

Sarbanes-Oxley: Hurting Or Helping U.S. IPOs?

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Many in the U.S. business community are concerned over regulations that they think are hurting them in key areas--like IPOs. [According to the Committee on Capital Markets Regulation](#)--the U.S. raised only 5% of the value of global IPOs last year. That's compared to 50% in 2000.

So why are more companies going private in the U.S. and going elsewhere to be public? Is it because of [Sarbanes-Oxley](#) (the accounting reform measure also known as Sarbox)? Perhaps more importantly--is a law like Sarbox hurting American competitiveness?

Wayne Brough is vice-president of research at Freedom Works. He believes Sarbox should be reformed. Paul Maidment is editor of Forbes.com. He says there's little evidence of Sarbanes-Oxley is hurting anyone. Both appeared on "Morning Call."

Brough says many companies are going to Honk Kong or London for money and NOT the U.S. when it comes to being an IPO. He says Sarbanes-Oxley goes too far in its attempt to stop irregularities in business. Brough says foreign countries are more friendly to newer companies that the U.S. currently is and will be in the near future.

Maidment takes a lot different approach. He says yes--Sarbox is "onerous" when it comes to regulating small businesses but that there's very little proof the regulations are hurting companies when it comes to IPOs. He says it's natural that companies would look to places like Hong Kong and London for IPO money. Maidment also says it's worth having tough regulations in place--as he cited Enron and WorldCom as examples of cases where not having regulations failed and investors lost confidence in business.

FYI: Brough went on to say that he wants section 404 of Sarbanes-Oxley pretty much taken out. This is the part of the law that requires a company's top management team to sign off on the accounting and financial reporting by the company. Critics of the critics say it's important for management to be aware of company financials to avoid fraud or deceptive practices.

Sarbanes-Oxley was passed into law in 2002--and named after its sponsors--former U.S. Sen. Paul Sarbanes (D-MD) and U.S. Rep. Michael Oxley (R-OH).

Another FYI: other says it's not a lack of IPOs [but an over dependence on foreign investment](#) in the U.S. that's hurting American competitiveness.



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