

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

**H.R. 3763, Corporate and Auditing
Accountability, Responsibility, and Transparency Act (CAARTA)**
March 13, 2002

Good morning and welcome to the Committee's first legislative hearing on the Corporate and Auditor Accountability, Responsibility, and Transparency Act of 2002, or CAARTA.

This legislation makes important changes in the accounting profession, in the way public companies report their financial results, and the manner in which investors access that information.

These issues are among the most serious in our jurisdiction. They have percolated for some time. Now, the bankruptcies of Enron, Global Crossing, and others have pushed them to the forefront.

Hearings held in this Committee over the past few months have demonstrated yet again the need for modernizing our financial reporting and disclosure system. Also, it is clear that we must have stronger oversight of the accounting profession.

There should be no question that the Federal securities laws need to be updated to ensure that investors have access to the most recent, transparent, and meaningful information concerning public companies. Enhancing the public's faith in financial statements is absolutely critical. They serve as the bedrock of our capital markets.

Our legislation, CAARTA, addresses these fundamental issues by strengthening our markets in a careful way. We avoided the temptation some apparently feel to blanket market participants in a sea of red tape.

The legislation creates an entirely new oversight regime for public accountants, requiring accountants to be rigorously reviewed to ensure that they meet the highest standards of competence, independence, and ethical conduct.

CAARTA also recognizes the need for corporate leaders to act responsibly, and holds them accountable if they fail to do so.

The legislation makes important improvements in the area of corporate transparency, requiring that companies disclose to investors important company news on a "real-time" basis.

It also directs the SEC to require companies to disclose the use of off-balance sheet transactions.

CAARTA's provisions are designed to increase public confidence in the U.S. capital markets. It is important that they remain the world's most efficient means of promoting economic growth and providing retirement security.

President Bush recently announced a ten-point plan to improve corporate responsibility and protect America's shareholders.

I am pleased that the plan's core principles – providing better information to investors; making corporate officers more accountable; and developing a stronger, more independent audit system – are embodied in our legislation.

I look forward to continuing our close collaboration with the Bush Administration on this vital capital markets issue.

I would also like to mention Fed Chairman Alan Greenspan's recent testimony before this Committee.

Discussing the implications of the Enron collapse, Chairman Greenspan noted that it has already sparked a very significant shift towards more corporate transparency and more responsible corporate governance practices. While it does not, in my view, obviate the need for government action, the markets' self-correcting mechanism certainly does underscore the danger of overreacting to the Enron matter.

I am pleased that CAARTA reflects Chairman Greenspan's support for more transparent financial reporting and for strengthening the independence of the audit.

I want to thank all of the Members of this Committee for working so diligently on this important legislation.

Let me also thank all of our witnesses in advance for their participation here this morning, and I turn now to Ranking Member LaFalce for his opening statement.

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