

December 14, 1994

The Honorable Arthur Levitt
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RECEIVED
91 DEC 20 PM 12:06
OFFICE OF THE CHAIRMAN

Re: SEC Chief Accountant Search

Dear Mr. Levitt:

We at the Association for Investment Management and Research (AIMR)¹ have followed closely the news reports concerning Walter Schuetze's resignation as Chief Accountant of the SEC. AIMR believes that the position of Chief Accountant is of utmost importance, and would therefore like to make several recommendations concerning the qualifications that the successful applicant should possess.

AIMR has two long standing advocacy committees, the Financial Accounting Policy Committee (FAPC) and the Corporate Information Committee (CIC), which deal specifically with accounting issues. The FAPC is charged with developing, maintaining and improving contact among AIMR, the accounting profession and those organizations that set financial accounting standards and regulate financial statement disclosures. The CIC conducts an annual survey of the quality of corporate reporting and encourages public dissemination of information necessary for investment analysis through interaction with corporations, regulators and others.

AIMR's Perception of the Chief Accountant

The Chief Accountant should promote fair and efficient dissemination of financial information. The following is taken from the *whitepaper*, Financial Reporting in the 1990's and Beyond, produced by the FAPC:

¹ AIMR is an international nonprofit membership organization of investment practitioners and educators with more than 50,000 members and candidates. AIMR members and candidates manage directly, and through their firms, over six trillion dollars in assets. AIMR's mission is to serve investors through its membership by providing global leadership in education on investment knowledge, sustaining high standards of professional conduct and administering the Chartered Financial Analyst designation program.



Financial analysis thrives on information...For capital allocation to proceed efficiently in our economy, information must be disseminated both *promptly* and *publicly*. This applies to financial information, both in the form of financial statements and otherwise, as well as to sources of all nonfinancial data that can affect perceptions of the value of companies.

The Chief Accountant's primary role should be to protect investors while enhancing their perception of fair markets. The successful candidate should also support investors in conflicts of interest that may arise with the Self Regulatory Organizations, the Exchanges and Financial Standard Setters. The Chief Accountant should regulate the auditing profession and hold it accountable for its actions.

Required Qualities of the Chief Accountant

The Chief Accountant should possess technical competence in all areas of accounting and auditing. The successful candidate should:

- be well versed in the various types of financial instruments including derivatives, and be able to provide leadership in establishing path-breaking accounting standards;
- be familiar with global accounting standard-setting, this individual should lead the accounting profession to greater commonality without decreasing the level of disclosure and measurement that the investing public and financial community receives today;
- understand the auditing profession, but should not be a "cheerleader";
- maintain a user point of view, as outlined in the FAPC's *whitepaper*, which states:

We believe it is the owners of business firms who reap the benefits and bear the costs of improvements in accounting and disclosure standards. The financial managers of business firms act simply as agents of the owners. In that regard, it is the current and potential shareholders and their financial advisors who should best be able to advise standard-setting and regulatory bodies as to proper balance of costs and benefits associated with their proposals.; and,

- possesses integrity, open-mindedness as well as leadership and executives abilities.

Arthur Levitt, Chairman

Page 3

Conclusion

AIMR firmly believes that the disclosure system established for the U.S. financial markets is the finest in the world and the envy of investors in many other nations. Above all, we ask you to consider the appointment of an individual who understands that the U.S. disclosure system is vital to the efficiency with which the markets operate and who will defend and continually enhance that system.

Thank you for your time and attention to this matter. If AIMR can be of any assistance during your search and deliberations, please contact me or my colleague Michael S. Caccese, Senior Vice President & General Counsel.

Sincerely,



Thomas A. Bowman, CFA
President and CEO

cc: John L. Maginn, CFA, Chair, AIMR Board of Governors
Thomas L. Hansberger, CFA, Vice-Chair, AIMR Board of Governors
Mike Caccese, Senior Vice President & General Counsel
Peter Knutson, Chair, Financial Accounting Policy Committee
Thomas Moore, CFA, Chair, Corporate Information Committee
AIMR Board Advocacy Oversight Committee

g:\general\letter\levitt.ltr