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Low odds for NYSE effort to ease SarbOx

Big Board wants law relaxed for small, mid-size players

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LETHARGIC LISTINGS NYSE Euronext CEO Duncan Niederauer says Sarbanes-Oxley costs are discouraging new stock listings.

NYSE Euronext plans to lobby Congress next year to relax the Sarbanes-Oxley Act for small and mid-size companies. But veteran regulation-watchers don't see the push getting much traction because lawmakers either think the law works or have concerns about easing regulation after the subprime debacle.

"I doubt that Congress would be receptive to arguments for change because they have too little merit," Columbia University law professor Harvey Goldschmid, a former Securities and Exchange Commission member, said in an interview.

Investor advocates also oppose any easing of the law, citing studies they say show relatively low costs of compliance.

NYSE Euronext chief executive Duncan Niederauer said last week that the potential costs of complying with the 2002 law were deterring both domestic and overseas companies from listing on U.S. stock markets. In a speech at the

National Press Club, he cited a declining number of listings from Russian and Chinese companies and from venture capital-backed U.S. firms.

Asked about plans to lobby lawmakers, Mr. Niederauer said, "I think we're going to try to get into more motion here as the administration shifts." In so doing he would be adding the muscle of the world's biggest owner of stock exchanges to the unsuccessful efforts thus far of small and medium-size companies. Bills introduced in the House and Senate last year never got out of committee.

In addition to Mr. Goldschmid, other securities-policy experts who predicted the NYSE would have little success in swaying Congress to modify Sarbanes-Oxley were New York University economics professor Lawrence White, Columbia University law professor John Coffee and Georgetown University law professors Donald Langevoort and James Angel.

SarbOx sought to increase corporate disclosures, tighten internal controls and expand investor protections after the collapses of Enron and WorldCom. Small and medium-size companies have been exempted from the law each year by the SEC, which is now doing a cost-benefit study of how that has worked. On Friday, the agency granted a new one-year exemption to small firms.

In planning to lobby Congress, the NYSE hopes to get a more permanent relaxation of the standard rather than the annual extensions the SEC has given to small companies so far. About 5,000 public companies with less than \$75 million in market value had to make their first assessments of their internal controls this year and will undergo an audit of those controls next year.

To be sure, Mr. Niederauer can count on the support of some influential lawmakers. Rep. Nydia Velazquez, chairman of the House Committee on Small Business, wants the SEC to thoroughly study the issue before making a final decision.

"Rushing to implement" the law "would bring undue burdens on small firms across the U.S. and keep many of them from going public," the New York Democrat said through her spokesman in an e-mail.

Ms. Velazquez has support among some Republicans. Rep. Spencer Bachus, the senior Republican on the House Financial Services Committee, urged the SEC last year to postpone implementation of the law for small companies. But most Democrats want to keep the law as it is because of its support from investors, said Mr. White.

"Accounting problems have traditionally been a small company phenomenon, and the stock exchange is talking about exempting those most prone to abuse," said Barbara Roper, the Consumer Federation of America's director of investor

protection. "It's a bad idea."

She noted a January study by consulting firm Lord & Benoit that found complying with Sarbanes-Oxley would cost small companies an average of \$78,000 the first year, or less than the \$91,000 initially predicted by the SEC.

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