



U.S. Securities and Exchange Commission

SEC Amends Executive Compensation Disclosure To More Closely Align With FAS 123R

**FOR IMMEDIATE RELEASE
2006-219**

Washington, D.C., Dec. 22, 2006 - The Commission has adopted, effective upon its publication in the Federal Register, an amendment to its executive and director compensation disclosure rules to more closely conform the reporting of stock and option awards to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (FAS 123R).

On July 26, 2006, the Commission adopted enhanced executive compensation disclosure requirements for proxy statements, registration statements, and annual reports filed by public companies. The purpose was to provide investors with more complete and useful disclosure about executive and director compensation. The amendment to these rules that the Commission is announcing today will align the reporting of equity awards in the Summary Compensation Table and the Director Compensation Table to the amounts that are disclosed in the financial statements under FAS 123R. FAS 123R requires recognition of the costs of equity awards over the period in which an employee is required to provide service in exchange for the award. Using this same approach in the executive compensation disclosure will give investors a better idea of the compensation earned by an executive or director during a particular reporting period, consistent with the principles underlying the financial statement disclosure.

"The new disclosure requirements will be easier for companies to prepare and for investors to understand," said SEC Chairman Christopher Cox.

Under the amendment:

- The dollar values required to be reported in the Stock Awards and Option Awards columns of the Summary Compensation Table and the Director Compensation Table are revised to disclose the compensation cost of those awards, before reflecting forfeitures, over the requisite service period, as described in FAS 123R. Forfeitures are required to be described in accompanying footnotes.
- The Grants of Plan-Based Awards Table is revised to require disclosure of the grant date fair value of each individual equity award, computed in accordance with FAS 123R, and the Director Compensation Table required under Item 402 of Regulation S-K is revised to require

footnote disclosure of the same information.

- The Grants of Plan-Based Awards Table is revised to require disclosure of any option or stock appreciation right that was repriced or otherwise materially modified during the last completed fiscal year, including the incremental fair value, computed as of the repricing or modification date in accordance with FAS 123R, and the Director Compensation Table required under Item 402 of Regulation S-K is revised to require footnote disclosure of the same incremental fair value information.

The amendment is being made in the form of interim final rules that will be effective upon publication in the Federal Register. The compliance dates for the interim final rules will be the same as the compliance dates for the amendments to Item 402 of Regulations S-K and S-B that were adopted on July 26, 2006. Compliance with the Item 402 amendments is required for proxy statements, information statements and registration statements filed on or after Dec. 15, 2006, that are required to include Item 402 disclosure for fiscal years ending on or after Dec. 15, 2006, and for Forms 10-K and 10-KSB for fiscal years ending on or after Dec. 15, 2006.

In the release adopting these interim final rules, the Commission is soliciting comment on the amendments for a period of 30 days following Federal Register publication, and will consider those comments and make changes to the amendments if necessary.

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▶ Additional materials: [Final Rule; Release No. 33-8765](#)

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