

OPENING REMARKS  
OF  
ARTHUR LEVITT, CHAIRMAN

CONCERNING EXECUTIVE COMPENSATION DISCLOSURE

AT THE PUBLIC MEETING OF THE  
SECURITIES AND EXCHANGE COMMISSION

August 6, 1993

I would like to welcome you to a public meeting of the Securities and Exchange Commission. This morning is especially meaningful for me because it is the first public meeting of the Commission since I was confirmed as Chairman. I am glad to see so many friendly faces in the crowd, and I hope that they will stay friendly throughout my term as Chairman.

On our agenda today is the consideration of a release regarding executive compensation disclosure. I salute my colleagues on the Commission and the staff for their excellent work in improving disclosure in this area during the past year and a half -- proxy statement disclosures regarding executive compensation are much more informative and easier to understand than they were before the new rules were adopted in October 1992. Today we are here to follow up on the Commission's earlier work.

The SEC's goal in revising this disclosure has been to ensure that the marketplace receives information about executive compensation that is easier to understand and more relevant to proxy voting and investment decisions. My predecessor in this

chair was exactly right in saying that the SEC should encourage market forces to shape corporate compensation policies. The best way to ensure this result is to provide shareholders with the data that they need to be informed owners.

The new rules contain a number of innovations that have made the proxy statement shorter and more readable -- the summary compensation table and tables for stock options and other long-term grants of compensation have been particularly successful in improving reader's comprehension. The new rules also added a requirement for a stock performance graph. This graph compares the stockholders' total return from stock price appreciation plus dividends with the returns from a broad-based index (such as the S&P 500) and a narrower index of competitors. In addition, the board's compensation committee must include a report to shareholders that generally discusses the company's compensation policies for executive officers, the committee's bases for determining the CEO's compensation for the year, and the relationship of CEO and executive compensation to corporate performance.

The new executive compensation rules have now been tested by one full proxy season. The public reaction has been overwhelmingly positive. From the SEC's perspective, judging from the results of an extensive review of approximately 1000 proxy statements by the

staff of the Corporation Finance Division, we are generally pleased with the quality of the disclosures under the new rules.

The release that we are considering today contains a few refinements of the rules. These revisions are a fine-tuning, not a change in approach, and reflect the results of the staff's review of proxy statements. To address some commonly asked questions, the release also provides some guidance as to the preparation of the compensation committee report and presentation of other information.

One final point that I would like to make is that I do not endorse excess or redundancy in government regulation. As a businessman, I have had first-hand experience of the cost of regulatory burdens. I have served on and headed a number of compensation committees of various corporations.

From this perspective, I believe that corporations of America should see these disclosure rules as an opportunity, not a bane. Corporate executives and the corporations that they run do not operate in a vacuum -- they are affected by public opinion, legislative views and, yes, the SEC. These disclosure rules allow corporations to explain to their shareholders and to the public at large why their compensation practices are -- as I believe in general that they are -- fair and appropriate. This is a perfect

opportunity for them to tell their story, their way, on their own terms.

Now, Ms. Quinn, would you describe for the Commission this release and your proposals in greater detail?