

STATEMENT OF THE HONORABLE  
Wm. Lacy Clay  
Before  
The Subcommittee on Capital Markets, Insurance, and Government Sponsored  
Enterprises

“Fostering Accuracy and Transparency in Financial Reporting?”

March 28, 2006

Good morning Chairman Baker, Ranking Member Kanjorski, Members of the Committee and witnesses.

Thank you for holding this hearing, Mr. Chairman. I also want to thank the SEC, the FASB and PCAOB for their spirit of cooperation in working together to “increasing the transparency of reported financial information and decreasing the complexity while doing so.” This level of cooperation is not the norm in Washington, DC and should be applauded.

Mr. Chairman, over a hundred million Americans have investments in our markets. The confidence of these investors is paramount to the continued viability of the markets. This confidence is buoyed by the accuracy, reliability and transparency of our financial reporting.

We are world leaders in the quality of financial information and the timely disposition of that information. We must remain in this position while also being careful to limit the complexity so that transparency is not compromised. We must also be careful that our accounting standards are high, but not redundant so as to increase the cost of already expensive requirements.

I agree with Acting Chairman Gradison of the Public Company Accounting Oversight Board when he says that we need a combination of both “principles-based accounting” and “rules based accounting” as a system of rules without principles is unworkable.

I look forward to hearing the testimonies and the responses to questions.