Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

**Protecting Investors and Fostering Efficient Markets:
A Review of the SEC Agenda**

May 3, 2006

Good morning. We are here today to hear from a former colleague and a good friend, Securities and Exchange Commission Chairman Christopher Cox. Nine months ago, Chairman Cox was sworn in as the 28th chairman of the Securities and Exchange Commission, and he assumed the responsibility of directing the Commission in its responsibilities of overseeing the capital markets and protecting investors. As a former securities lawyer, Chairman Cox was a natural selection for the post. And in making this appearance to discuss the priorities of the Commission, Chairman Cox returns to our hearing room where he once sat as a member of this Committee.

Chairman Cox takes the reigns of the Commission at a dynamic time for our capital markets. The New York Stock Exchange has merged with Archipelago Holdings; the Nasdaq has merged with Instinet and has taken a 15 percent stake in the London Stock Exchange. Retail investors are investing in a wider range of securities products than ever before.

And by almost all barometers, the American economy has recovered well from the corporate scandals that shook investor confidence several years ago. In the wake of those scandals, this Committee shepherded through the House legislation to reform corporate governance and accounting oversight. One of the goals of the Sarbanes-Oxley Act was to strengthen the financial reporting of our public companies. Although it is difficult to quantify the benefits of this legislation, it is clear that investors once again trust our capital markets: The Dow Jones Industrial Average hit a six-year high just yesterday.

I must commend the efforts of the Commission in overseeing the execution of the mandates contained in the Sarbanes-Oxley Act. It is true that the implementation of the Act's internal control requirements has been more onerous than originally predicted. However, it is critical that we allow our regulators to rectify the implementation difficulties that public companies and their auditors face.

In this regard, I am encouraged by the efforts that Chairman Cox and the Commission have made and continue to make in engaging in discussions with public companies and auditors about these internal control requirements. Following up on last year's Roundtable, next week the Commission and the Public Company Accounting Oversight Board will be hosting a Roundtable on Internal Controls to discuss second-year experiences with these provisions. Following that initial Roundtable, both regulators issued additional guidance relating to the internal control reporting requirements.

The Commission will also soon be taking into consideration the recommendations of its Advisory Committee on Smaller Public Companies, created by the Commission to assess the regulatory burdens smaller public companies face. Again, I am pleased by the proactive efforts of the Commission.

I also want to commend Chairman Cox for his recent initiatives to enhance the financial reporting at our public companies. Realizing that the heart of our capital markets is the timely and accurate disclosure of financial information, Chairman Cox has sought to make this financial information more understandable and accessible to investors.

This past December, Chairman Cox, along with Robert Herz, Chairman of the Financial Accounting Standards Board, announced an initiative to reduce the complexity in financial reporting. This effort includes revising outdated and complicated accounting standards as well as working towards the convergence of international accounting standards. In addition, Chairman Cox's advocacy of the use of eXtensible Business Reporting Language, or XBRL, has the potential to empower millions of investors with better financial analysis.

Finally, I would like to mention one area of reform which this Committee has championed since the corporate scandals a few years ago. The credit rating agency became a focus of congressional interest because the dominant rating agencies had rated WorldCom and Enron investment grade just prior to their bankruptcy filings. This Committee and the Capital Markets Subcommittee, under the leadership of Chairman Baker, have held a series of hearings focusing on the lack of competition, accountability, and transparency in the credit rating industry. Congressman Fitzpatrick has introduced legislation, H.R. 2990, that would bring more competition, transparency, and oversight to this industry. I am hopeful that this Committee can work in a bipartisan manner and with the Commission to make this reform a reality.

I look forward to hearing from our distinguished witness, Chairman Cox, on these and other Commission initiatives.