

United States Senate

WASHINGTON, D.C. 20510

November 30, 1993

056451/07

The Honorable Arthur Levitt, Jr.
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Chairman Levitt,

As you know, the Financial Accounting Standards Board's (FASB) ongoing consideration of the accounting for employee stock options and other stock-based compensation has been the subject of Congressional hearings, resolutions, and proposals. Certain members of the business community and sponsors of these efforts are encouraging Congressional action unless FASB either abandons this project or tailors a final standard to meet their economic goals and policy concerns.

In this political climate, we are concerned about the independence and neutrality of the FASB. We are concerned that the credibility of the financial reporting process may be harmed significantly if Congress, in order to further economic or political goals, either discourages the FASB from revising what the FASB believes to be a deficient standard or overrules the FASB by writing an accounting standard directly into the Federal securities laws. This destruction of credibility may occur regardless of the merits of any non-accounting goals of Congress.

Our concern about Congressional intervention is greater in this case because the FASB's deliberative process is far from complete. The FASB currently is in the process of soliciting public comments about the proposal, the FASB's final deliberations of this proposal will not be completed for months, and field tests and experimental disclosures will not be completed for years.

Accordingly, we welcome your views on the need for the FASB to set neutral accounting standards and on the implications of legislating accounting standards.

Sincerely,

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Tom Kasche

Don DeLong

Carl

