

June 3, 2003

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
Hearing entitled "The Accounting Treatment of Employee Stock Options"

Thank you, Mr. Chairman, for holding this important and timely hearing. The issue of how to account for employee stock options in a company's financial statements is a very significant one, given the many high profile cases of accounting fraud in large publicly traded companies.

As a Member of both the House Committee on Energy and Commerce and the House Financial Services Committee, since 1994 I have been closely monitoring the Financial Accounting Standards Board (FASB) rule-making process on the accounting of stock options and was supportive of their final rule addressing stock options and allowing them to be recorded as an expense on their annual profit and loss statements.

However, I am interested to hear from our distinguished witnesses this morning on the merit of the two authorized disclosure alternatives, recognizing the value of employee stock options as an expense or providing relevant and detailed disclosure regarding those options in the footnotes to the financial statements. Also, I think this committee will benefit greatly from their discussion on valuation options still under debate.

I am supportive of FASB's recent decision that the fair value of stock option compensation should be reflected in a company's financial statements and am encouraged that another final rule is being considered that would eliminate the disclosure alternative.

Again, thank you Mr. Chairman for calling this important hearing and I look forward to an informative debate.