

Markets

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Greenspan Sees Changes in Anti-Fraud Law

By MARK JEWELL AP Business Writer
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BOSTON — Former Federal Reserve Chairman Alan Greenspan said Thursday he expects newly energized congressional Democrats to ease some accounting requirements of a landmark 2002 anti-fraud law that much of corporate America has criticized as overly burdensome.

Greenspan told a receptive audience at a business technology conference that the shift in Congress from Tuesday's elections will expand the influence of two Democrats who will help shape corporate regulatory policy.

Sen. Charles Schumer represents New York and its huge financial services industry, and Rep. Barney Frank of Massachusetts is expected to become chairman of the House Financial Services Committee. Both back changes to a key part of the Sarbanes-Oxley law, said Greenspan, who retired in January after serving as Federal Reserve chairman since 1987 under Republican and Democratic administrations.

"It's likely something is going to happen," probably in the next Congress' two-year term, Greenspan said in an hourlong question-and-answer session at a conference organized by the technology firm AMR Research.

Greenspan said he expects changes to a Sarbanes-Oxley provision called Section 404, which requires publicly traded companies to file reports with regulators on the strengths of their internal financial controls and fix any problems. Critics say the rules have triggered a steep rise in accounting expenses and need to be relaxed, especially for smaller companies.

The regulations U.S. companies face are a key reason why several firms have recently chosen to make their public stock debuts on overseas markets such as London, rather than in the United States, Greenspan said.

Greenspan said Congress failed to adequately consider potential drawbacks of some of Sarbanes-Oxley's requirements before the legislation overwhelmingly passed both houses in 2002 in response to financial scandals at companies such as Enron and WorldCom.

"Sarbanes-Oxley passed both houses with almost unanimous votes. Any bill that goes through Congress with that sort of vote cannot be good," Greenspan said to laughter and loud applause.

The law passed "with the vast, vast majority of the House and Senate not having read the bill," Greenspan said.

Greenspan said Democrats' election gains Tuesday were not the result of anything the party did.

"This was an election in which the Republicans lost," Greenspan said. "The Democrats didn't win, they just happened to be standing there. You'd be hard-pressed to find what the Democrats' agenda is."

Greenspan said he didn't expect to see any major changes in U.S. trade policy with the Democrats controlling Congress. Democratic leaders appear to be staking out moderate or even conservative positions on most trade issues so far, said Greenspan, who is writing a book and now runs an economic consulting company, Greenspan Associates.

On other topics, Greenspan said corporate America's recent reports of generally healthy third-quarter profits "started everybody" after surveys showed many corporate executives expect an economic slowdown.



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