

# United States Senate

WASHINGTON, DC 20510

August 8, 2016

The Honorable Mary Jo White  
Chair  
Securities and Exchange Commission  
100 F Street Northeast  
Washington, D.C. 20549

Re: Business and Financial Disclosure Required by Regulation S-K; Concept Release (RIN 3235-AL78)

Dear Chair White:

I am writing today in response to your request for comment on the Concept Release referenced above, released April 13, 2016. The Concept Release is part of what you have described to me as a 'disclosure effectiveness initiative' the Commission has undertaken. For over a year I have called on the SEC to examine its current securities laws and disclosure rules surrounding stock buybacks. I appreciate that the SEC has embarked on an initiative to improve disclosures surrounding buybacks and I would like to share my support for increased disclosures, particularly those that would shed more light on the costs of short-termism at our nation's public companies.

The use of stock buybacks has exploded in recent years. In 2015, the S&P 500 spent a combined \$955 billion on stock repurchases and dividends compared to the \$763 billion it made in earnings. This means these companies gave more of their cash to shareholders than they earned. This phenomenon raises serious questions about the impact these decisions have on overall investment, workers' wages, and the long-term growth of our economy.

Decreased investment suppresses workers' wages, research and development of new products, and the sales of equipment and other goods. According to an analysis by the Roosevelt Institute, in the 1960s an additional dollar that a company received either through earnings or debt yielded 40 cents of new investment. Today, that same dollar yields only 10 cents of investment.

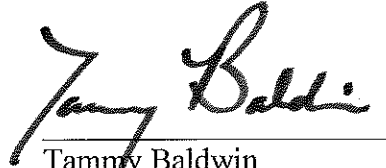
I share the concerns of many in the investment community that the amount currently being spent on buybacks could be undermining long-term value creation at U.S. companies. In order to better understand the impact of these decisions, the SEC must reform its disclosure regime to provide more transparency, information and details about stock buybacks on a more frequent basis. Investors deserve to know when, how much, and how often companies are buying back stock. Most importantly, investors need to know why companies are buying back stock. This information will allow investors to determine if management is properly investing in the long-term future of the company.

New SEC disclosure rules should be reformed in the following ways:

- regular disclosures of repurchases, including price paid, within three days of the purchase (bringing rules in line with other financial centers and the number of days insiders have to disclose their transactions);
- the source of funding for the repurchases, including the impact of the purchase on the company's cash and debt; and the relationship between spending on buybacks versus reinvestment in the company;
- the alternative investments that the buyback was weighed against, including an analysis of cash spent on stock repurchases relative to research and development, worker retention, workers' wages, and worker training;
- how the program will be overseen by management and the board, and a discussion of the impact on executive compensation;
- discussion of how the buyback will impact per share financial metrics, including any that are used as metrics for executive compensation.

I appreciate your willingness to improve the disclosure of stock buybacks. I believe these changes will give investors, policymakers, and academics the information they need to understand the true impact of stock repurchases on our economy.

Sincerely,

A handwritten signature in cursive script that reads "Tammy Baldwin". The signature is written in black ink and is positioned above a horizontal line.

Tammy Baldwin  
United States Senator