



# NEWS

**Media Contact:** Joseph La Gambina  
(203) 847-0700, ext. 307

**For Immediate Release**

**Financial Accounting Foundation Chairman Responds to House Subcommittee's  
Action on "The Stock Option Accounting Reform Act"**

**Norwalk, CT, May 17, 2004**—Robert Denham, Chairman and President of the Financial Accounting Foundation (FAF), expressed grave concern over the approval of H.R. 3574 "The Stock Option Accounting Reform Act," by the Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee of the Committee on Financial Services.

"Advancing this bill in the legislative process harms the credibility of America's system for providing transparent and unbiased financial information to investors," Denham said. "By inserting Congress into the setting of standards for accounting by publicly traded companies, H.R. 3574 would undermine the independence of the Financial Accounting Standards Board (FASB), which Congress recently reaffirmed in the Sarbanes-Oxley Act."

The FAF is the parent nonprofit corporation that appoints members of the FASB and oversees its process. "An important function of the FAF Trustees," Denham explained, "is to protect the FASB's standard-setting process from undue interference from either the public or the private sector."

"Our capital markets depend on a system of continuously improving financial information about the underlying economic activities of companies, fostered by accounting standards independently and expertly developed. If Congress sends the message that special interests are able, through legislation, to overturn expert accounting judgment arrived at through open due process, necessary and timely improvements in financial reporting will likely become impossible."

"H.R. 3574 preempts and overrides the FASB's ongoing effort to improve accounting for equity-based compensation through public due process," Denham stated. "Once Congress starts setting accounting standards through its political process, the integrity of accounting standard setting in this country will be dangerously compromised."

"If enacted, H.R. 3574 would also severely impede the important ongoing efforts by the

- MORE -

FAF and FASB to achieve international convergence of high-quality accounting standards,” Denham added. “Because the International Accounting Standards Board has recently issued a final standard requiring the recognition of compensation cost for the fair value of employee stock options, Congressional action would result in a major difference between US and international standards, thus undermining the movement toward international convergence previously encouraged by Congress in the Sarbanes-Oxley Act, by the Securities and Exchange Commission, and by many investors and other market participants.”

### **About the Financial Accounting Foundation**

The Financial Accounting Foundation is responsible for overseeing, funding and selecting the members of the FASB and the GASB. For more information on the organizations it oversees, visit the Foundation’s websites at [www.fasb.org](http://www.fasb.org) and [www.gasb.org](http://www.gasb.org).

# # #