

February 4, 2004

Opening Statement by Congressman Paul E. Gillmor

**House Financial Services Committee
Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
Hearing entitled “The Role of Attorneys in Corporate Governance”**

Thank you, Mr. Chairman, for holding this important hearing and for your continued leadership in reviewing all the many factors that may have contributed to the corporate scandals in recent history at Enron and other major American corporations.

As a result of the Sarbanes-Oxley Act of 2002, spearheaded and passed by this committee to prevent future corporate malfeasance of such a magnitude, the Securities and Exchange Commission (SEC) was required to promulgate rules establishing minimum standards of professional conduct for attorneys. Section 307 specifically required the SEC to issue rules (1) requiring an attorney to report evidence of a material violation of securities law or breach of fiduciary duty (or similar violation) by the company “up the ladder,” to the chief legal counsel for the chief executive officer of the company; and (2) requiring the attorney to report the evidence to the company’s audit committee, a committee of independent directors, or to the board of directors if the counsel or officer does not appropriately respond to the evidence.

I am pleased with the SEC’s response to these requirements with their proposed “up the ladder” rule that took effect on August 5, 2003, however, I look forward to hearing further debate today on their “noisy withdrawal” proposal. I am sympathetic to remaining concerns with the requirements of this proposal, directing an attorney that is dissatisfied with a company’s response to a report of evidence of material violations to make a “noisy withdrawal” from representing the company and notify the SEC that the attorney had withdrawn “for professional reasons.”

I would like to hear a fuller discussion on the concerns with this proposal specifically regarding the impact it may have on the corporation’s relationship with their legal counsel and the possibility of information being withheld.

Thank you again, Mr. Chairman, for bringing us together today on this important issue. I look forward to an informative discussion.