New York Stock Exchange®

NYSE Board Releases Report of Corporate Accountability and Listing Standards Committee

-Group Makes Recommendations To Help Restore Investor Trust and Confidence-

NEW YORK, June 6 – The New York Stock Exchange today released recommendations from its Corporate Accountability and Listing Standards Committee, which proposes new standards and changes in corporate governance and disclosure practices of NYSE-listed companies. The committee report, presented today to the NYSE Board of Directors, also makes recommendations to Congress and the Securities and Exchange Commission on various policy and regulatory matters.

In seeking to make recommendations that would further strengthen issuer accountability, integrity and transparency, the committee—beginning in February—engaged in a comprehensive, four-month information gathering process. It reached out to investors, listed companies, trade associations, the financial services industry and other Exchange constituents. Based on its findings, recommendations include:

- Increasing the role and authority of independent directors;
- Tightening the definition of "independent" director and adding new audit committee qualification requirements;
- Encouraging a focus on good corporate governance;
- Giving shareholders more opportunity to monitor and participate in the governance of their companies;
- Establishing new control and enforcement mechanisms;
- Improving the education and training of directors.

The committee will now solicit public comment on its recommendations, then seek approval of the report at the NYSE Board of Directors' Aug. 1 meeting. Committee co-chairs are NYSE Board members Gerald M. Levin, CEO (retired) of AOL Time Warner Inc.; H. Carl McCall, Comptroller of the State of New York and Sole Trustee, Common Retirement Fund of the State of New York; and Leon E. Panetta, director of the Panetta Institute for Public Policy (see attachment for full committee list).

"Reassuring investors about the integrity of the corporate governance and disclosure process alone is not enough. Investors demand and deserve truly meaningful reform and substantive change to restore their trust and confidence in our publicly traded companies, our regulatory authorities and our markets," said NYSE chairman and CEO Dick Grasso. "The measures proposed by the NYSE Corporate Accountability and Listing Standards Committee go a long way in addressing investor concerns and expectations. They represent an opportunity to strengthen the governance at NYSE-listed companies, truly the world's best, and the checks-and-balances among investors, issuers and the NYSE market.

"Jerry, Carl and Leon demonstrated outstanding stewardship and leadership throughout this process. We thank our co-chairs and the entire committee, as well as the many contributors whose input and guidance helped to shape these recommendations. We now look forward to hearing from investors, our listed companies and all interested parties during the forthcoming comment period."

"Through the committee's thoughtful process, we have provided a valuable listening post and impartial forum for a cross-section of ideas and experience designed to enhance the performance of directors and corporate management," Mr. Levin said. "With this report, the NYSE continues its historic obligation to lead the ongoing reform of our system of governance and disclosure with the objective of reinforcing the integrity of our capital markets."

"The Exchange today is taking a tremendous step forward in helping investors regain confidence that has been shaken through a difficult year," Mr. McCall said. "While the vast majority of companies in the United States act responsibly towards their investors, these new rules will ensure that all companies listed with the Exchange live up to that responsibility and that the New York Stock Exchange maintains the highest corporate governance standards in the world."

"The purpose of these recommendations by the NYSE is to restore the essential trust needed on behalf of the investing public in a strong securities market and a strong economy," Mr. Panetta said. "The NYSE has both the opportunity and responsibility to set high standards for the companies that trade under its banner."

Central to the report is a provision that boards of NYSE-listed companies have a majority of independent directors; listed companies would have a two-year transition period to satisfy this requirement. In addition to an expanded role and greater authority of independent directors, the committee report calls for:

- Increasing the responsibilities of board audit committees;
- Mandating that shareholders vote on all equity-based compensation plans, including stock option plans;
- Requiring audit, nominating and compensation committees to consist solely of independent directors, with a requirement that the chair of the audit committee have accounting or financial management experience;
- Tightening the definition of an independent director, including a five-year cooling-off period for former employees;
- Mandating that director compensation represent the sole remuneration from the listed company for audit-committee members;
- Granting the audit committee sole authority to hire and fire auditors and to approve any significant non-audit work by the auditors;
- Requiring the CEO of NYSE-listed companies to attest to the accuracy, completeness and understandability of information provided to investors;
- Mandating that listed companies adopt and publish corporate governance guidelines and a code of business conduct and ethics;
- Establishing a Directors' Education Institute to assist directors in their responsibilities;
- Allowing the NYSE to impose additional penalties, including public reprimand letters, in addition to suspension and delisting;
- Requiring non-U.S. issuers to disclose how their practices differ from NYSE rules and procedures.

The committee's recommendations to Congress and the SEC include:

- Establishing a new private-sector organization, funded separately from the accounting industry itself, to monitor and govern public accountants;
- Calling for the SEC to evaluate the impact of Regulation FD on earnings guidance and to consider reforms;
- Asking Congress to allocate additional resources to the SEC to increase the agency's monitoring and enforcement activities;

- Prohibiting relationships between auditors and their clients that would affect the fairness and objectivity of audits;
- Calling for Congress to establish a public/private panel to study the concentration of employee 401(K) holdings in company stock;
- Giving the SEC the authority to permanently bar officers and directors from holding office again after violating their duties to shareholders;
- Calling on the SEC to require companies to report complete GAAP-based financial information before any reference to "pro forma" or "adjusted" financial information;
- Calling for the SEC to exercise more active oversight of the FASB to improve the quality of GAAP and the speed of FASB actions;
- Asking the SEC to improve management's discussion and analysis disclosure on critical accounting alternatives and assumptions;
- Requiring the prompt disclosure of insider transactions.

The committee urges policymakers to avoid imposing additional liability on directors, or reducing the protections currently available through director and officer liability insurance and state-law exculpation provisions. The report also urges them to avoid repealing or weakening the Private Securities Litigation Reform Act.

These recommendations follow the NYSE's implementation of a series of rule changes to address conflicts of interest between research analysts and the investment-banking units of its Member Firms. The new rules, which were approved by the SEC last month and are expected to be implemented in November, dramatically alter the way NYSE Member Firms and their research analysts and investment banking departments manage and disclose conflicts of interest.

To view the Comparison Chart of Recomendations in (pdf format) click here.

To view a list of the Committee Members in (pdf format) click here.

To view the report and for more information click here.