



SECURITIES AND EXCHANGE COMMISSION

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COMMISSION TO CONSIDER NEW POLICY OF ENCOURAGING CORPORATE PERFORMANCE PROJECTIONS

The Commission will consider, at an open meeting scheduled for Wednesday, November 1, adoption of a new policy which would encourage corporate management to make public projections of economic performance.

The meeting is scheduled to begin at 10 a.m. on November 1 in the Commission Meeting Room on the eighth floor of the Commission's headquarters building, 500 North Capitol Street, Washington, D. C. Following conclusion of the open meeting, officials of the Division of Corporation Finance will participate in a briefing to discuss whatever action the Commission takes. The briefing is scheduled for Room 876.

Pending before the Commission at the open meeting will be the question of whether to authorize the staff to issue guidelines spelling out policies which the Commission will

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follow regarding disclosure of performance projections in filings with the Commission, and in other public statements by corporate management. Proposed guidelines in this area were first published for public comment in April, 1976.

Until 1976, the Commission had followed a policy of discouraging projections of corporate performance, and of excluding them from the full disclosure reports corporations are required to file. That policy was rooted in interpretations of provisions of the two laws that form the basis for the corporate disclosure requirements -- the Securities Act of 1933 and the Securities Exchange Act of 1934.

The 1933 Act requires companies to disclose extensive information in a public offering of securities. In schedules to the Act, Congress set forth a general listing of information to be provided. All items of information contained in the schedules were of an historical nature, there being no reference to data that could be characterized as analytical or forward-looking.

The 1934 Act requires companies listed on a national securities exchange to disclose information to the public on a periodic basis. In that Act, Congress again set forth the general items of information to be provided. As with the 1933 Act, the information required was of an exclusively historical character.

Both acts evidenced the predominant concern of Congress with providing historical information to investors. Notably,

however, in both of them, Congress granted the Commission virtual plenary authority to modify and extend the statutorily prescribed items of information.

Despite statutory reference to exclusively historical information, the SEC in early administrative decisions assumed a tolerant posture towards inclusion of projections in Commission filings.

However, not long after these early administrative decisions, the Commission developed the general policy that predictions of future economic performance were not includable in Commission filings. This exclusionary policy was premised on the Commission's then belief that projections were not "fact," were inherently unreliable, would be given undue credence by investors, and would be susceptible to improper manipulation. It was felt that an investor could make his own projections, as valid as those of management and security analysts, based on the historical information made publicly-available by reporting companies.

Projections were prohibited by the Commission in both registration statements for public offerings under the 1933 Act and in periodic reports filed pursuant to the 1934 Act. In addition, companies registering their securities for public offering were prohibited from making projections in any public statements during the "in registration" period.