



May 17, 2007
HP-408

Paulson Announces First Stage of Capital Markets Action Plan

Washington, DC- U.S. Treasury Secretary Henry M. Paulson, Jr. announced initiatives today to enhance U.S. capital markets competitiveness, focused on strengthened financial reporting and a more sustainable and transparent auditing profession.

"Strengthening the competitiveness of America's capital markets has been a priority issue for me since taking office," said Secretary Paulson. "I have listened carefully to many diverging views on this issue, and I heard a common theme throughout: A transparent financial reporting system and vibrant auditing profession form the backbone of a marketplace investors can trust. Any plan to strengthen our capital markets must be based upon this principle."

Today's initiatives are one piece of the follow up from the Capital Markets Competitiveness conference Secretary Paulson and Securities and Exchange Commission Chairman Christopher Cox co-chaired in March. At that conference, financial reporting was one of the main topics of discussion among leading experts representing investors, auditors, public companies and financial regulators. The conference raised other issues important to the competitiveness of our capital markets, and Treasury will be unveiling plans to follow up in those areas in the near future.

Today's initiatives are part of an ongoing effort to address the issues affecting U.S. capital markets competitiveness. Initiatives announced include:

Provide Investors with A Transparent and Sustainable Auditing System The Treasury Department intends to charter a non-partisan committee to develop recommendations to consider options available to strengthen the industry's financial soundness and its ability to attract and retain qualified personnel. Treasury has asked former SEC Chairman Arthur Levitt, Jr. and former SEC Chief Accountant Donald T. Nicolaisen to serve as co-chairs for this public forum.

Gain Better Understanding of Reasons for Increasing Financial Restatements Restatements have soared during the past decade from 116 in 1997 to 1,876 in 2006. Treasury intends to commission a rigorous analysis of the factors driving financial restatements and their impact on investors and the capital markets.

Results of the analysis will be made public upon completion.

Additionally, the Treasury Department believes the following initiatives are important to maintaining the competitiveness of our capital markets:

Enhance Financial Reporting U.S. Generally Accepted Accounting Principles are comprised of more than 2000 individual pronouncements issued by various regulatory bodies. Investors often seek information not provided under financial reporting requirements. The Treasury Department is supportive of the SEC and the Financial Accounting Standards Board's efforts to enhance financial reporting transparency and accessibility for investors.

Streamline Accounting Requirements to Encourage International Companies to List on U.S. Exchanges and Increase Investor Opportunities U.S. public markets should not be closed off to companies that adhere to high quality internationally accepted accounting standards. The Treasury Department is supportive of the SEC's action to eliminate the U.S. GAAP reconciliation requirement by 2009 of International Financial Reporting Standards reporting companies and the continued convergence of U.S. GAAP and IFRS.

Secretary Paulson will continue to provide follow up steps to other ideas discussed at the March conference.