



FOR RELEASE

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November 17, 1993

Senator Lieberman Calls For S.E.C. Action On Stock Options Says FASB Process A Sham

Washington, D.C. -- In a statement delivered on the floor of the United States Senate, Senator Joseph I. Lieberman (D-CT) called for the Securities and Exchange Commission to take immediate action to stop the Stock Option Project put forth by the Financial Accounting Standards Board (FASB). Taking note of a letter sent to the SEC by 10 national associations and pointing to testimony delivered before the U.S. Senate Securities Subcommittee by the Vice Chairman of FASB, Senator Lieberman said that "FASB has made clear that they are not respecting the public comment process that FASB itself set up to resolve the key questions set forth in their own exposure draft. They are making clear that any public comments on the central issues will not be considered and that their position is non-debateable." He called on the SEC, which has oversight responsibility for FASB, to take over the issue and resolve it.

As a basis for his comments, the Senator noted that the Financial Accounting Standards Board released its "Exposure Draft" on Accounting for Stock-based Compensation on June 30, 1993. The Exposure Draft, which is a "Proposed Statement of Financial Accounting Standards," akin to a governmental notice of proposed rule-making, is currently out for public comment. The public comment period is not scheduled to close until December 31st, 1993. The Senator also noted that the Exposure Draft specifically requests comments from the public on the fundamental question of whether or not fixed stock options should result in a charge against earnings. Yet in both written and oral testimony before the Senate Securities Subcommittee, more than two months before the end of FASB's public comment period, the Vice Chairman of FASB stated

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"Have we made up our minds that stock options are compensation that should be recognized? Yes."

This is the key question of the debate. Moreover, this is the question on which many distinguished and accomplished accountants, financial information users, and financial officers hold different views, stated Lieberman. The association letter sent to the SEC stated that "there is no longer any basis for believing that FASB has maintained the open-mind that is essential for regulatory due process."

As a basis for calling on the SEC to act, the Senator stated that Fundamental requirements of due process and fair administrative procedure require that those affected by proposed regulations have a right to have their views heard and considered before the regulations are implemented. FASB's declaration of its conclusions two months before its public comment period has closed is a clear breach of fairness and administrative due process. "FASB has clearly undermined its own process -- a process which has turned out to be neither fair nor open. This process by FASB's own statements is a sham." Lieberman continued, "It is time for the Chairman [of the SEC] to step in and exercise the SEC's statutory oversight responsibility and put an end what has become a misguided exercise in accounting theory." In calling for the SEC's action, Lieberman said: "He [Chairman Levitt] should do so because the process is flawed. More importantly, he should do so because -- on the substance -- the FASB proposal is bad policy, bad economics, and bad accounting."

Senator Lieberman made his remarks as part of an overall explanation of his views of the need to preserve and enhance the use of broad-based employee stock options. Senator Lieberman pointed out that "Stock options make it possible to start new companies and create new jobs. They stretch venture capital dollars, enhance recruitment, and motivate employees." Responding specifically to issues raised by the FASB, Senator Lieberman stated that "... this debate is not about FASB. This debate is about employee ownership, economic growth, and job creation." Lieberman concluded his remarks by stating, "What we get is a highly debateable accounting standard, what we give up is a vital tool for economic growth and job creation. This proposal should be withdrawn."

Senator Lieberman is the principal author of the Equity Expansion Act of 1993 (S. 1175), a bill co-sponsored by Senators Kerrey (D-NE), Mack (R-FL), Feinstein (D-CA), Boxer (D-CA), Murray (D-WA), and Smith (R-NH). A companion measure was introduced in the House of Representatives by Representatives L.F. Payne (D-VA) and Nancy Johnson (R-CT).