NEWS

SECURITIES AND EXCHANGE COMMISSION
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FOR IMMEDIATE RELEASE: Monday, November 13 78-39

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COMMISSION TO CONSIDER CHANGES IN PROXY RULES

The Commission will consider, at an open meeting scheduled for Wednesday, November 15, a series of proposed changes in its proxy rules designed to provide shareholders with increased information about the composition and effectiveness of corporate boards of directors.

The meeting will take place in the Commission Meeting Room on the eighth floor of the Commission's headquarters building, 500 North Capitol Street, Washington, D. C. beginning at 10 a.m. 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 to take place in Room 876.

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Pending before the Commission at the open meeting will be the question of whether to adopt certain rule, form and schedule amendments intended to provide investors with information relevant to an informed assessment of the effectiveness of corporations' boards of directors and the terms of settlements of proxy contests. The amendments under consideration would also provide information regarding the policies and procedures followed by institutions subject to the Commission's proxy rules in voting securities held for their own accounts or for the accounts of others. Additionally, the Commission will consider adoption of a proposed rule which would afford shareholder-proponents an opportunity to review management statements in opposition to shareholder proposals prior to the mailing of proxy soliciting materials.

The proposals emanate from a comprehensive re-examination of the proxy rules and corporate governance issues generally, which the Commission undertook in April of 1977. The decision to undertake the study was based, in part, on the fact that recent events, such as the numerous corporate disclosures concerning questionable and illegal payments, had served to focus public attention on the subject of corporate accountability, and raised questions about the adequacy

of existing checks on corporate management. In light of the complexity and breadth of the study, the Commission determined to hold public hearings and solicited public comments on the issues to be examined during the hearings.

In August, 1977 the Commission announced a schedule for public hearings in four cities, and set forth a statement of the issues to be considered. During the five and a half weeks that the hearings contined, testimony was received from more than 100 witnesses and 200 commentators, including business associations, elected representatives and other government officials, public interest and religious groups, law firms, bar associations, accountants and individuals.

Based on its review of the record in this proceeding as well as its experience in administering and enforcing the federal securities laws, the Commission determined that investors may need additional information about the structure, composition and functions of corporate boards of directors. Consequently, on July 18, 1978 the Commission proposed for public comment the rule proposals which will be considered for adoption at the November 15th meeting.

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