



SECURITIES AND EXCHANGE COMMISSION

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The Commission proposed today a series of rules aimed at assuring that material information regarding questionable or illegal corporate payments will be brought to the attention of corporate management and directors, and in turn disclosed to shareholders and the general public.

The proposed rules would implement the substance of legislative proposals the Commission made in this area last year. That legislation passed the Senate without opposition, but the House did not have time to complete action on it before adjournment of the 94th Congress in October, 1976.

The rules proposed today would establish a new Regulation 13B under the Securities Exchange Act, and have the following effects on publicly-held corporations registered with the Commission:

1. require the maintenance of books and records that "accurately and fairly reflect" the corporation's transactions, and dispositions of its assets;
2. require the maintenance of "an adequate system of internal accounting controls sufficient to provide reasonable assurance that" certain goals will be met, among them that transactions "are executed in accordance with management's general or specific authorization;"
3. prohibit falsification of "any book, record, account, or document," kept in accordance with the new rules; and
4. prohibit a corporate director, officer, or shareholder from lying to, or otherwise misleading accountants in connection with an audit of the corporation.

The Commission declared today that the proposed rules, "while not directed solely to the problem of questionable or illegal corporate payments," would "serve to create a climate which would significantly discourage repetition" of the abuses the Commission has uncovered in that area.

The Commission also noted that although it still believes enactment of legislation is desirable as a "means of demonstrating a national commitment to ending (these) types of corporate misconduct," it also believes that, "the close relationship between the objectives which Congress, in 1934, sought to accomplish by enactment of the Securities Exchange Act and the substance of its legislative proposals places those proposals within the reach of the Commission's general rulemaking authority."