



**Testimony of Marie N. Hollein, CTP
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**Before the
Subcommittee on Capital Markets
and Government Sponsored Enterprises
Committee on Financial Services
U.S. House of Representatives**

**On the Topic of
The 10th Anniversary of the Sarbanes-Oxley Act**

July 26, 2012

Prepared Testimony to the Subcommittee on Capital Markets and Government

Sponsored Enterprises

By Marie N. Hollein, CTP

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On Behalf of Financial Executives International

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Good morning Chairman Garrett, Ranking Member Waters, and members of the subcommittee. I am pleased to testify before you today concerning “The 10th Anniversary of the Sarbanes-Oxley Act,” which continues to impact members of the organization I lead, Financial Executives International.

FEI is a professional organization of 15,000 senior-level financial executives -- including chief financial officers, controllers, treasurers, and tax executives -- from more than 8,000 private and public companies, across all industries.

FEI provides a unique forum for senior-level financial executives, and its mission incorporates what we refer to as the “4 I’s”:

- Interaction;
- Information;
- Influence; and
- Integrity

These pillars are paramount for FEI members, and serve as our policymaking roadmap in Washington.

Integrity is not only the bedrock for our organization; it is the necessary first principle for effective markets. From families saving for retirement to professionals managing billions of dollars, every investor depends on accurate and reliable financial reporting. Without the trust that comes with market integrity and sound corporate governance: investors withdraw, capital markets wither, companies cannot grow and jobs become scarce.

Ten years ago, after corporate scandals began to damage investor confidence in this country, Congress passed Sarbanes-Oxley. Today, with the benefit of hindsight and history, we have an opportunity to examine what has worked in the realm of corporate governance, and how we might do better in the future.

In my statement today, I will cover four issues:

- FEI's role in Sarbanes-Oxley;
- The costs and benefits of the law;
- How it compares to Dodd-Frank; and
- Other on-going, anti-fraud initiatives.

Over the course of the Sarbanes Oxley debate, FEI offered several recommendations that Congress eventually adopted into the legislation, these included provisions concerning auditor independence, whistleblowers, the creation of the PCAOB and the addition of a financial expert to companies' audit committees. FEI also recognized that while the vast majority of financial executives conduct themselves with unwavering integrity, because of our special role in corporate governance, our members need to adhere to a specialized code of ethical conduct. This recommendation resulted in the requirement that a company's CEO, CFO and/or CAO certify the firm's financial statements.

The requirement that CEOs personally certify their company's financial statements is the crown jewel of Sarbanes-Oxley. This personal responsibility sets the tone at the top, increasing accountability and driving better corporate governance.

After its passage, even ardent supporters of SOX acknowledged portions of the law were costly and time-consuming. The vast majority of financial executives found the initial SEC and PCAOB rules implementing SOX were overly prescriptive. The SEC and PCAOB incorporated this feedback into subsequent rule-makings, which FEI appreciates.

Attempting to measure the cost of SOX, FEI has annually conducted an Audit Fee Survey. We found that for public companies who responded to our survey regarding their audit fees for the year 2011, on average, fees continue to rise 5% from the prior year, to \$4 million per company. Clearly, the cost of compliance continues to grow.

Sarbanes-Oxley has clearly increased audit fees and the hours devoted to audits for our members. But, our members are now facing additional costs on a much greater scale stemming from Dodd-Frank. When comparing these two laws, Dodd-Frank trumps Sarbanes-Oxley in size and scope, but also in the sheer number of rules that even non-financial companies must comply with. SOX required only 14 new SEC rules, whereas Dodd-Frank requires the SEC to tackle 100 new rulemakings.

Remember, most of our members work for Main Street, not Wall Street, businesses. Yet even for them, the Volcker rule carries liquidity impacts. And, derivatives regulation is likely to increase costs and hinder risk management practices for senior-level financial executives in every industry.

With respect to H.R. 6161 offered by Congressman Fitzpatrick, while FEI currently does not have a position on the bill, a number of our members' companies would benefit from the increase in reporting flexibility it provides.

As we look back at older laws, and consider new ones, it is important to remember that new laws and regulations are not the only path to better markets. FEI also believes strongly in 'stepping up' to the plate to research, improve and share best practices in deterring and detecting fraud. For example:

- FEI is one of the five founding members of COSO, the Committee of Sponsoring Organizations of the Treadway Commission. Currently, COSO is updating its *Internal Control – Integrated Framework* which is widely utilized by auditors in examining a company's internal controls and ensuring their effectiveness.
- FEI is also a member of the Anti-Fraud Collaboration. The collaboration draws on expertise from across the financial reporting supply chain, and sponsors anti-fraud education and projects for the profession.

Ensuring market integrity is at the center of each of our efforts, and the goal of all of us in this room today. Thank you for the opportunity to address you this morning. I look forward to your questions on these and other topics.