THE SARBANES-OXLEY ACT
OF 2002:
A SUMMARY

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PREFACE

Sparked by the Enron and WorldCom debacles and other widely publicized corporate and accounting scandals, the Sarbanes-Oxley Act of 2002 was passed by Congress by nearly unanimous votes and signed into law by President Bush on July 30, 2002. The Act, described by the President as incorporating “the most far-reaching reforms of American business practices since the time of Franklin Delano Roosevelt,” is intended to establish investor confidence by improving the quality of corporate disclosure and financial reporting, strengthen the independence of accounting firms, and increase the role and responsibility of corporate officers and directors in financial statements and corporate disclosures. By late January 2003, the Securities and Exchange Commission had adopted most of the implementing rules contemplated by the Act, completing the most intense rule-making period in its history.

The Sarbanes-Oxley Act affects in a most significant way virtually every publicly held company, as well as their directors, officers, employees, lawyers, and accountants. The Act’s ambitious agenda is aimed at nothing short of changing the landscape of corporate America. The Act’s goals include reforming public company accounting, reforming the governance of public companies, increasing the personal responsibility of CEOs and CFOs for public company financial statements and securities filings, making financial disclosure more transparent and understandable by investors, and enhancing the objectivity of securities analysts. Establishing comprehensive federal rules in areas formerly reserved for state regulation or self-regulation, the Act truly changes the rules of the corporate game.

In this monograph, Professor Thomas G. Bost of Pepperdine University School of Law summarizes the Act and the voluminous implementing rules issued by the SEC in the months following its enactment. He examines the business and political environment that gave rise to the Act and assists in understanding the purposes of its complex provisions. In addition, Professor Bost reviews some of the uncertainties, open questions, and unintended consequences of the Act.

Like all other publications of the National Legal Center, this monograph is presented to encourage a greater understanding of the law and its processes. The views expressed in this monograph are those of the author and do not necessarily reflect the opinions of the advisers, officers, or directors of the Center.

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# TABLE OF CONTENTS

**PREFACE**  
ERNEST B. HUETER

**THE SARBANES-OXLEY ACT OF 2002: A SUMMARY**  
THOMAS G. BOST

**INTRODUCTION**  
A Climate for Reform  
The Act Becomes Law  
Primary Goals of the Act  
- Reform Public Company Accounting  
- Reform Governance of Public Companies  
- Increase CEO and CFO Responsibility for Public Company Periodic Reports and Financial Statements  
- Improve Financial Reporting and Disclosure Under the '34 Act  
- Enhance Objectivity of Securities Analysts  
- Extend the Statute of Limitations for Securities Fraud Suits

**THE ACT AND IMPLEMENTING RULES**  
General Coverage of the Act  
Reforming Public Company Accounting  
- The Public Company Accounting Oversight Board  
- Strengthening Auditor Independence  
Reforming Governance of Public Companies  
- Enhancing the Independence, Authority, and Responsibility of the Audit Committee  
- Expanding and Changing the Responsibilities of Corporate Counsel  
- Prohibiting Personal Loans to Executives  
- Barring Unfit Officers and Directors from Public Companies  
- Prohibiting Insider Trades during Pension Fund Blackout Periods  
- Protecting Corporate Whistle-blowers
Increasing CEO and CFO Responsibility for Public Company Periodic Reports and Financial Statements
- Requiring CEOs and CFOs to Certify the Company’s Periodic Reports, Including Financial Statements, Filed under the ’34 Act
- Requiring CEOs and CFOs to Forfeit Bonuses and Stock Sale Profits in the Case of Accounting Restatements

Improving Financial Reporting and Disclosure under the ’34 Act
- Disclosing Off-Balance Sheet Arrangements
- Reforming Use of Pro Forma Figures
- Disclosing Code of Ethics for Senior Officers
- Disclosing Material Changes and Insider Stock Sales Rapidly

Enhancing the Objectivity of Securities Analysts
Extending the Statute of Limitations for Securities Fraud Suits

CONCLUSION

ABOUT THE AUTHOR

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