

Investors Oppose Rolling Back Sarbanes-Oxley Act - Survey

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By Judith Burns

WASHINGTON – Investors have more confidence in U.S. capital markets and corporate financial reports than in the past, and they oppose rolling back a 2002 law that tightened rules for corporate accounting, a new survey found.

According to the survey, 60% of investors are more confident in audited financial information issued by public companies than in the past, and 62% oppose easing the stricter requirements imposed by the 2002 Sarbanes-Oxley Act, which was adopted amid financial scandals at big-name companies, including Enron Corp. (ENE) and WorldCom Inc.

About 1,000 investors took part in the telephone survey, conducted in mid-July for the Center for Audit Quality. The center, an offshoot of the American Institute of Certified Public Accountants, released the results in advance of the five-year anniversary of the law's enactment on July 30, which it will discuss Monday at an event that will include the bill's co-sponsors: Paul Sarbanes, Maryland's former Democratic senator and chairman of the Senate Banking Committee, and Michael Oxley, a former Ohio Republican who chaired the House Financial Services Committee.

Complaints about the high cost of complying with the law, a major point of debate among policy makers in Washington, don't appear to be a critical factor for investors. Just 22% of those surveyed said the law should be eased to address concerns about its costs and any negative effect on U.S. competitiveness. Almost as many, 21%, said they would be very concerned by any easing of the law.

"Investors do have more confidence in the marketplace," thanks largely to the Sarbanes-Oxley Act, said Center for Audit Quality executive director Cynthia Fornelli. She noted that only 5% of those surveyed said adopting the law was a bad idea, with 56% calling it a good idea.

One of the most controversial elements of the law, requiring public companies to conduct an annual assessment of their internal financial-reporting controls, with further review by the company's outside auditor, is extremely popular with investors, the survey found. Fully 76% of those questioned said they viewed that requirement as a positive change.

Requiring chief executives and chief financial officers to certify the accuracy of the company's financial results is seen as another positive feature, as is the law's requirement for public companies to have an independent audit committee hire, fire and oversee the company's outside auditor. Creation of a new oversight body charged with inspecting and disciplining public company accountants is a hit with investors as well, favored by 76%. Somewhat less popular but still drawing support from investors is a requirement that bars a company's independent auditors from providing consulting and other services to the company, which was viewed as a positive change by 64% of those

questioned.

While such changes have helped boost investor confidence, Fornelli acknowledged there is still room for improvement, as just 38% of investors said they are quite confident in audited financial results issued by public companies. About 42% said they have some confidence and 16% said they have little or no confidence in such results.

Confidence in U.S. markets outstrips confidence in markets abroad, the survey also concluded. Overall, 39% of investors expressed a high level of confidence in U.S. capital markets, compared with 22% who say they are highly confident about markets outside the U.S.

The margin of error for the results is plus or minus three percentage points. The nationwide survey included investors in stocks, bonds, mutual funds and retirement accounts, including work-based 401(k) plans.

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