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May. 02, 2017



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*Serving Investors, Public Company Auditors & the Markets*

In a [joint letter to House Financial Services Committee leadership](#), the Center for Audit Quality (CAQ), Council of Institutional Investors (CII), and CFA Institute today expressed shared opposition to any legislation that would erode Section 404(b) of the Sarbanes Oxley-Act (SOX) or that would revise the definition of accelerated filer as defined in Securities Exchange Act of 1934.

The letter, sent ahead of the House Financial Services Committee's scheduled May 2 markup of the Financial CHOICE Act 2017 Discussion Draft, outlines the many benefits for companies that meet the current definition. These benefits include enhanced investor and market confidence in financial information that is among other things, timely and verified independently which research shows, in turn, can lead to lower cost of capital.

“We commend efforts to strengthen the US economy and help companies raise

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The surveys cited in the letter were conducted separately by independent research firms on behalf of the CAQ. They revealed that 74 percent of certified financial advisors and 85 percent of public company CFOs support important investor protection provisions in SOX.

Eighty-two percent of financial advisors and 79 percent of CFOs say SOX, which 15 years ago established a wide range of measures to strengthen financial reporting, has improved the reliability of financial information.

“These polls provide yet another indicator of the extraordinary and confidence-building success of the Sarbanes-Oxley Act,” said CAQ Executive Director Cindy Fornelli. “The law helped to enhance the quality of financial information on which financial executives and financial advisors rely.”

Since 1977, federal law has required public companies to establish and maintain a system of internal control over financial reporting (ICFR) that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. SOX—passed nearly unanimously by Congress in the wake of high profile corporate frauds—added a requirement, Section 404(a), that management annually assess the effectiveness of the company's ICFR and report the results to the public. SOX 404(b) requires public companies to engage an independent auditor to attest to management's ICFR assessment.

Seventy-three percent of financial advisors surveyed said that it would benefit their clients if all public companies were required to have an independent ICFR audit. Currently, companies with market capitalizations of less than \$75 million are exempted from complying with SOX Section 404.

According to the CAQ's CFO survey, 85 percent of CFOs feel the ICFR audit has helped

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"Investors in companies of all sizes should benefit from protections provided under Section 404(b)," said Ken Bertsch, executive director of the Council of Institutional Investors. "We are pleased to join with the CAQ and CFA Institute to urge Congress to preserve 404(b) on behalf of all investors."

View full survey results:

- [CAQ Pulse Poll: CFO Perspectives on the Sarbanes-Oxley Act](#)
- [CAQ Pulse Poll: Certified Financial Advisor Perspectives on the Sarbanes-Oxley Act](#)
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