

SEC POSTPONES STOCK OPTION EXPENSING STANDARD

The Securities and Exchange Commission released a new rule yesterday that amends the compliance date for FASB Statement No. 123R, *Accounting for Share-Based Payments*. FAS 123R, among other things, requires companies to expense for stock options. The new SEC rule permits companies to implement FAS 123R at the beginning of their next fiscal year, instead of the next reporting period that begins after June 15, 2005 (or December 15, 2005 for small businesses). Thus, corporations with calendar year fiscal years will not have to comply with FAS 123R until the first quarter of 2006. However, corporations with fiscal years that end before December 31, 2005 will have to comply with FAS 123R beginning with the first quarterly financial statements due after the end of their fiscal year. For example, a corporation with a September 30 fiscal year end will have to comply with FAS 123R beginning with the quarterly period that commences on October 1, 2005.

This latest rule by the SEC does not alter the accounting requirements under FAS 123R. It merely changes the compliance dates. For an overview of FAS 123R see Mellon's March, 2005 publication,

[Mellon's FASB Statement 123 Update: FASB Issues Final Statement on Accounting for Share-Based Payment.](#)

COMMENT. *Although the Financial Accounting Standards Board opposed a further delay in the compliance date for FAS 123R, citing the need for more transparent disclosures for investors, the Securities and Exchange Commissioners felt that the requirements under the Sarbanes-Oxley Act have already enhanced the transparency of financial reports. Thus, the SEC voted in favor of granting corporations more time to comply with FAS 123R.*

Mellon's HR&IS compensation consultants are ready to assist you in complying with FASB Statement 123R.

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