



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF
THE CHIEF ACCOUNTANT

October 22, 1993

The Honorable Christopher J. Dodd
Chairman
Subcommittee on Securities of the Senate Committee
on Banking, Housing, and Urban Affairs
United States Senate
444 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I write this letter in connection with an oversight hearing you conducted concerning the issue of accounting for stock options granted to employees. I commend you for holding this hearing on an issue that may have far-reaching implications, particularly for small, high tech companies, and for investors in general. Rather than commenting on the subject of the hearing itself, I would like to share with you my perception on the appropriate role of the Securities and Exchange Commission and Congress in this process and the SEC's relationship with the Financial Accounting Standards Board as an independent standard-setting body.

The federal securities laws are intended to protect investors through the disclosure of reliable, material information. Financial statements prepared by management, and audited by independent accountants, are a central feature in this disclosure system. Since 1938, the Commission, without abdicating its responsibilities in this area, has looked to the accounting profession for leadership in establishing and improving accounting standards. Working in partnership, the SEC and the profession have established what are widely recognized as the most comprehensive accounting standards in the world, providing transparency of the economic conditions, events, and transactions affecting public entities and allowing investors to decide how the underlying facts should affect security prices and the allocation of capital. I believe that it is, in large part, the commitment in this country to an accounting system that has the objective of providing complete, transparent, and unbiased financial information to investors that has made the United States' securities markets attractive for both domestic and global capital formation.

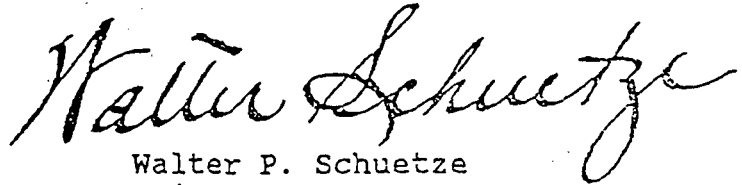
As you know, since 1973, the FASB has been the private-sector body designated by the accounting profession to set accounting standards. The FASB's Concepts Statements, which set forth the fundamental precepts the FASB uses in setting standards, stress that financial reporting should not be viewed as an end in itself but as a means to provide information that is useful in making economic and business decisions. In order to achieve this

The Honorable Christopher J. Dodd
October 22, 1993

Page 3

I appreciate the opportunity to submit this letter, and I respectfully request that it be included in the hearing record for October twenty first. I look forward to working closely with you and your colleagues as the FASB continues to deliberate this issue.

Yours truly,

A handwritten signature in cursive script that reads "Walter Schuetze". The signature is written in black ink and is positioned above the typed name and title.

Walter P. Schuetze
Chief Accountant