

DEC 15 1977

Donald C. Alexander, Esquire
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Dear Mr. Alexander:

Thank you for your letter of November 9, 1977, relating to the recommendations of the Advisory Committee on Corporate Disclosure. You express concern with press reports that the Advisory Committee recommended that the Commission "should not try to regulate corporate morality."

The press reports to which you refer are apparently based on a passage in the Advisory Committee's report to the Commission which states that the Commission should

"emphasize disclosure of information useful to reasonably knowledgeable investors willing to make the effort needed to study the disclosures * * * [but] should not mandate disclosure requirements which result in non-material information and which have as their principal objective the regulation of management conduct."

You urge that, despite this statement, the Commission continue to concern itself with improper corporate payments and full disclosure of the remuneration received by officers and directors. I do not believe that the Advisory Committee's recommendation is in any way inconsistent with the Commission's work in the areas of questionable payments or management remuneration. For example, existing disclosure provisions require registered corporations to report the total amount of remuneration received by officers and directors. As a result, the failure to disclose the aggregate value of money or benefits extended to members of management for their personal use would be a violation of the securities laws. See Securities Act Release No. 5856 (August 18, 1977).

This requirement does not have as its "principal objective the regulation of management conduct" but rather reflects a determination that public investors should have access to this type of data. Accordingly, the Advisory Committee's recommendation quoted above does not address the Commission's interpretation of this reporting requirement. Similarly, the Advisory Committee's report will not affect disclosure under the securities laws of any type of corporate misconduct which is material to investors.

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Although the emphasis in the federal securities laws is on disclosure, rather than regulation, it has always been recognized that the disclosure mechanism has an impact on corporate conduct. The Commission recently held hearings on the issue of corporate responsibility in connection with its re-examination of the proxy rules as they relate to shareholder communications, shareholder participation in the corporate electoral process, and corporate governance. In Securities Exchange Act Release No. 13901 (August 29, 1977), the Commission invited comments on various issues relevant to this broad examination of the corporate structure. The transcript of these hearings reflects the views of various commentators on disclosure matters relating to corporate conduct and on methods of stimulating effective shareholder participation in corporate governance.

I appreciate your interest in the Commission's work and your providing the Commission with the benefit of your thoughts. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,

Harold M. Williams
Chairman

Rowe/Cook/Griggs
Revised/OC/DGoelzer/aa/12/8/77