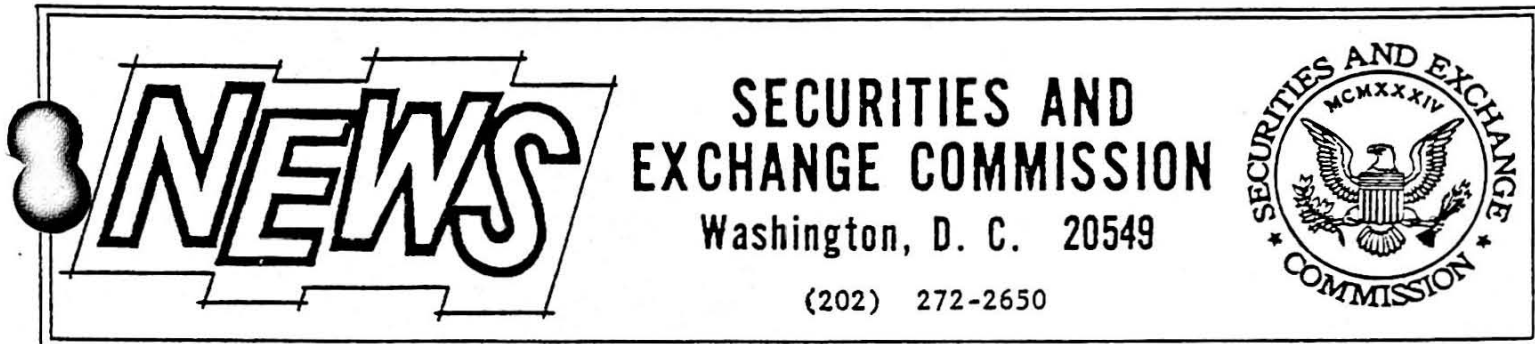




NEWS

SECURITIES AND EXCHANGE COMMISSION

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OPENING STATEMENT

OF THE

HONORABLE HAROLD M. WILLIAMS, CHAIRMAN
SECURITIES AND EXCHANGE COMMISSION

AT THE

COMMISSION'S CONSIDERATION OF THE STAFF REPORT
ON CORPORATE ACCOUNTABILITY

THE FIRST ITEM ON THE COMMISSION'S AGENDA TODAY IS CONSIDERATION, AS PART OF WHAT HAS BECOME KNOWN AS ITS CORPORATE GOVERNANCE PROCEEDING, OF THE ISSUANCE OF THE STAFF REPORT ON CORPORATE ACCOUNTABILITY. THE COMMISSION'S DIVISION OF CORPORATION FINANCE IS RECOMMENDING THAT THE COMMISSION AUTHORIZE THE DIVISION TO PUBLISH THE STAFF REPORT AND TO BEGIN WORK ON IMPLEMENTING THE STAFF RECOMMENDATIONS SET FORTH IN IT.

WHEN THE COMMISSION, IN 1977, COMMENCED THIS PROCEEDING TO RE-EXAMINE ITS RULES RELATING TO SHAREHOLDER COMMUNICATIONS, SHAREHOLDER PARTICIPATION IN THE CORPORATE ELECTORAL PROCESS, AND CORPORATE GOVERNANCE GENERALLY, IT NOTED THAT ISSUES PERTAINING TO SHAREHOLDER PARTICIPATION IN THE GOVERNANCE OF THEIR CORPORATIONS, AS WELL AS RECENT DISCLOSURES CONCERNING A WIDE VARIETY OF QUESTIONABLE AND ILLEGAL CORPORATE PRACTICES EVIDENCING A BREAKDOWN IN THE CORPORATE ACCOUNTABILITY PROCESS,

HAD SERVED TO FOCUS INCREASED PUBLIC ATTENTION ON THE SUBJECTS OF CORPORATE GOVERNANCE AND ACCOUNTABILITY. THE PUBLIC HEARINGS THAT FOLLOWED SERVED FURTHER TO UNDERSCORE THESE ISSUES AND PROVIDED THE COMMISSION WITH VALUABLE INPUT. THEY ALSO CONTRIBUTED SIGNIFICANTLY TO THE RULEMAKING INITIATIVES WHICH THE COMMISSION HAS UNDERTAKEN IN THE YEARS SINCE 1977 -- INCLUDING BOTH THE ENHANCED PROXY DISCLOSURE REQUIREMENTS CONCERNING BOARD COMPOSITION, STRUCTURE, AND FUNCTIONING, AND THE REVISIONS IN THE PROXY CARD DESIGNED TO ENABLE SHAREHOLDERS TO BETTER UTILIZE THIS NEW INFORMATION IF THEY ARE SO INCLINED. FINALLY, THE INSIGHTS GAINED IN THOSE HEARINGS AND THROUGH THE COMMENT PROCESS ARE TREATED AT LENGTH IN THE STAFF REPORT WHICH THE COMMISSION IS CONSIDERING TODAY, AND WHICH WOULD FORM THE BASIS FOR FURTHER COMMISSION ACTION IN THIS AREA.

THE COMMISSION IS NOT, OF COURSE, ALONE IN ITS INTEREST IN MEETING THE PRESENT CHALLENGES TO THE CORPORATE GOVERNANCE AND ACCOUNTABILITY PROCESSES IN AMERICA. THE COMMISSION'S ACTIONS OVER THE PAST FEW YEARS HAVE BEEN ACCOMPANIED BY NUMEROUS PRIVATE SECTOR INITIATIVES -- BOTH BY INDIVIDUAL CORPORATIONS AND BY ORGANIZATIONS COMPOSED OF BUSINESS EXECUTIVES, LAWYERS, AND ACCOUNTANTS -- DESIGNED TO FURTHER CORPORATE ACCOUNTABILITY BY, AMONG OTHER THINGS, REVITALIZING THE ROLE OF THE BOARD OF DIRECTORS. IN ADDITION, OF COURSE, INCREASED CALLS FOR LEGISLATION HAVE BEEN HEARD IN RECENT YEARS FROM ADVOCATES OF CORPORATE REFORM IN AMERICA.

AS A RESULT OF THESE PRIVATE SECTOR INITIATIVES AND THE COMMISSION'S NEW DISCLOSURE RULES -- AND INFLUENCED, PERHAPS, BY THE SAME FORCES WHICH HAVE LED TO THE RECENT LEGISLATIVE PROPOSALS IN THIS AREA -- A GENERAL CONSENSUS IS EMERGING WITH RESPECT TO THE VITAL MONITORING ROLE TO BE

PLAYED BY THE BOARD OF DIRECTORS IN THE CORPORATE ACCOUNTABILITY PROCESS AND THE MOST DESIRABLE AND APPROPRIATE COMPOSITION AND STRUCTURE OF A BOARD DESIGNED TO PLAY SUCH AN ENHANCED OVERSIGHT ROLE. THE GENERAL VIEW IS THAT A BOARD COMPOSED OF AT LEAST A MAJORITY OF DIRECTORS INDEPENDENT OF MANAGEMENT, WITH EFFECTIVELY FUNCTIONING INDEPENDENT AUDIT, COMPENSATION, AND NOMINATING COMMITTEES, IS ESSENTIAL TO ENHANCED AND EFFECTIVE CORPORATE ACCOUNTABILITY.

WHILE THIS CONSENSUS IS A BROAD ONE -- AND ALTHOUGH MY OWN IDEAL BOARD MIGHT GO FURTHER IN CERTAIN RESPECTS -- THE EXTENT TO WHICH INDIVIDUAL COMPANIES COMPORT WITH THIS GOAL VARIES EXTENSIVELY, AS THE PROXY MONITORING DATA CONTAINED IN THE STAFF REPORT INDICATES. MOREOVER, AS THE REPORT ALSO DISCUSSES, THE ISSUES SURROUNDING THE SELECTION OF DIRECTORS WHO ARE SUBSTANTIVELY INDEPENDENT, RATHER THAN INDEPENDENT MERELY IN FORM, AND THE CREATION OF A BOARD ROOM ENVIRONMENT CONDUCIVE

TO EFFECTIVE BOARD PERFORMANCE AND ACCOUNTABILITY, AS WELL AS THE QUESTIONS OF WHAT THE BOARD AND ITS COMMITTEES ACTUALLY DO OR SHOULD DO, AND HOW THEY OBTAIN THE INFORMATION NECESSARY TO MEET THEIR RESPONSIBILITIES, ARE CRITICAL ONES THAT DEMAND CONTINUING ATTENTION.

IN ADDITION, HOWEVER, IT SHOULD BE NOTED THAT THE DISCUSSION OF BOARDS OF DIRECTORS, WHILE EXTREMELY IMPORTANT, IS ONLY ONE PART OF THE ONGOING ENHANCEMENT OF CORPORATE ACCOUNTABILITY AND FORMS ONLY A PORTION OF THE STAFF REPORT. WE EXPECT THE REPORT TO GO TO THE PRINTER SHORTLY AND BE PUBLICALLY AVAILABLE IN THE NEXT FEW WEEKS. IN ALL RESPECTS, I BELIEVE THAT IT WILL BE A VALUABLE RESOURCE TO FURTHER THE CONSIDERATION OF THE IMPORTANT ISSUES PRESENTLY SURROUNDING THE CORPORATE GOVERNANCE AND ACCOUNTABILITY PROCESSES.

IT MUST BE STRESSED THAT PUBLICATION OF THE STAFF REPORT WOULD NOT MARK THE COMPLETION OF THE COMMISSION'S CORPORATE

GOVERNANCE PROCEEDING OR THE WORK OF THE CORPORATE ACCOUNTABILITY TASK FORCE. RATHER, THE REPORT ITSELF CONTAINS NUMEROUS STAFF PROPOSALS FOR FURTHER COMMISSION AND PRIVATE SECTOR INITIATIVES DESIGNED TO ENHANCE STILL FURTHER THE CORPORATE ACCOUNTABILITY PROCESS. THUS, I URGE ALL INTERESTED MEMBERS OF THE PUBLIC TO NOT ONLY READ AND CRITICALLY EXAMINE THE DATA, VIEWS, AND ANALYSIS CONTAINED IN THE STAFF REPORT, BUT ALSO TO PROVIDE THE STAFF AND THE COMMISSION WITH THEIR COMMENTS CONCERNING THE ISSUES DISCUSSED IN THE REPORT, OTHER ISSUES WHICH THEY BELIEVE SHOULD BE ADDRESSED, AND THOSE MATTERS WHICH BECOME THE SUBJECT OF FUTURE RULEMAKING AND OTHER INITIATIVES.

FINALLY, I SHOULD ADD AN OVERVIEW OF THE REPORT. CONTRARY TO THE EXPECTATIONS OF SOME, THE REPORT IS NOT A RADICAL CALL FOR A COMPREHENSIVE RESTRUCTURING OF CORPORATE ACCOUNTABILITY MECHANISMS. INSTEAD, IT IS A RESPONSIBLE ANALYSIS OF SPECIFIC REGULATORY ISSUES WITHIN THE COMMISSION'S JURISDICTION.

THIS, HOWEVER, SHOULD NOT BE CONSTRUED AS SIGNALLING THE
END OF THE PUBLIC'S INTEREST IN THE SUBJECT OF CORPORATE
ACCOUNTABILITY. THE REPORT IS NOT INTENDED TO BE AN EXERCISE
IN THE LIMITS OF THE COMMISSION'S CONCERNS OR LEGAL AUTHORITY.
AND, OF COURSE, NOTHING IN THE REPORT WOULD PREEMPT ANY
CONGRESSIONAL ACTIVITY IN THIS AREA.

THE RESPONSIBILITY FOR THE FUTURE OF PRIVATE ENTERPRISE
REMAINS WHERE IT ALWAYS HAS BEEN -- IN THE INDIVIDUAL BOARD ROOM.
THE ANSWERS TO THE ULTIMATE QUESTIONS REGARDING AN
INDEPENDENT CORPORATE SECTOR WILL, IN THE END, DEPEND ON THE
MANNER OF DECISION-MAKING IN THESE BOARD ROOMS; WHETHER THE BOARDS
CONSIDER THE LONG-TERM RAMIFICATIONS OF THEIR ACTIONS OR
CONFINE THEMSELVES TO SHORT-TERM EXPEDIENCIES; AND, FINALLY,
WHETHER THEY RECOGNIZE THE LEGITIMATE INTERESTS OF SOCIETY AT
LARGE. THESE ARE QUESTIONS THAT THE REPORT DID NOT INTEND TO

RESOLVE -- BUT THEY ARE ALSO ISSUES WHICH THE PUBLIC WILL NOT
IGNORE. IN THE FINAL ANALYSIS, THEREFORE, THE FUTURE OF PRIVATE
ENTERPRISE IS BEING DECIDED DAILY BY THE BOARDS OF DIRECTORS OF
CORPORATE AMERICA.