

CORPORATE STRATEGY

Authors: Good start but too soon to assess the impact

BY MARCY GORDON
Associated Press

A year after landmark legislation on corporate governance was signed into law, the authors say it's too soon to fully gauge the impact, but the measure has had a promising start.

Sen. Paul Sarbanes, D-Md., and Rep. Michael Oxley, R-Ohio, spoke with The Associated Press to discuss their name-sake legislation, changes it has brought about and adjustments that might be needed. The interviews were conducted separately.

AP: At the one-year mark, how do you view the significance of the legislation? What has been its impact on investor confidence, on corporate behavior and that of directors, outside auditors and other players? Is it too early to assess?

SARBANES: We've put in place a good legal framework which offers investors the prospect of good reforms, honest accounting and real protection. ... We hear people say to us, "You did the right thing. This is what we needed." But my guess is that they're still waiting, to some extent, to see.

OXLEY: Overall the response has been quite positive. ... There is some feeling that the ship has been righted.

AP: Have you heard "before-and-after" anecdotes from companies that illustrate changes in corporate behavior as a result of the legislation?

SARBANES: I hear from people that they're really re-examining their corporate practices. ... Some complain that they hate to change the way they do things. Companies are scrubbing down their procedures quite carefully. ... We think there's a new attitude developing among corporate boards and to some

extent company managers.

OXLEY: Some audit committees that used to meet once a quarter now meet once a month, for example. They really have rediscovered the joys of serving on those committees. There's no question it has had a major impact in the boardroom.

AP: Are there flaws in the legislation that have become evident since it's been in effect? Something that, in retrospect, you think should have been done differently?

SARBANES: I think we need to get everything fully into place and let it work for a while. ... Then we'll be in a better position to evaluate it.

OXLEY: There is some concern about costs for companies and the availability of liability insurance (for company officers and directors). ... Congress will review the legislation to see where it could be made stronger and possibly reduce costs. We want to make people understand that the system is an evolving system, that we want to

continue to make things work.

AP: What remains to be done to bolster investor confidence and corporate accountability?

SARBANES: A lot of that is being done in other arenas — by the New York Stock Exchange and Nasdaq tightening their listing requirements, for example, and recommendations of the Conference Board as part of a broader movement in the private sector. (Securities and Exchange Commission Chairman William) Donaldson has been calling industry to higher standards.

OXLEY: (Pending legislation) to require greater disclosure to investors of mutual fund fees and tighten management integrity at mutual fund companies is a natural follow-on.

"We've put in place a good legal framework which offers investors the prospect of good reforms, honest accounting and real protection."

*Sen. Paul Sarbanes
D-Maryland*



Rep. Mike Oxley, R-Ohio, left, talks with Sen. Paul Sarbanes, D-Md. after President Bush signed a strict new law, co-sponsored by the pair, to compel corporate responsibility during a ceremony in the East Room of the White House in Washington in this July 30, 2002 file photo.

Name: Michael G. Oxley

Age: 59

Education: B.A., Miami University of Ohio, 1966; J.D., Ohio State University College of Law, 1969.

Experience: Chairman, House Financial Services Committee. Member of Congress from Ohio's 4th District, 1981-present. Ohio General Assembly, 1973-81. Aide to former Rep. Jackson Betts, R-Ohio, former Ohio Lt. Gov. John Brown and former Ohio Attorney General William Saxbe in the late 1960s and early 1970s. Former FBI agent. Manager of Republican Congressional Baseball Team, which plays against Democrats each year in a game that raises money for literacy instruction and other causes.

Family: Wife, Pat; son, Chadd.

Quote: On the effects of the bill that bears his name: "There is some feeling that the ship has been righted."

Name: Paul S. Sarbanes

Age: 70

Education: B.A., Princeton University, 1954; Rhodes scholar at Oxford University, graduated 1957; J.D., Harvard Law School, 1960.

Experience: Senior Democrat, former chairman, Senate Banking Committee. Senator from Maryland, 1977-present; member of Congress from Maryland, 1971-76; Maryland House of Delegates, 1966-70; private practice at two Baltimore law firms; law clerk for 4th U.S. Circuit Court of Appeals Judge Morris Soper. In August 1974, selected by Democrats on House Watergate Committee to introduce first article of impeachment, for obstruction of justice, against then-President Nixon.

Family: Wife, Christine Dunbar; three children, John Peter, Michael Anthony and Janet Matina; five grandchildren.

Quote: On effects of bill that bears his name: "We've put in place a good legal framework which offers investors the prospect of good reforms, honest accounting and real protection."