



# Michael Oxley

Former Chairman of the Committee on Financial Services, US House of Representatives

## I. Preamble

Thank you very much and thank you to the French American Foundation for inviting me tonight and to all of the sponsors. My wife, Pat, and I have been to Paris several times, but this is the first time that I have been here as a former member of Congress. I noticed in one of the biographies which was in French that before my name were the letters ancien, which I took to mean ancient or very old. However, since Spanish was the second language I studied, I was relieved to find out that in French it means 'former'. Speaking of former members and colleagues, our good friend, the Ambassador to the Organisation for Economic Cooperation and Development (OECD), Connie Morella, is with us tonight, along with her husband, Tony. Connie has done a superb job representing US interests here at the OECD in Paris. I served with Miss Morella for many years in the Congress, where she was an outstanding member. I am just proud to have served with her and we are all really proud of your being here in Paris and representing us

so well. We were very glad to have you and it was great that you and Tony could join us here tonight. It is a great kind of reunion for both Pat and me to see both of you and see that you are doing so well and enjoying the City of Light in this wonderful country.

## II. Historical French American Relations

I have always said that French American relations go back a very long way. We have been allies for a long time, even at times when we disagree on a number of issues – and I was glad to be lumped together with imperialism and other charges against our country, such as Sarbanes Oxley, warmongering and other things that we will discuss later. However, I am always struck when I go into the chamber – which Connie will remember – that in the House of Representatives there are life size, large portraits of two individuals hanging on either side of the rostrum of the speaker of the House. On one side is George Washington, the father of our country, the United States, and on the other is the Marquis de Lafayette, who many people think – and I agree – without whose courage, leadership and military expertise, we might never have been able to break away from Great Britain and win the Revolutionary War. I think that this shows all of us the great respect and admiration that we

have on our side of the Atlantic for the French people to produce someone like the Marquis de Lafayette and the contribution that he made to our independence. Obviously, to have been recognised in the way that he has been recognised in the halls of Congress, with his portrait beside George Washington, says a great deal about this enduring friendship that we have the French, which will endure come what may. We were therefore honoured to come to France.

### III. The Sarbanes Oxley Act

#### 1. A Shock to the System

I have to say that the Sarbanes Oxley Act, at least in terms of its breadth and the kind of fame or infamy that it has incurred depending on your viewpoint, surprised all of us. It was a response to a real shock to our capitalist, free market system that some individuals would take advantage of the system of shareholders to expand their own personal power and wealth through surreptitious means. It was an issue that reverberated throughout our country and, ultimately, throughout the world that somehow the gatekeepers and people whom we had anticipated would be the ones who would highlight and pursue this kind of wrongdoing basically fell down on the job.

#### 2. The Hearing of the Committee

Our committee was the first committee to hold a hearing on the enfolding Enron scandal. While this was big news all over the world, it was really big news inside the United States. It was on every television programme and was the headline in every newspaper and it really took hold with the American public - and ultimately the world - as to what was in fact going on in that boardroom in Houston, Texas. We had the first hearing that began the process that ultimately led to the passage of the legislation. Hearings were an integral part of the legislative process to allow the decision makers – the members of Congress who will have to vote on the legislation – to truly understand what went on and

what we proposed to do to fix it. I remember the first hearing and we then later heard from the Dean of the law school at the University of Texas, Dean William Powers, who was hired by the board at Enron to do an internal investigation to find out what was really going wrong. His testimony rung through our committee and through the halls of Congress and, in the end, throughout the country and the world that the gatekeepers – the members of the board, the attorneys and the accountants – the people who should be keeping track of these kinds of activities simply fell down on the job for some reason. It was our job to put those pieces together and formulate legislation that was based on two principles. Firstly, it was based on accountability of those who had the power – the board and the executives of the particular corporation – and, secondly, it was based on transparency – accurate information that investors could count on when making those important investment decisions.

#### 3. The Citizen as Shareholder

I was always struck by the attitude and reaction of the public to these kinds of scandals with, firstly Enron and then WorldCom, which was four times larger than Enron, and the other assorted misdeeds, such as Adelphia and Tyco. I always wondered why the average citizen in any Congressional district was so upset and concerned about something that was going on allegedly in Mississippi or Houston, Texas. The reason that the average American was so concerned was that they had become a shareholder, an owner of equities. That transition had taken about 25 30 years. When I came to Congress in 1981, two thirds of people's savings in America were in bank deposits; 25 years later, as I left Congress, two thirds of their savings are in equities. They are invested in companies all over the globe and not just in American companies. They have 401K accounts where they work and Individual Retirement Accounts

(IRAs) and they invest in individual stocks. 95 million Americans own mutual funds, which is the ordinary person's way of owning a piece of corporate America. People who used to be the elite would be the only ones to own equities and the workers did not own stock. Today, people working on the production line all over the country actually own stocks. They were therefore paying attention and were upset by what they were reading and hearing about day after day when companies like Enron and WorldCom folded before their very eyes.

They were asking questions and were asking these questions because ultimately it was almost certain that their portfolio, however large or small, contained Enron, WorldCom, Tyco and other stocks. They therefore had a part of all this and felt that they were not being treated fairly or getting the right information. In the case of the Enron employees, they were unable to sell their stock, while the corporate executives were able to unload millions of dollars' worth of stock. This was a basic unfairness that people recognised intuitively and that was the cauldron in which we came together to pass the legislation.

#### 4. Restoring Faith in Capital Markets and the Capitalist System

We are subject to a lot of criticism in our country that we do not do enough things on a bipartisan basis and that there is too much partisanship. This is something that I suppose you also hear in the Parliament here. However, the fact is that the Congress of the United States, as are most legislative bodies that seek to represent people, is a reactive body. We are not very good at predicting things and trying to act ahead of them. We react and try to solve problems that come up and, indeed, this was a huge problem for the capital markets. USD8 trillion was lost in market capital during that time period. We then had the tragedy of 9/11, along with a recession and then, ultimately with the passage

of Sarbanes Oxley and a reaction to Enron and WorldCom and the other business scandals, people lost faith in the capital markets. They had put their savings into the trust of these corporations to save for their children's education, their retirement, a vacation or whatever it might have been, and they were sadly disappointed when they heard about this mistrust that they witnessed. We therefore reacted in a bipartisan way to try to provide more transparency and, certainly, more accountability in the law. That is how it came about.

It started in the House of Representatives in the committee that I chaired. It is amazing to me how many people – not just in foreign countries, but in my own country and even in my home state and home town – do not really understand the legislative process. A lot of people think that Senator Sarbanes and I were just out having a drink one night and decided that we would introduce this legislation. Of course, that is not the way that it happens. He was Chairman of the Senate Banking Committee that had jurisdiction over this issue and I was Chairman of the Financial Services Committee in the House, and that is how the entire thing came together. We have had a lot of fun over the last few years and make joint appearances occasionally. I think that it is a tribute to our system that not only did we pass the legislation in a bipartisan way, but it was led by a liberal Democrat, a senator from Maryland on the Senate side and a conservative Republican from Ohio on the House of Representatives' side. When that happens, it is a piece of magic and it is fascinating to see the system work in the way that it was intended, with good hearings, solid support from our colleagues and stories that we would hear from Connie and our other colleagues, who would go home at weekends and talk to their constituents who were absolutely outraged about what they heard was going on and wanted their representatives to do so-

mething about. All that ultimately ended up in Sarbanes Oxley.

However, in a broader sense, this is really about better corporate governance, maintaining the concept of the capitalist system and the great ability that that system has had to defeat communism and socialism and providing the greatest amount of wealth to the greatest number of people in the history of the world. However, it is not a perfect system and it sometimes needs fine tuning. That is what we felt we had to do. It was not to destroy the system, but to work within the system to make it better and, overall, I think that we have been quite successful. The Dow Jones stood at a little over 7,000 on 30 July 2002, the date that President Bush signed the legislation. Today, it is at 12,500, setting all kinds of records. We have more people who are investors in the United States – and, indeed, all over the world – than at any time in the history of the world and I see no reason why that will abate.

#### IV. A Wonderful Personal Experience

Therefore, as Senator Sarbanes and I go from place to place talking about these issues and how we are trying as best we can to provide the mechanism with which to fix the system, everyone here has a stake in making it work well. I have talked to a number of people here, as well as over the last few months and years, about everyone having a particular goal and method in which we can make this system work better for all of us. Ultimately, that is a major responsibility that we all share, whether we are in the public sector or the private sector.

As Connie said today, my first name, whether I like it or not, has become Sarbanes. Paul says that his last name has become hyphenated and his Maryland constituents do not know what he is called any more. I do not know whether it is a coincidence or not, but we both retired at the same and we are both therefore anciens. However, at the same time, we have enjoyed

the opportunity to talk about what we wrought. None of us could have ever anticipated the kind of reaction and interest that this has inspired all over the world. Somebody told me this evening that I am well known in the outer reaches of France. I do not know whether that will get me a free hotel room or not, but it is nice to know. He even said that the last American to have that kind of recognition in France was Michael Jordan. That really made me sit up and take notice, since I still play basketball at the ripe old age of 62, although I am not in the category of Michael Jordan. It has therefore been a wonderful experience and a great opportunity to visit other countries and talk to other people in the private and public sectors about what we can do to make the Act work better. We are working with the Securities & Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) on the very subject of how we can encourage people to continue to invest and trust in the markets and how we can continue to provide the kind of growth and economic opportunity for our fellow citizens that all of us desire.

It has therefore been a wonderful experience. I thank you very much for the invitation. I know that we will be responding to some questions later, so in the meantime, Bon Appetit.

## QUESTIONS AND ANSWERS

### Marcel KAHN, Chief Financial Officer, Scor

In my view, the Sarbanes Oxley Act has clarified the role and responsibilities of the Chief Financial Officers (CFOs). For instance, prior to the adoption of Sarbanes Oxley (SOX), the CFO was not required to sign the 20F annual report file with the SEC. It might even be considered that the Sarbanes Oxley Act has reinforced the position of the CFO by giving him the same level of accountability and responsibility as the CFO for the financial statements and disclosure

generally. I would therefore like to ask you the following two questions. If you consider that the quality and transparency of financial disclosure has been improved, how much can be attributed to a more active involvement of CFOs in the preparation of disclosure? Do you consider the role and responsibility of CFOs to have been reinforced by the Sarbanes Oxley Act and was that initially your intention?

**Michael OXLEY**

First of all, I think that the answer to your initial question is that the role of the CFO was, indeed, further refined in the Sarbanes Oxley Act. The good news for the CFO is that he now has company when certifying the financials, joining with the Chief Executive Officer (CEO) in signing that very important document. There is no question that the reliability and transparency has been improved dramatically; I do not think that that is a real issue in question. We can talk about cost and liability and so on, but at the end of the day, as I indicated in my remarks, we clearly have much more accountability and transparency going forward and a lot of this really tracks the traditional role of the CFO.

It might be worth interjecting at this point that during the Senate debate on the legislation, Senator Biden from Delaware, who was then and still is Chairman of the Foreign Relations Committee in the Senate – and who, apparently, has just announced today that he will be running for President – offered an amendment that would not only require the CEO and the CFO to certify that financials, but also the Non Executive Chairman of the board. After about 10 minutes of cursory debate, this passed the Senate by 97 votes to 0. We then went to conference, where I was Chairman of the Conference Committee. For those of you who do not follow this on a daily basis – and you are fortunate if you do not – the Conference Committee is made up of members of both the House and the Senate to iron the

differences between the two versions. Senator Sarbanes and I then both started to hear from CEOs across America. We heard from John Snow, who was then CEO of CSX Corporation and who later became Treasury Secretary. We also heard from Scott McNealy, the CEO of Sun Microsystems and Andy Grove, the Chairman of Intel, who was probably the most vociferous. Andy did an op ed piece in the Wall Street Journal, pointing out that it really ran counter to what we were trying to accomplish to involve the Non Executive Board Chairman in the day to day operations of the company and have him certify and he believed that this would in fact discourage having the Non Executive Board Chairman. After some discussion with Senator Sarbanes, who had had the opportunity to talk with some of the CEOs, Senator Sarbanes agreed that that was not a good amendment and we agreed unanimously in the Conference Committee to take it out.

However, I think what that shows is the intensity of feeling on the part of the general public – the voting public, as it were – that something had to be done. In many cases, particularly on the Senate side, people were grasping at any kind of punishment or regulation or law that they could possibly use to bring the recalcitrants and law violators to heel. Fortunately, reason prevailed and we excised that from the legislation. It is also interesting to know as a bit of history that when the Senate passed their legislation by 97 0, this basically meant that senators as conservative as Phil Graham of Texas and as liberal as Ted Kennedy from Massachusetts and Barbara Boxer of California all voted for it. This was the ultimate in bipartisanship and it was fascinating to see the dynamics working.

After the Senate passed that legislation, a couple of well known business groups in the United States publicly called for the President to take the Senate bill and sign it and not even go to conference. It was an amazing thing to see cor-

porate America basically on its hands and knees asking for the madness and pain to be stopped and that they did not want it to go to conference as they could not stand it any longer. I had to go to the speaker of the House and request what we call regular order – that is, to go to a conference and iron out our differences. Otherwise, we would not have been able to take the Biden amendment out of the bill and make other changes that we wanted, particularly in terms of adding some flexibility to the legislation for the SEC and the PCAOB to give them the ability to extend the deadline for foreign issuers or small companies which, of course, still stands today, and give them and everybody the opportunity to weigh up all of these decisions, because once the decisions are made they are very difficult to reverse.

I think that the needed flexibility is there and, ultimately, those changes will not be made by the Congress. Anybody who thinks that the Congress will pass legislation to change Sarbanes Oxley is making a bad bet. It will not happen. Both the incoming Chairmen of the Committees of Jurisdiction in the Senate, Barney Frank of Massachusetts and Chris Dodd of Connecticut, have publicly said that they do not favour reopening the Act, but allowing the SEC and the PCAOB to make the necessary changes within the context of the regulatory structure. As Liz pointed out earlier, that is ongoing. The SEC and the PCAOB reiterated that point at a hearing that I held in my committee in September which was one of the last hearings we held and put the proposal on the table for public comment.

If you have an opinion – and I imagine that you would not be here tonight if you did not have one – I would strongly suggest that you make it known to the SEC during the public comment period before that rule is finalised. That is what the public comment period is for.

**Jean COROLLER, Ernst & Young**

I have a question about convergence or equivalence of internal control regulations across the world. Let us then get out of the US just for a moment. We are currently assisting companies in the implementation of internal control regulations across the world, such as US SOX, the Loi de Sécurité Financière (LSF) in France, Law 262 in Italy and Japanese SOX and so on. It is a long list, as you know, and markets and companies certainly need to adapt to the diversity of each specific regulation. What is maintained is a common vision and objective, which up until now has not been a problem. Then, to simplify things and make life easier, US SOX, as far as we understand, is more rules based, with a strong financial focus. You talked about the fraud and so on. On the other hand, in Europe we are more principles based and we talk about the complier explaining and are asked to cover all types of risk, be it operational or strategic. However, we go into things in less depth. What is your opinion, based on that? Do you believe that we are moving towards more convergence of internal control regulations, as is the case for International Financial Institutions (IFIs) in 2009 or so, I hope? Alternatively, will a regime of what we might call ‘geographically specific’ - such as Europe – best in class equivalences prevail? That is a big question.

**Michael OXLEY**

That is a very good question. The short answer is that I think that we are moving towards a convergence. One of the heartening things about this whole activity has been the number of countries that have stepped up and adopted internal controls as part of their regulatory structure. This has been the case for many of the countries in Europe and I know that the European Commission and the European Parliament are looking at that as well as a number of individual countries throughout the world. I

see that as a positive thing and I think that ultimately we will see a convergence not only in this area of corporate governance and internal controls, but also in accounting standards. It is critically important that we move forward to harmonise accounting standards throughout the world. The International Accounting Standards Board has been working on that for some time and Paul Volcker, the former Chairman of the Federal Reserve in the United States is a US representative and has testified on more than one occasion before our committee. I think that that could be a paradigm for future advances in harmonisation in terms of the other issues that you mentioned. It is a worthy goal and will call for some statesmanship and leadership as regards our ability to take a step back in our rules based system and acknowledge that a rules based system often becomes much too bureaucratic and burdensome to meet the standards of today's global economy.

There can be no mistake that globalisation is driving all of these issues. We in the United States who have been used to dominating the capital markets with the New York Stock Exchange and the National Association of Security Dealers Automated Quotations (NASDAQ) need to recognise the sea change that we have seen in the world economy through globalisation. When you therefore take the combination of increased competition, globalisation and the vast changes that have taken place in technology, it all adds up to a sea change in the way that we look at corporate governance and accounting standards and so on throughout the world. There is no question that the emphasis will continue to be on the merging of all of these and the harmonisation that will follow.

We will all ultimately benefit as investors, workers and managers and I just think that it is something that will inevitably happen and should happen.

**Liz Alderman**

Your mention of the dominance of capital markets actually dovetails very nicely into a number of questions that we received from the audience. One subject that seems to be of great interest to people here this evening is about US capital markets, particularly the issue of the extent to which the Sarbanes Oxley Act may have the unintended effect of impeding foreign investors from going public on the New York Stock Exchange (NYSE) and NASDAQ. One question asks how would you respond to claims that Sarb Ox is hurting the competitiveness of US capital markets, also taking into account the compliance costs incurred by US listed companies? Another question asks whether it is actually time to reform the reform now that only two of the top 30 initial public offerings (IPOs) last year were in the United States.

**Michael OXLEY**

I would like to address that. I think that there are a number of factors involved that have affected the ability of American capital markets to continue their dominance. The world is changing. Previously, capital markets in other parts of the world were quite immature and the fact is now that we have maturing capital markets in places as far apart as Hong Kong and London, as well as other markets. That is just a fact of life. American capital markets have to face up to the 21st Century and globalisation. Just as we saw our American steel and automobile industries and even the farm sector subjected to the forces of the marketplace and globalisation, why would the capital markets expect anything less?

There are a lot of factors in play here. We have a very litigious system in the United States; class action suits are almost unheard of in Europe. You can believe me when I say that they are a staple in the American legal system that has an enormous impact – which is a negative

one, in my estimation – on the capital market. We passed legislation five or six years ago in the Securities Litigation Reform Act that was the beginning of trying to get a hold of that very difficult issue. It was introduced by Christopher Cox, who was on our committee and is now, of course, Chairman of the Securities and Exchange Commission. This was the only piece of legislation that was vetoed by President Clinton in his eight years; it was also the only veto that was overridden by the Congress during that period of time. That is how strongly we felt about the issue. However, it did not mean that class action law suits have become a thing of the past. There is still ample evidence that they exist. That is therefore one of the issues that it affects.

You therefore have the effect of the maturation of foreign capital markets and where companies are listed. Secondly, you have the issue of litigation. Thirdly, you have the situation where in a lot of cases formally state owned enterprises that are going public would naturally be listed in that particular jurisdiction. Could you imagine a company in China that is being transformed from a state owned entity to a private entity, such as the largest IPO in the last 25 years with the bank in China, being listed anywhere other than Hong Kong? That seems to me to be a natural consequence. If you look at some of the state owned companies in this country that go public, of course they will be listed here. They will not be listed in New York. That is just a political fact of life.

Lastly, the investment banks in the United States charge fees of between 6% and 7% to take a company public in an IPO. I do not know what the average fee is in France, but in Italy it is 2%. Basically, the fees for taking a company through an IPO are two or three times in the United States what they are in Europe. That will never be mentioned, by the way, in any of the studies that are undertaken by the capital markets in

the United States because they do not want it to be well known. I would hope that the Herald Tribune would do a good exposé on that.

Finally, we have to admit that Sarbanes Oxley provides the impetus for cost. That is a factor – there is no question about it. Part of it, it seems to me, is a price well worth paying for more transparency and a perception of the investing public that these markets are safe and that it is safe to take part again. The Dow Jones Industrial Average, which stood at a little over 7,000 on 30 July 2002 is now at a record high of over 12,500 and is still going upwards. I would suggest that the recent bonuses on Wall Street, where the CEO of Goldman Sachs received USD54 million for less than a year in the job or the 30% increases in the bonuses from last year – which were already a record – indicate that the capital markets in New York are hardly hurting for business or revenue. You need to put that into your paper and have a debate about what the biggest reason is why capital markets in other parts of the world are finally enjoying the opportunity to participate in IPOs that had been the province of New York for many years.

**Liz Alderman**

In fact, we had something in our paper this morning, in the form of President Bush's speech yesterday on Wall Street in which he addresses this very issue of excessive payments to CEOs. This actually dovetails into a couple of other questions that have been submitted. You noted this in the issue that you raised earlier with respect to Enron and WorldCom and a couple of people are asking how Sarbanes Oxley addresses both corporate governance and transparency and have noted that since the Act was passed there have nevertheless been certain corporate scandals related to corporate governance. One that comes to mind in this particular instance is the Revco scandal. What, if anything, is currently being discussed between you and the SEC to address these particular types of problems of

corporate governance?

**Michael OXLEY**

While I think that the passage of Sarbanes Oxley goes a long way to preventing future Enrons and WorldComs, it does not mean that we will not have clever people who can figure out ways of getting around the system in the future. The promise was therefore not necessarily to stop that kind of behaviour for ever. After all, every country has laws against murder, but people are murdered every day. That is why I emphasised the fact that we have not only deterrents in the form of accountability, but we also have transparency.

One of the most recent scandals, as it were, is about the backdating of stock options. Everyone has read about this. There are currently 100 companies in the United States that are being investigated by the SEC for backdating the granting of stock options to insiders. In Sarbanes Oxley – talking about transparency – we changed the old law, which required the filing of that information within 90 days. That is, if you were a corporate executive and had a stock option grant or preferred stock granted, you had up to 90 days to report that. By the way, the Enron executives took full advantage of those 90 days. We all know that in today's Internet world 90 days might as well be 90 months. The Act therefore provides that within 48 hours, that stock transaction has to be reported on the website of the SEC. It is interesting to note that virtually every one of these alleged scandals of backdating occurred before 30 July 2002. That is a fascinating figure because it tells me that what we put in that legislation has worked and that shining a light on that activity and having to make that information available via the Internet on the website of the SEC has apparently stopped the practice dead in its tracks. I think that the law has a great deal to do with that.

**Liz Alderman**

I am now going to throw you a real soft ball.

This is a simple question. How could the cost of Sarbanes Oxley for companies be reduced?

**Michael OXLEY**

Sarbanes Oxley has, in fact, more sections than Section 404. Just to defend the House, Section 404 was not in the House version. The funny thing about it is that I go back every now and again and look at some of the press reports and the version that we passed in the House by a 31 margin, getting over 390 votes, was attacked almost immediately in the media as being too weak. The Senate then took their cue and enacted Section 404 and that is how it now is. The reason you attack the cost is basically what the SEC and the PCAOB have proffered with their rule making. Section 404 is only two paragraphs in length and, frankly, is quite benign. It talks about the need for internal controls – who could be against that? – and having them certified. However, what ultimately happened was that the PCAOB, which was newly created under the Act, was given some very short deadlines. Under the leadership of Bill Mc Donough, the first chairman of that body, the PCAOB promulgated regulations dealing with the whole issue of internal controls to the extent of some 330 pages. I did not think that they had enough time under the deadline to write as much as that, but they did. A lot of that, in my mind, was much too prescriptive and bureaucratic and did not comport with the intent that Senator Sarbanes and I felt was inherent in the legislation. He and I both agree on that point and that is why we went to the SEC and why I had a hearing in my committee to push the SEC towards a different avenue of attack, dealing with Section 404, that would move the onus and the power, essentially, from the outside auditor back to the board and the management who bear the ultimate responsibility to get it right. That, in and of itself, will have a significant impact on the cost.

However, let us be honest about this. As part of this process, we saw the death of perhaps the

most venerated accounting firm in the world. Arthur Andersen was considered to be the gold standard and because of the actions of a handful of Arthur Andersen employees and partners in Houston, Texas, the Justice Department saw fit to basically give it the death penalty. People ask me what was the biggest mistake in this whole process and clearly we made our share of mistakes in the legislation. However, the overriding mistake was eliminating a venerable company like Arthur Andersen, literally with the stroke of a pen, which not only decreased competition in the industry by one – a large one – but also had a major impact going forward on the attitude of the auditors as they went about their business. They are only human and are looking over their shoulders at whether they could get the death penalty like Arthur Andersen or be the subject of a class action law suit, which is prevalent in the United States. I think that it would be foolish to think that they would not be very conservative – even overly conservative – to protect their integrity, their jobs and their company by being very conservative in how they interpreted Section 404 and the directive that came out from the PCAOB. That, to me, just seems like human nature. You therefore have a combination of what once not long ago was the big eight and we are now down perhaps to the final four. That is just a truism.

I would hope that with the SEC/PCAOB changes in the standards and with a little time, we will see some pulling back. The key will be taking some power that was granted to the outside auditor and moving it back towards the corporation. I think that this will go a long way to start to balance the cost going forward. We have already seen a diminution of the cost, in our experience, over the first two or three years as the infrastructure has been put in place to do internal controls. There has been a large industry of software that has grown up around Sarbanes Oxley. When Chris Cox testified before my

committee in September, he started by holding up a yellow book, entitled Sarbanes Oxley for Dummies. I do not know about France, but in America we have books such as Poker for Dummies and Cooking for Dummies and so on. We therefore now have Sarbanes Oxley for Dummies. I do not know how many copies they sold, but I do know that they have sold at least one, because the Chairman of the SEC has it.

**Liz Alderman**

You mentioned the death penalty that had been given to Arthur Andersen. In journalism, we always say that it is the last question that kills. In retrospect, with five years of experience, how would you have written Sarbanes Oxley differently?

**Michael OXLEY**

My goodness. I would say that more and more I favour a unicameral legislature. We did quite a good job in the House version, I have to say, and despite the ruminations in the media, who do not know what they are talking about anyway, we passed a good bill in the House that I think would have dealt with the problem directly and would have eliminated a lot of the cost, and people would be a lot happier and richer. However, that is not the real world. There was another body to deal with and that is how it is. Nevertheless, it is also important to understand that this bill passed by an enormous margin in the Senate and a huge margin of 3 1 in the House and that was the tenor of the times that we were working in. I was in Congress for 25 years and dealt with numerous issues, be it telecommunications reform, energy issues, privacy issues or numerous other issues that were controversial in many ways. I have never, during that time, had the kind of experience with my own constituents in terms of how outraged they were about what they were seeing on television every night and were reading in the newspapers every day about the thousands of people who lost their life savings or their jobs or the thousands of in-

vestors who lost faith in our capital system who drove the market to all kinds of new lows. In many ways, their confidence has been restored and by any measurement, the capital markets are back and are vibrant again, not just in the United States but all over the globe, as we have had the globalisation of the capital markets. That is a good thing. It may not be the best thing for New York City, but it is the best thing for your companies, for France, for Europe and for the rest of the world, as more and more people participate in the capital markets and have faith that the investments that they make are safe and sound and that the people making the decisions in the corporations that they have invested in are honest and will do the job for them of increasing their wealth.

At the end of the day, it is a positive kind of a thing and as we deal with bumps in the road and changes that we need to make and the tweaks in the law and the regulations to make it less expensive and work better, ultimately that goal that we all share of open, free, deep and competent capital markets will lead to a better future for us and our children. After all, is that not why we do what we do? In that respect, I am very confident going forward that we will solve the problems that are there and at the same time maintain the integrity of the system that we all operate and thrive under.

Thank you very much. It has been a real honour to have been here.