 235:10
supposed 60:8 226:5
Supreme 48:11 139:18
208:17,20,21
surface 304:15
surgery 222:2
surprised 15:16 31:6
104:19 112:1
surprising 123:22
survey 69:11 165:12,14
167:10 212:13 216:15
216:17 217:17 238:20
surveyed 69:16
survival 297:14
suspect 280:15
suspicious 305:10
sustainability 28:7 32:4
40:19 48:1,13,16
83:16 90:16 158:15
179:20 203:7 284:22
sustainable 138:18

168:11
sustained 11:16
swath 135:15
swore 245:11
sympathy 242:11
system 291:1 303:6,6
systematic 165:3
192:11
systems 92:7 133:9
180:5,7 181:15 302:7
302:11

T

tab 271:13
table 6:12,19 20:16
27:14 93:18 102:14
125:15 136:8 187:15
217:5 221:6 222:22
226:12 267:9 289:3
tabled 95:3
tables 245:6
tackling 95:22
tail 287:21
tailored 35:21 38:13
58:22
taken 4:20 17:14 20:2
25:21 73:12 103:21
114:13 115:8 119:7
137:20 143:14 198:21
268:11
takes 15:8 64:13 136:18
144:5 188:10 223:14
talent 44:5 158:13
162:5 192:4 283:9
285:4,10 288:17
talk 18:13 46:1 50:20
54:21 55:12 74:21
83:16 87:16 96:10
101:15 103:21 109:18
110:18 112:2,2
123:22 141:4 150:3
160:18 162:16 163:14
171:16 172:10 173:4
196:13 197:13,17,19
209:7,9 215:1,17
216:3 220:17,22
238:20 239:10 250:10
252:7,12 256:12
262:2 266:20 268:22
271:4,10 288:19
292:20 298:3 299:6
303:8
talked 38:13 39:21
52:15,22 54:6 69:22
79:4 97:4 98:2,3
127:11,15 128:1
169:11 175:2 197:5
210:17 211:14 213:15

213:15 222:21 223:17
226:8 245:19 246:9
248:4,6 258:7 261:17
264:12 268:16,17
270:9 281:19,19
282:6 283:10 289:7
294:9 299:12 301:2
talking 16:3 18:12
21:17 35:9 52:14 57:3
81:16 103:9 109:19
133:2 135:2 149:1
161:10 164:11,22
166:3 167:18 168:5
170:1,11 171:7,11
172:1,9,20 173:1
182:20 184:13 187:15
188:15 197:1 203:5
219:18 221:6 229:13
232:4 233:7 249:20
252:3,10 253:15
259:18 260:10 262:22
272:7,9 279:5 290:21
299:3,10
talks 56:20 88:22
165:22 168:14 169:10
171:4 182:19 299:17
tangible 8:21 168:10
tangled 138:2
Tarola 1:20 29:11,11
108:16,16 152:8
264:8,8 265:9,12,15
280:5 298:21
task 15:21 210:5,17,18
tasks 221:3
tax 34:6 36:2 59:14
64:10 70:3 150:6,7,21
151:1,3 200:13
taxes 65:13 99:17
150:12 200:3
TD 28:20
teachers 189:21 223:14
223:14
team 32:7 37:12 57:1
73:9 307:18
teams 13:1 136:21
tech 59:4
technical 153:11
210:12
techniques 218:8,8
technology 26:5 127:20
162:8 221:2,5 290:20
296:12 300:1,5
304:20
teed 111:15 245:4
tell 16:14,14 32:5 37:14
40:19 57:4 63:21
115:20 129:19 147:20
148:4 168:8 212:22

258:5 263:14 273:15
275:7
telling 32:2 152:5 248:1
291:19
tellingly 228:18
tells 36:17 73:19 150:13
274:8 276:17
temptation 153:19
225:17
ten 30:17 47:12 72:6
143:14 183:11
tend 145:7 200:1
257:16
Tennessee 28:14
tent 93:13,17 130:5
144:11
tenure 178:13 234:20
tenured 186:9
term 42:20 138:18,21
163:13 173:6 203:13
260:19
terms 5:6 16:6,6 19:7
26:4 30:22 31:8 39:3
45:13 50:19 72:21
79:1 80:4 89:6 90:5
94:4,4 95:12 97:5
107:19 110:13 116:12
122:2 127:9 128:6
129:13 132:13,19
133:15 135:5 136:6
147:12 156:21 157:8
162:22 166:19 167:6
169:15 172:18 177:13
177:15 185:18 192:17
197:1,3 208:9 210:7
215:9,20 220:20
231:22 232:3 242:22
245:17 246:17 253:12
257:19 265:4 268:4
276:14,17 277:20
282:3 283:7 285:2
287:17 288:11 289:9
289:22 290:18 295:19
301:8
terrible 42:9
terrific 31:16 43:17
147:5 225:14 285:5
307:21
territorial 185:20
test 38:2 211:3
testified 114:14
testifying 200:19
testing 210:20
Texan 140:15,20
Texas 28:21 140:14
thankful 305:6
thanking 11:10 14:11
thanks 14:14,15,19

25:2 27:5 75:21,21
78:11 83:19,19 93:22
94:5 110:9 122:11
142:17 153:20 209:14
212:18 224:16 246:4
255:19,19 258:12
267:21 269:1 284:1
287:9 288:22 293:1
300:12 301:12 305:7
306:12 307:10
theirs 136:10
theme 44:1 179:4 285:1
285:17
theories 240:4
thereabouts 114:22
they'd 257:6
things 15:15 35:20 38:3
45:5 49:8 53:19 72:22
77:3,11,14 78:16
84:15 85:16 86:5
90:20,22 95:22 97:13
98:6,10 99:13 101:8
101:15 104:1 106:18
111:13 112:16 116:15
117:3 118:14 122:9
122:13 127:22 131:3
135:11 149:9 161:3,9
164:12 191:2 200:6
202:12 205:14 207:8
207:8 210:10,21
216:12,15 217:2,15
218:6 221:7 222:21
226:6,22 230:11,14
232:5,6,20,22 237:6
238:17 239:22 243:19
247:8,9 261:21 262:3
262:12 263:22 271:20
273:17 274:3,22
275:13 277:21 286:6
287:21 288:14,19
289:6 290:18 291:7
298:5,12,17 299:9
thinks 94:17 185:3
229:8 275:7
third 21:1 70:13 77:10
77:17 125:16 127:4
167:20 242:11 245:2
thorough 16:16 203:16
thoroughly 239:18
thought 17:4 22:13
26:21 31:7 37:16 48:7
75:5 84:12,14 96:20
97:16 98:1 99:16
106:2,7 116:3 126:20
127:7 128:3 133:12
138:8 139:17 156:22
161:1,22 163:12
193:12 198:17 202:6

204:4 222:15 266:9
268:4 275:1 278:10
284:16 285:20 291:13
308:1
thoughtful 15:8 26:22
76:9,14 94:2 157:7
thoughts 17:6 99:3
135:7 191:18 193:1
198:1 260:4 261:1
284:3 287:17 288:13
298:11
thousand 181:20
184:20
threat 281:12
threaten 168:16
threats 288:5
three 5:3 22:16 23:2
32:6 33:16 48:17,17
51:21 53:11 75:16
97:11 108:22 112:16
123:19 126:22 127:8
143:18 158:12 159:18
198:14 223:13 236:16
236:18 240:9,14,16
243:10,19 244:11
249:11 260:13 261:6
261:18 270:20 284:3
288:10
three-paragraph
255:12
three-person 308:15
thriving 297:14
throw 270:7
throwing 153:14
thrown 194:11
THURSDAY 1:7
TIAA-CREF 198:3
ticking 232:13
tie 45:11 114:16 115:3
tied 78:21 79:8 107:13
229:13
ties 281:12 303:7
tight 267:4
Tim 157:14
timeliness 109:5
timely 10:9 43:3 71:15
165:5 278:7
times 36:7 40:14,15
44:20 53:16 58:1 60:9
99:16 149:18 221:10
221:16 228:20 259:22
262:7 291:17
timing 64:2 131:1
133:15 134:1
tip 7:2
tired 277:2
title 137:22
to-do 138:6

today 4:10 7:7 10:20
12:1 14:2 17:7 19:22
19:22 20:1 21:1 25:9
26:10 27:12 49:13
51:17 52:12 54:9 82:5
94:6,12 103:13
110:12,15 112:20
113:1,3 114:6 117:6
122:1 132:21 133:18
144:21 153:17 161:18
167:21 174:20 179:22
187:12 198:4,16
231:21 235:1 236:15
245:8 246:6 264:12
270:1 281:19 282:6
286:5 291:4 293:16
293:20 297:1 299:12
301:2 304:15,18
306:19 308:7
today's 6:21 11:2,4
20:3 24:11 26:11
toes 178:4
token 136:16
told 73:18 241:21 275:5
276:6
tomorrow 136:11
291:12 306:4
ton 7:4 300:20
tons 160:13
Tony 1:19 30:8 31:3,4
31:11 41:3 56:4 72:2
73:4 75:22 81:14 83:5
83:11 87:7 90:13
92:20 93:2,9 129:15
130:8,8 144:10 147:4
153:12 175:20 275:17
290:17 294:9 298:11
305:7 307:12
Tony's 79:15
tool 81:15 123:12 135:3
tools 76:16 81:5
top 49:21 112:5 157:18
193:5,20 194:10
197:9 201:5 203:1
205:7 207:6,8,10,10
229:11 248:9 260:4
Tope 308:12,13
topic 5:2 18:12 21:1
31:7 41:7 47:8 52:13
96:13 104:5 117:2,5
122:15 175:18 176:8
178:2,11,22 179:3
182:8,17 220:7
249:21 258:15 280:21
296:9,15 297:19
300:1 304:16
topical 93:11
topics 3:3 5:3 7:7,17

9:1,6,10 10:5,22 11:1
17:2 30:19 130:13
174:5 231:5 278:11
278:15,17 281:11,17
283:18 286:8 296:1
298:7,9,13 300:17
301:21 302:1 306:18
tort 201:17
total 126:7 212:21,22
totally 115:2 132:11
touch 173:11 186:18
touched 234:17 296:11
touches 84:15 176:21
281:13
tough 31:13 50:13
135:6 146:2 158:16
tougher 146:3
track 47:15 108:18
127:19 146:10 165:5
183:14 213:11,16
214:9 215:3 262:15
263:11
tracked 213:14
tracking 146:13
trade 138:13
traded 135:16
traders 139:20
trading 139:11
traditional 296:7
traditionally 141:8,15
traffic 31:12 307:16
train 162:6
training 114:4 170:1,22
trains 188:14
transfer 171:18
translate 247:10
translated 246:20
translates 246:12 247:6
transmit 224:21
transparency 9:3,4,13
23:16 50:9,10 179:2
180:2,19 181:3
193:14,20 196:5,11
196:18,18 197:16
199:1,2 204:22
207:20 259:18 260:3
264:14 282:9 284:7
290:8 297:8,18
transparent 49:10
transpired 19:20
traveled 4:9
traveling 14:8 29:16
308:9
Treadway 160:5
Treasury 7:10 19:19
47:21 162:19
Treasury-formed 47:20
treat 121:13

treated 185:12,17
treatment 59:14 121:17
121:18
tremendous 18:1 23:21
34:19 50:16 59:10
135:15 153:17 219:11
243:18 280:4 301:22
trend 181:10
trends 39:2 161:16
165:12 167:10 177:17
triangle-type 224:4
tried 125:19 160:22
triggered 201:4 266:9
trillion 74:18 129:3
trip 214:7
trodden 284:9
trouble 117:7 297:17
troubled 169:4
troubles 119:13
troublesome 74:12
troubling 35:11 117:18
true 118:7 119:6 134:9
160:2 172:14 192:7
198:16 199:13 214:20
trust 124:8 185:15
189:5,10
Trustee 29:9
try 17:5 18:13 41:10
50:17 68:1 104:13
105:12 107:5 119:15
126:13 127:8 141:17
149:14 202:14 217:10
229:16 230:13,14
233:14,15 246:1
266:11 279:8,9
286:22
trying 16:3 33:3 109:8
126:10 141:21 142:4
195:10 221:17 229:16
230:15 259:12 273:7
273:8 286:7 295:10
300:16
turn 11:4 13:18 72:11
83:13,15 144:15
147:8 173:3 182:10
182:14 203:17 283:9
turnaround 29:13
turned 115:1 275:5
277:8
Turner 1:21 29:9,9 47:9
47:14 74:14,15 110:6
110:7 116:13 144:16
156:1,11,13 193:2
198:1 219:15 223:7
225:2,12 273:17
turning 30:16 121:20
Tweedie 157:20
twenty 110:13 184:20

two 6:8 23:1 29:4,14
33:1 39:9 43:5 45:16
47:9 60:17 70:17
74:15 76:11 97:11
102:8 104:8,9,9 114:9
122:3 124:15,15
132:3,6 136:9 143:5
143:18 150:16 155:20
161:9 173:9 181:22
181:22 188:3 191:1
198:18 199:2,18
209:11 213:22 223:12
223:20 255:22 260:13
261:5 266:5 276:22
277:10 284:20 291:16
two-thirds 34:20
twofold 187:4
tying 116:12 232:13
type 34:13 36:11 39:7
47:1 91:20 96:16
98:19,21 99:7,9 111:7
111:17 112:14 114:6
114:12,21 121:12
125:1 145:17 207:1
208:6 226:10 257:2
259:6,9 306:3
types 25:21 33:15 58:4
59:2,6,18 63:10,17
64:10 68:15 69:1,15
80:16 96:9 112:10
116:15 196:18 226:11
232:20 256:14
typically 104:13 111:19
135:18 160:2 237:5
254:11,20 255:14

U

U.K 4:14 51:12 52:2,4
53:9,13 55:2,11
181:11 201:4 202:18
202:20,21 203:1
204:3 206:2,2 271:14
280:19 290:14 308:6
U.S 47:20 59:22 103:17
135:16 138:11 139:4
176:10 179:1 180:3
180:20 182:2,3 193:4
202:2 203:2,4,5
276:10 284:12 290:11
U.S.A 212:16
UFC 60:17,18
ultimate 207:4 264:14
267:15 282:15
ultimately 87:18 90:2
207:3 223:18 247:1,2
303:4
umbrella 69:9
una 136:2
unanimous 235:20
unanswered 158:6
unaudited 131:15
145:20,22
unbelievably 4:20
uncertainty 256:4
unclear 70:15
uncomfortable 142:9
underfunded 138:16
underlies 297:12
underlying 81:22 82:1
91:19 179:5
undermining 124:8
underpriced 66:8
understand 21:1 24:4
36:20 44:1,4,22 45:2
64:4 90:19 91:3,16
99:15 123:8 124:3
137:22 175:15 177:1
217:10 221:18 223:16
226:22 230:3 237:18
237:20 238:2 242:17
245:3,15 250:13
263:12,20 268:15
270:3,20,21 273:22
277:14 284:5 293:5,6
295:10 297:11 302:15
302:20
understanding 17:21
41:11 42:18 85:12,13
151:1 176:5 185:8
230:13 241:9 284:6
297:22
understood 139:17
undertake 19:4 180:15
undertaken 177:7
undertaking 157:4
underway 19:5 169:12
170:6
underwriters 203:20
undoubtedly 237:2
238:13,18
unfair 249:10
unfortunately 44:17
156:2
uniform 5:6 66:11
181:10
uniformity 188:6 306:4
unifying 285:1,17
unintended 255:7,7
Union 202:3,15
unique 185:11 205:14
295:12
United 74:17,20 171:21
197:9 216:19 229:1
232:9 244:11 269:10
269:14,22 270:4,9
universe 85:22

universities 51:2 166:4
185:9 187:16 219:17
University 28:14 29:1
29:22 100:9 194:13
unmodified 240:22
unnecessarily 70:9
unqualified 52:18
233:22
unusual 112:14 226:10
unwilling 199:21
upcoming 298:10,13
update 162:17 183:9
updated 17:19
updating 164:11,12,22
upgraded 183:9
upgrading 182:19
185:19
uphill 194:20
upped 94:19
upwards 60:19
urge 145:15 154:19
174:11 176:15 177:21
283:20
urged 152:9
usable 105:14
usage 110:15
use 26:5,5 33:6,6 34:1
36:16,19 37:19,19
38:21 40:15 46:10
57:18 58:22 59:17
63:13 66:3 67:2 70:7
71:13 77:7,11,18
86:14 88:19 89:2 90:9
108:20 111:15 120:5
132:21 138:21 141:2
163:17 214:5,7 223:7
225:15 250:22 286:18
302:8,22
useful 18:14 37:7 38:22
46:11 57:6 65:20 66:7
70:18 72:15 76:9
77:15 80:3 84:7,13,21
87:4 105:14 109:10
109:15 128:5 146:18
149:5 167:3 175:1
236:7 237:3,5 238:19
240:13 250:5 254:2
260:11,18 262:19
263:21 267:3 305:9
usefulness 18:8
user 36:4 107:9 236:22
252:4,17 300:10
users 33:2 52:21 61:18
77:5 99:21 105:21
106:3 107:2,4,6,17
119:15 126:16 128:2
234:10 236:12 253:6

uses 57:11 90:8 302:6
utility 203:22
utilize 306:21
utilizing 304:3

V

V 1:13
valid 77:17 87:15 144:3
validate 39:6
validated 70:14 185:3
validation 100:21
validators 296:8
validity 152:2
valuable 25:6 112:17
154:20 236:12 244:6
244:13,16,17,18
290:4
valuation 33:22 60:14
66:4 74:1 113:20
286:16,18
valuations 73:21
278:20
value 23:5 41:11,19
63:14 66:7 81:20
87:12 98:12 109:19
111:21 123:16 162:12
210:13 221:12 231:19
231:19 246:8,13,16
247:10 253:3,8,11
259:4 264:13 274:19
282:14,18,22 285:7
286:13 287:3 295:10
295:15 304:14 306:16
306:21
value-add 239:21
value-destroying 244:9
value-relevant 63:18
valued 102:21 103:10
239:3
values 81:21
valuing 278:20
Vanguard 129:22
varies 188:8
variety 8:19 10:5
various 9:17 33:15
37:10 49:1 62:7 71:21
72:17 118:11 125:4
160:1 168:6 169:17
212:10 224:19
variously 62:2
vary 256:19
varying 117:13
vast 212:4
vehemently 275:9
vendors 141:19
venture 105:1
venues 14:18
verification 115:7 170:8

verified 107:13 140:2
verify 114:17,19
versed 265:7
version 164:14
versus 56:22 76:22
106:10 153:6 181:13
258:19 262:14 267:6
viability 123:13
view 12:13 38:19 41:18
42:2 49:5 54:10 62:20
73:1 103:11 119:21
126:22 155:1 174:13
175:7 176:13 177:3
192:13 227:17 238:13
241:18 288:18 289:10
304:2
viewpoint 163:7
viewpoints 31:10
300:20
views 5:12,14 8:4 10:22
18:5 74:13 93:3 147:6
159:10 189:14
violations 22:22 115:22
virtually 77:20
vis-à-vis 288:11
visible 77:4
vision 44:21
visit 140:21
visited 179:4
vital 8:20
voce 136:2
voice 136:2
Volcker 157:9
volume 247:3
voluntarily 130:22
204:9,12
voluntary 176:10
183:17 191:20 195:20
volunteer 194:13
195:15
volunteered 225:4
247:13
volunteering 212:18
volunteerism 193:9
vote 49:11,12 174:18
174:18
voting 108:4 139:2
171:18

W

Wachtell 272:18
wait 84:1 255:17
waiting 275:16
wake 42:17 152:15
295:8
walk 45:1
walks 220:2
Wall 38:11 141:2
wallet 245:10,11
Walsh 1:22 29:7,7
140:12,12,19 152:5
153:15 300:14 301:7
wanted 34:17 40:17
99:12,14,22 101:12
102:7 135:11 159:11
159:13,14 161:18
194:2 199:11 210:19
212:6 214:9 226:4,6
258:17 275:18 276:7
292:19 293:13
wants 220:5 273:13
warm 5:16
warming 43:15 106:20
122:4
warned 250:1
warrant 281:14
Washington 1:9 158:9
wasn't 31:7 74:21,22
95:2 201:18 210:4
245:12 246:18 249:12
257:12
waste 186:15
watching 299:1
watered 292:7
way 8:1 9:12 18:16,17
20:19 27:19 36:18
39:22 41:17 42:20
46:4,13 48:15 49:13
59:9 63:17 67:14 70:2
71:2,5 73:2 75:19
76:5 79:3,3,8 80:16
85:14 92:13 95:15,18
99:15 107:3 111:22
118:1,6 125:13
131:17 132:8,9,12
133:12 138:21 139:16
148:2 149:4,13 150:4
153:14 171:21 176:12
180:16 185:1,17
186:20 188:22 192:11
199:22 204:17 205:22
223:1 230:5 231:16
232:11,12 241:13
242:2 245:10 246:1
246:14 258:6 259:15
264:18 273:13,13
277:18 278:14 285:21
286:22 289:19,21
291:11,15 298:14
300:9 304:17
ways 49:19 66:1 72:22
134:19 149:9 151:4
153:1
wayside 271:17
weak 221:12
weakened 120:3

weakening 277:7
weakness 280:3 302:10
 303:3
weaknesses 268:16
wear 265:10,12
wearing 136:17
weaving 187:8
web 225:12
website 9:21 111:20
 146:14 162:19 168:18
 201:8
week 136:11 228:21
weeks 29:4 74:15 132:1
 136:9
weigh 242:20
weighed 50:7 57:22
welcome 3:2 4:4 5:16
 5:17,20 11:11 51:12
 52:3 74:5 142:14
 288:12 293:8 306:11
well-founded 119:5
well-informed 174:15
Wells 115:18 228:22
 272:22,22
went 48:22 61:1 93:7
 138:15 144:11 152:7
 155:17 157:7 158:6
 160:10,14 165:16
 183:19 198:11 200:17
 204:17 208:18 225:17
 245:13,13 259:10
 308:21
weren't 200:11
Wes 5:17,19 18:1 20:15
 27:10 28:1 47:17
 72:10,13 127:6 154:2
 230:16 306:8
WESLEY 2:2
whatsoever 145:1
white 2:2 4:19 5:17 11:6
 11:20 12:1 14:5,6
 24:14 26:1,10 27:7
 31:16 35:6 72:5,9,12
 74:15 75:15,17,22
 78:4 82:16 83:2,3,7,9
 156:3,14 225:19
 230:21 306:12,17
 307:6
White's 153:22
who've 197:5
wholesale 110:19
widening 142:10
wider 138:11
wife 198:13
William 30:6
willing 244:3 245:19
 277:1 282:15
winding 281:7

window 42:20
Winds 61:1
wisdom 11:21
wish 6:1,2 11:5,7 22:10
 24:19 128:3 142:1
 192:10 193:1 211:18
 291:18
Witwatersrand 30:1
women 198:14 207:7
won 29:16
wonder 131:19 189:18
 302:20
wondered 97:15
wonderful 81:15 107:15
 161:14 190:6
wondering 130:11
 213:10 224:20 255:20
 260:7 292:8
woods 82:17
word 23:5 46:10 108:21
 168:3
wording 55:9 236:19
 258:22 261:9 267:4
words 8:16 21:19 32:4
 89:6 143:9 181:20
 195:4 209:11 214:7
 240:2 285:9
work 6:5,22 7:6 12:20
 12:21 14:21 15:9,18
 16:9 19:14 22:1 23:13
 24:7,15,16 26:14,14
 27:2,8 35:12,15 39:7
 41:13 44:14 46:21
 52:4 54:2 55:14 57:14
 59:6 74:9 84:13 88:9
 88:14 94:2,5 96:5
 100:4 101:9 119:20
 123:21 125:11 132:2
 141:10 143:18 145:11
 145:11 149:2 153:1,9
 154:9,11,12 155:8
 162:7 167:14 172:11
 173:8,10,13 174:12
 176:20 186:17 211:5
 214:15,22 223:18
 224:18 226:7,15
 230:17,21 246:5
 255:9,9 256:11 257:9
 259:15 264:13 265:2
 287:16 289:2 295:1,2
 297:2 299:1 300:3
 306:21 307:3,5 308:6
workable 131:13
worked 51:22
worker 42:5
working 3:3,4,6,11 7:1
 7:2,3 15:21,22 21:11
 30:17,21 31:5 34:11

39:8,19 51:8,9 53:2
 54:5,17 55:6,20 94:2
 96:19 98:1 125:17,17
 135:12 151:19 161:21
 163:4 164:3 166:22
 171:20 172:8,13,15
 173:5,20 175:20,22
 192:22 197:18 215:12
 217:9 230:18 233:5
 233:18 234:2,22
 235:10,19 242:12
 243:6 246:4 260:12
 268:4 281:11 284:16
 284:20 287:4 288:4
 307:22
workplace 120:12
works 18:5 35:5 99:16
 188:21 297:11
world 15:20 38:3 43:10
 122:1 134:12 135:13
 135:14,17 161:4
 216:5,14,19,20
 217:20 218:7,10
 272:14 284:21 297:15
 305:12 308:16
worldwide 217:14
worried 141:7 262:6,18
 262:19
worrisome 40:13
worry 124:3,5 141:12
 264:4 269:17
worrying 263:6
worse 102:18 113:9
 264:4
worth 57:3 120:10
 140:14 181:19 308:4
 308:8
worthwhile 138:7 177:6
worthy 296:9
wouldn't 114:2 130:18
 198:6 214:8 239:15
 244:21
wow 26:21
wrap 80:21 90:12
 144:12
wrap-up 130:9
wreckage 42:13
write 146:17 149:10
 211:2 276:3
writing 210:22
written 12:16 49:2,5
 273:18 295:13 305:3
wrong 20:15 38:6 71:6
 91:1 111:7 198:19
 200:15 213:5 246:15
 273:4
wrote 100:11 132:5
 162:20 163:16 224:18

224:20

 X

 Y

Yale 111:12
year 4:17 10:11 15:10
 15:16 17:19 20:12
 34:20 35:3,3,3 48:4
 49:11 54:4 61:4 75:9
 85:17,20 97:8,12,14
 97:20,22 99:18
 100:16 109:11 140:22
 146:20 148:10 183:11
 184:13 187:14,20
 198:18 200:2 205:19
 205:20 209:18 213:2
 213:4,5,8,9 214:13
 217:17 218:17 219:18
 240:10 243:11 248:21
 261:9,9 262:4,14,14
 263:5 264:1,2 272:1
 274:2,2 281:17 282:2
 282:3 283:21 290:19
 293:9 305:9 306:5
 308:20
year's 61:5 212:14
 257:21 263:4
year-and-a- 73:16
years 5:21 7:18 8:18
 9:1 11:14 12:5 15:17
 19:12,17 21:3 25:3,11
 34:8,18 43:6 51:21
 53:11 59:19 62:6 97:4
 110:13 130:12 143:14
 148:5 156:19 183:22
 188:3 196:7 204:12
 206:14,16 208:10,11
 208:19 209:18 212:21
 213:22 216:16 217:21
 219:19 222:3 223:13
 227:9 236:16,18
 240:9,16 243:10
 244:11 249:11 260:9
 260:13,19 261:5,18
 269:17,17,17,18
 270:20 277:4,15
 279:13 280:17 288:10
 288:19 289:16 306:15
years' 308:4
yellow 164:3,19
yeoman's 5:21 307:17
yesterday 18:11 136:10
 143:3 149:11,12
yield 14:4
yielded 219:11
York 100:9
young 184:20 257:21

283:11	2(a) 165:8 168:13 171:4	308 3:20	90 200:1
<hr/> Z <hr/>	2(b) 165:8 168:13 169:3	31 3:4 165:19	93 3:5
zero-knowledge 305:12	171:7	32 165:14	
<hr/> 0 <hr/>	2(c) 165:22 171:11	322 61:2	
<hr/> 1 <hr/>	2(d) 166:2	33 222:3	
1(a) 164:11 167:18	2(e) 166:3	35 175:9 279:11	
1(b) 164:22 165:7 168:5	20 183:11 219:18	38 165:16 195:17	
1(c) 164:22	269:17 279:10	<hr/> 4 <hr/>	
1,020,000 213:3	200 197:9,12	4 3:2 167:7,7 172:1	
1,300 166:7	2000 223:8	4(a) 169:15	
1.6 61:2	2002 299:1	4(b) 170:1	
1.8 60:20	2003 56:19	4:45 308:22	
1:30 155:11,15 156:6	2006 216:4	40 112:22 128:7,19	
1:32 155:18	2007 158:3	175:10 184:21 206:14	
10 69:14 170:5 217:4	2008 7:10 19:1,19 20:3	206:16 218:11	
269:16,17 277:15	156:19 159:16 165:12	45 213:8	
10-K 118:10 260:21	213:5 228:18	49 171:5	
10-Q 136:11,16	2009 166:18 213:5	<hr/> 5 <hr/>	
10-Qs 105:6	2010 8:2 34:19 57:20	5 167:7,12 170:7 172:7	
10(e) 56:18	58:19 170:19	219:18 302:10 303:1	
10,000 213:2	2011 21:5	5.1 129:3	
10:46 93:8	2012-2014 175:8	50 175:10 219:18	
100 56:5 214:17	2013 68:8 94:9,19 95:4	500 58:10 197:11	
1001 1:8	175:11,19 234:2	54 164:20 171:6 188:8	
102 213:2	2014 58:16	55 184:10 216:5	
11.8 58:16	2015 34:19 35:2 58:12	55,000 191:6 222:8	
11:00 93:4	58:15 165:11,16	224:12	
11:05 93:8	166:7 180:19	58 184:10	
11:30 156:4	2016 1:7 21:6 35:13	<hr/> 6 <hr/>	
12 11:11 35:2 97:7	2017 164:15 210:3	6 3:3 170:11 172:12	
12:26 155:18	2022 219:3	217:2,20 219:18	
14 11:14 140:13,16	21 157:18 159:17	60 184:10	
164:18 211:9	22 181:4	67 58:12	
14th 1:8	23 184:13	<hr/> 7 <hr/>	
15 143:5 183:11 269:17	23-year-old 221:19	7 172:20	
279:13	233 3:12	70 11:10 138:17	
15- 93:3	24 143:1	701 251:3	
150 186:21 187:9	246 3:14	720 87:8	
155 3:7	25 211:20 212:3 217:18	725 76:2	
16 164:18 211:9	217:18 279:10	75 184:12 211:19,21	
17 40:7 71:20 81:16,17	256 3:16	212:1	
87:6 96:22 114:7	26 211:14	78 184:12 198:15	
140:21 145:1 166:12	27 1:7 218:13	785 129:5	
17(a) 259:11	2710 67:20	<hr/> 8 <hr/>	
170 60:18,21	28 165:18 195:20	8-K 172:1,4	
178 61:1	294 166:6	8-Ks 56:17 97:9	
18 187:20	<hr/> 3 <hr/>	8:59 4:2	
19 289:5	3 169:10 171:15	80 238:21	
195 3:9	3(a) 166:9	83 181:4	
1970s 204:15	3(c) 166:19	85 111:2	
1980s 204:15	30 34:21 35:2 58:12	<hr/> 9 <hr/>	
1994 166:7	112:22 128:7,9 184:1	9:00 1:9	
<hr/> 2 <hr/>	279:11 281:6		
2 43:14 305:9	30.7 58:16		
	300 60:19,21		
	303 138:14		
	307 3:18		

C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Investor Advisory Group

Before: Public Company Accounting Oversight Board

Date: 10-27-16

Place: Washington, DC

was duly recorded and accurately transcribed under
my direction; further, that said transcript is a
true and accurate record of the proceedings.



Court Reporter

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701