

order to finish this farm bill quickly. However, we should still send the message to the Farm Bill conferees about consumers' right to know the origin of the food they buy and producers' right to distinguish their product.

I urge my colleagues to support country of origin labeling and this motion to instruct. We must protect the considerable investment that we have made in our high-quality, safe meat supply.

Ms. HOOLEY of Oregon. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to instruct offered by the gentlewoman from Oregon (Ms. HOOLEY).

The motion to instruct was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Ms. HOOLEY of Oregon. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the motion to instruct conferees on H.R. 2646.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Oregon?

There was no objection.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12 of rule I, the Chair declares the House in recess for 5 minutes.

Accordingly (at 10 o'clock and 24 minutes a.m.), the House stood in recess for 5 minutes.

□ 1030

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. SHIMKUS) at 10 o'clock and 30 minutes a.m.

PROVIDING FOR CONSIDERATION OF H.R. 3763, CORPORATE AND AUDITING ACCOUNTABILITY, RESPONSIBILITY, AND TRANSPARENCY ACT OF 2002

Mr. SESSIONS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 395 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 395

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 3763) to protect investors by improving the accuracy and reliability of corporate disclosures made

pursuant to the securities laws, and for other purposes. The first reading of the bill shall be dispensed with. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Financial Services. After general debate the bill shall be considered for amendment under the five-minute rule. It shall be in order to consider as an original bill for the purpose of amendment under the five-minute rule the amendment in the nature of a substitute recommended by the Committee on Financial Services now printed in the bill. The committee amendment in the nature of a substitute shall be considered as read. All points of order against the committee amendment in the nature of a substitute are waived. No amendment to the committee amendment in the nature of a substitute shall be in order except those printed in the report of the Committee on Rules accompanying this resolution. Each such amendment may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. All points of order against such amendments are waived. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. Any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from Texas (Mr. SESSIONS) is recognized for 1 hour.

Mr. SESSIONS. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes to my friend, the gentlewoman from New York (Ms. SLAUGHTER), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for purposes of debate only.

Mr. Speaker, the resolution before us today is a fair, structured rule providing for the consideration of H.R. 3763, the Corporate and Accounting Accountability, Responsibility, and Transparency Act of 2002.

The rule provides for 1 hour of general debate, equally divided and controlled by the chairman and ranking minority member of the Committee on Financial Services. All points of order against consideration of the bill are waived.

The amendment in the nature of a substitute recommended by the Committee on Financial Services now printed in the bill shall be considered as the original bill for the purposes of amendment and shall be considered as read. All points of order against the bill, as amended, are also waived.

Only the amendments printed in the report of the Committee on Rules ac-

companying the resolution are made in order. These amendments shall be considered only in the order printed in the report and may be offered only by a Member designated in the report. They shall be considered as read and debatable for the time specified in the report, equally divided and controlled by the proponent and an opponent. They shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. Points of order against the amendments are also waived.

Finally, the rule provides one motion to recommit, with or without instructions.

Mr. Speaker, I am pleased that today we are going to debate the Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002, known as CARTA. Two weeks ago, the House considered and passed the Pension Security Act, which focused on providing workers with new options and resources concerning their pensions. Today, we are considering legislation that affects the corporate accountability side of that issue.

Mr. Speaker, currently, more than half of all U.S. households invest in mutual funds, pension funds, or 401(k) plans. The face of the American investor is younger and more diverse than ever today. I firmly believe that encouraging Americans to help secure their own future through savings is vitally important for their own success. While savings must begin with the individual, there are also ways that the government can, must, and will help to encourage people to save.

The positive ripple effects of this bill are far-reaching. Restoring investor confidence in the financial stability of companies doing business in this country leads to more jobs and a stronger economy. Increasing accessibility of timely and accurate investment information helps American workers not only plan for retirement, but also better assures them of a secure retirement. For those of us who are still planning for our children's college educations, we can be assured that greater corporate responsibility will help protect these and other investments that, as American workers, we make.

This legislation focuses on several principles, all designed to protect investors and employees.

First of all, we must restore confidence in accounting. In order to ensure auditor independence, firms would be prohibited from offering controversial consulting services to companies that they are also auditing.

Additionally, under CARTA, a new public regulatory board with strong oversight authority would be established, and under the direction of the Securities and Exchange Commission, they would work together. This bill recognizes that strong and healthy accounting companies that provide investors with accurate information are critical to ensuring the financial

soundness of companies that investors rely upon.

CARTA also contains provisions that increase corporate disclosure and responsibility. This bill increases the amount of information that would be made available to American workers, investors, and the general public. Instead of presenting this information using legal jargon, investors would receive increased information in real time English and in real time words, where they can understand the essence of not only financial accountability, but also the financial standing of a company.

This is good news for me, because it means we do not need an advanced accounting or legal degree in order to decipher the information. The average American investor will be able to obtain meaningful information, and they will be able to obtain it in a timely fashion.

CARTA also creates parity between senior corporate executives and rank and file workers. During blackout periods, which are routine times when a plan must undergo administrative or technical changes, employees many times are unable to change or access their retirement accounts. What we saw from Enron was an egregious example of disparity, where corporate executives were able to sell off their investments and preserve their savings while rank and file workers were barred from making those same changes. CARTA would prohibit insider sales during blackouts for every single employee.

I have also mentioned some additional responsibility that this bill requires of the Securities and Exchange Commission. However, this legislation also recognizes that we must make sure that the SEC has adequate resources and staffing in order to do an effective job.

The SEC's budget would be increased by 62 percent, allowing them to perform its additional tasks and oversight duties. Among those duties would be regular and thorough reviews of the largest and most widely-traded companies in America.

One thing that has come out from the seven Enron-related hearings in the Committee on Financial Services alone is that investors are not receiving the necessary unbiased information needed to make responsible investment decisions. It is clear that Wall Street research practices are in need of reform. CARTA also addresses this by directing the SEC to study the new regulations and report back to Congress through annual updates on the effectiveness of current rules and standards. This is a critical step towards reducing and resolving conflicts of interest for analysts.

Mr. Speaker, I would also like to today commend the chairman of the Committee on Financial Services, the gentleman from Ohio (Mr. OXLEY), and the gentleman from Louisiana (Chairman BAKER), for their efforts in put-

ting together a carefully crafted and balanced approach. When something such as Enron happens, we as Members of Congress must fight the temptation to react by overlegislating, thus doing more harm than good. These two gentlemen, through their leadership, have made sure that this did not happen.

I believe that the committee of the gentleman from Ohio (Chairman OXLEY) has diligently worked to make sure that the bill we consider today is a balanced and appropriate step towards addressing issues which were highlighted and brought to bear to all Americans as a result of the collapse of Enron. I am pleased that this bill will help create more jobs and strengthen our economy by restoring confidence in corporate financial stability.

I urge my colleagues to support this fair rule. I urge my colleagues to support the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I yield myself such time as I may consume.

(Ms. SLAUGHTER asked and was given permission to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman from Texas for yielding me the customary 30 minutes.

This body is about to blow an extraordinary opportunity to address the erosion of trust between the American people and the financial institutions that wield enormous control over their lives.

Make no mistake, the outrage of our constituents is real. They are fed up with corporate fraud and abuses that have produced massive layoffs and wiped out the life savings of thousands of working families. The American people have voiced their outrage to this body through every medium available: letters, e-mails, hearings, interviews, you name it. They have shared stories of devastation, of loss, and dreams deferred, all in the hope that Congress would act to prevent future scandals.

Global Crossing's North American headquarters are located in my district in Rochester, New York. I am sure Members remember Global Crossing. The company was the darling of Wall Street, yet somehow it managed to plummet from a net worth of \$22 billion to \$750 million in the span of less than a year, not too far from AOL Time Warner, we hear this morning.

In the wake of its collapse, the lives of thousands in my district were shattered, all because the promised safeguards failed at every level. My people got a hard lesson on how companies cheat, overstate, or obscure their financial disclosures in an effort to charm analysts and to manipulate investor expectations.

On March 9, I hosted a public forum in Rochester where 250 people came to share their experiences. One Global Crossing employee noted, and I quote, "Many former employees have been economically devastated as a result of

corporate greed and the mismanagement of Global Crossing. People have spent their life savings and have had to cash in their deflated retirement/401(k) plans just to survive these last few months after Global Crossing abruptly ceased their promised severance payments. Some former employees are now forced to file bankruptcy themselves, while others may lose their homes, have had to drastically change their lifestyles, and are barely surviving."

Mr. Speaker, my constituents want real reform, not cosmetic changes, to correct the systemic flaws that brought about such havoc in our community. Quite simply, the market failed us, just as it did with the employees and shareholders of Enron.

I had hoped to send good news back today. I had hoped to tell my constituents that this underlying bill is the real thing, that the measure before us will restore confidence and integrity to the markets, and produce tough and effective reforms. But this bill does none of that. Indeed, it creates merely the illusion of reform. In what has become standard operating procedure in this body, corporate interests are the winners.

As for my colleagues, I wish I could say that what hit my community was an isolated event. I wish I could say that with the underlying bill in place, this would never happen in Members' communities. But even the sponsors of the measure acknowledge more Global Crossings and Enrons may come to light. In the months ahead, another Member of Congress will have to face thousands of panicked constituents wondering what happened to their future.

Mr. Speaker, the underlying bill simply sidesteps the problem. It does not provide for a strong, independent regulator for the auditing industry, but simply punts Congress' job to the Securities and Exchange Commission. To be blunt, this job is much too important to delegate. We need to create a powerful regulatory board to set strict standards for auditor independence, with sweeping investigative and disciplinary powers over audit firms.

□ 1045

The underlying bill pays lip service to the issue of auditor independence, but provides no guarantees that an auditor will not be compromised by payments received from his client for his consulting services. It does not ban auditors from performing nonaudit services that create conflicts of interest. Moreover, the bill says nothing about the revolving door between auditors and their clients. Enron, for example, hired several Arthur Andersen auditors, even though auditors who are angling for jobs from their customers are unlikely to show much independence from them.

The bill is also silent on the rotation of audit firms. If an auditor knew that after a few years a different outside

auditor would scrutinize its efforts, this would create a strong incentive to keep the numbers honest. But the half-measures contained in the bill continue. For instance, the bill protects corporate wrongdoers by making it more difficult to go to court to stop officers and directors who engage in deliberate misconduct. The bill does not hold corporate CEOs accountable by requiring them to certify the accuracy of their financial statements, as the Democrat substitute would do.

The underlying bill allows Enron executives and other dishonest CEOs to keep their ill-gotten gains, rather than requiring them to surrender stock bonuses and other incentive pay, as the Democrat bill provides. The underlying bill would simply study the issue. Moreover, individual investors and victims of securities fraud who want to hold the industry accountable for wrongdoing will face major legal hurdles. The committee-reported bill also does nothing to prevent securities analysts' conflicts of interest, even after investigations by New York Attorney General Eliot Spitzer exposed numerous examples of analysts' false or misleading advice to investors.

Mr. Speaker, I urge my colleagues to support real reform.

Mr. Speaker, I reserve the balance of my time.

Mr. SESSIONS. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DREIER), the favorite son from San Dimas, who is the chairman of the Committee on Rules.

Mr. DREIER. Mr. Speaker, I thank my friend for yielding me time and I congratulate him on his superb management of this measure.

Mr. Speaker, I would like to say that I believe it is important for us to realize that we faced what clearly was one of the most devastating and horrible business failures in our Nation's history with the collapse of Enron. I know that there was a temptation by many to politicize this issue and take what clearly was a business failure and somehow determine that it was a political failure and that there were some political figures to blame.

I think that the work that the gentleman from Ohio (Mr. OXLEY) and the Committee on Financial Services has done is a very clear demonstration that there is recognition in a bipartisan way of this substitution that there was a business failure. And the debate that we will proceed with today makes in order two substitutes from our Democratic colleagues and three amendments from our Democratic colleagues which will allow for a full airing of this question.

I think that with the vote that came from the committee, Mr. Speaker, by a margin of 49 to 12, demonstrates that Democrats and Republicans alike have come together to deal with this very serious problem.

As my friend, the gentleman from Dallas, Texas (Mr. SESSIONS) men-

tioned, there are tremendous numbers of Americans who are members of what is called the investor class. In fact, many believe that over half of the American people are involved in 401(k)s, individual retirement accounts, or some other kind of investments. And it is obvious that there have been some problems with accounting and auditing. That is clearly an understatement. We have seen some very serious problems come forth and we have seen some abuse that has been reported by executives juxtaposed to employees in companies when it has come specifically to the blackout period of time when executives have been able to sell their stock and employees have not been able to.

This legislation is designed to address some of the very serious problems that exist in the area of accounting and auditing, and it is also designed to provide, once again, a level of confidence forever for those members of the American public who are part of the investor class.

It is my hope that we will see more and more Americans participate as members of the investor class. Our goal is to try and make sure that there is enough opportunity for everyone to be part of what President Kennedy loved to call that rising tide that lifts all ships.

I think that this bill will go a long way towards instilling that level of confidence that is necessary. The rule, as has been acknowledged by both sides, is very fair. We in the majority have again turned ourselves inside out to make sure that we provide an opportunity for those in the minority to be heard on this, and they clearly will have that opportunity as we proceed with debate today.

I urge my colleagues, Mr. Speaker, to vote for the rule and for the underlying legislation and we will have a full and rigorous debate on all of the amendments that will take place between now and then.

Ms. SLAUGHTER. Mr. Speaker, I yield 5 minutes to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, I rise this morning in opposition to this rule and the current legislation.

I have the privilege of serving on the Committee on Financial Services as well as serving on the Committee on Small Business. I had the privilege and opportunity to ask questions of Harvey Pitt, the SEC chairman. I had the privilege and opportunity to ask questions of the CEO of Arthur Andersen, CEO of Enron, and the CEO of Global Crossing. And what I have to say to the American public this morning is, in the course of that questioning I have never seen any men more arrogant in my life. I have never seen any men who believe that they did not need to respond to the questions of the American public on their conduct. If, in fact, the exhibition of the questions and answers before that committee are any indication of the conduct of the CEOs of large

companies, then clearly this legislation that we put on the floor this morning does not go far enough to deal with the issue of CEO responsibility.

I stand in support of a Democratic substitute that would strengthen corporate responsibility and executive accountability by requiring CEOs and CFOs to certify the accuracy of their firm's financial statements, subjecting them to criminal penalties for lying. If the rest of us are subject to criminal penalties for lying, why should they not be?

I will give you a perfect example. When I asked the Global Crossing CEO what his salary is, he said, Mrs. JONES, it is a matter of public record. And I said, sir, it may well be, but I want you to answer my question for the record. He said it was \$3.5 million. He failed to disclose at that point that he got a \$10 million loan forgiveness to become the CEO of Global Crossing.

Let us go on to say that it is important as Members of this Congress that we restore the public's trust in the CEOs and CFOs of large companies in which we invest. Clearly, not everyone is an investor, but there are those, like those who are members of the Public Employees Retirement System of the State of Ohio, who lost their compensation as a result of the Enron situation or the California Public Employee Retirement System. I believe we need greater accountability. And while we are doing this, let us not just sit back and give something to the public where we say we are doing something when in reality the bill does not go far enough.

I think it is important that we look to auditor independence and industry oversight. When I questioned the Arthur Andersen head, as well as Mr. Pitt, it was clear that in the past we have not done a good job of distinguishing between auditor and the consultant. And this legislation, in my opinion, does not go far enough to distinguish and keep them from being in the position of saying, oh, your company is in great shape, when in reality it is not.

Mr. Speaker, it is clear that we need to be in a position to distinguish between those two roles so that never again do we find ourselves in the position of having the possibility of an Arthur Andersen, being the accounting firm that is looked upon as the greatest accounting firm in the world upon which all of us rely, when in fact, behind the scenes, and I am not saying all Arthur Andersen employees were involved in the process, but in fact the name Arthur Andersen was consistent with who you invested in.

Mr. Speaker, again, I believe it is important that any legislation that we deal with this morning deals with the independence in the auditor industry as well as dealing with issues of conflict of interest. And so, therefore, I again rise in opposition to the rule, and with all respect to the chairman and this great effort in dealing with this legislation, we need greater corporate

accountability and CEO accountability. And we do not need just a study about what CEOs do in a possible conflict of interest, we need some legislation that addresses the conflict.

Mr. SESSIONS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we have heard a lot of political rhetoric about how the Federal Government should be engaged in the oversight of companies, the oversight of CEOs. We hear about how CEOs are arrogant and think that what they want to think should not fall into compliance of what many of us others think. But the fact of the matter is that we live in an environment where the free market has an opportunity to have success and have failure. The free market has that balance which they have to follow, and, in fact, we did; we have learned something as a result of the circumstance with Enron. But that balance continues to come back to us, and we as Republicans, while listening to the exact same words and the questions that were spoken throughout these committee hearings, also heard something that the Federal Reserve Chairman Alan Greenspan said, and I would like to quote him at this time. He said,

We have to be careful, however, we have to be careful with how the Congress and the American public react. We should not look to a significant expansion of regulations as the solution to current problems.

I believe that perhaps this statement made by the Federal Reserve Chairman is among the most important, and one that Members of Congress should take seriously as our duties as Members of Congress, and understand that while we saw, and many of us sat by helplessly and watched as the Enron problem began and then got worse, and then we watched the fall-out from it, we should learn lessons from what happened and not overreact. We should not go out and place rules and regulations across the entire industry, not only in accounting practices but also across CEOs at other companies, that will cause them to do the wrong things, which will cause them to not share information.

That is where this carefully crafted legislation by the gentleman from Ohio (Mr. OXLEY) and this fabulous committee are not going to overreact. They are going to look at what will be the essence of a comeback for America, confidence that people will have. And our message is very clear today. We want more jobs and create a stronger economy. We want to make sure that confidence in financial services is what we get, not overregulation. We want to make sure that there is more secure retirement in retirement plans by providing investor information and accountability, not rules and regulations that will inhibit people and give them another skirt to hide behind.

We want to make sure that savings is available for people who are just like my wife and I, who are saving for college for our children, and we want to

make sure that the corporate responsibility becomes a part of a person's own financial plan also. That is why we are not going to fall victim to believing that emotions should override common sense.

This plan that the gentleman from Ohio (Mr. OXLEY) and the Committee on Financial Services put together on the floor today is not only common sense but is something that will provide confidence for our future.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I yield 4 minutes to the gentleman from Texas (Mr. BENTSEN).

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, on the underlying bill, let me say first of first off that I think the rule is a pretty good rule. There have been a lot of rules in this House that were not particularly good. This time the Committee on Rules saw fit to make a number of amendments in order. I wish that was the norm rather than the exception, but I appreciate the fact that that was the case on this bill.

A lot is going to be said about the underlying bill, the substitutes, and the amendments in today's debate. I just want to say, having sat through a number of the hearings on Enron and looked at the other issues, the underlying bill is a good bill and I supported it in committee. I do not think we should view the underlying bill as a panacea. And I think if there is anything that we get out of this debate today, it is going to be that the Congress has to very clearly put itself on record, both to the public, including the investor class as one of our colleagues mentioned, as well as to the regulators, and particularly the Securities and Exchange Commission, exactly what it is we expect them to do.

□ 1100

I think all of us believe in the sanctity of free markets. We have the most efficient markets in the world in the United States, but one of the reasons why the markets are so efficient is because we have a very strong disclosure system so that investors have an understanding of what it is they are buying. Anytime we have corporate managers or their advisers who disguise or withhold information from the market, we are distorting those markets; and we put at risk not just investors who are abused or hurt by that, but we put at risk the entire market system itself.

So I think, on the one hand, the gentleman from Texas is correct, we do not want to overregulate; but on the other hand, I think we should be very cautious not to underregulate because if we do, we will not have efficient markets, we will not have the efficient distribution of capital at a reasonable price, and the economy as a whole will suffer and we will not have confidence in the markets from investors, which is

a growing group of people, including a lot of pensioners in my district who lost their savings because of what happened at Enron.

I think that the House should look at the legislation, whatever it is we end up passing, which I have my ideas of what exactly will pass and will not pass, as a start and not a finish because our goals should be to ensure that there is fair and sufficient disclosure in the markets, that there is a level playing field in the markets for all investors, not just some investors. I think there is a lot to be offered on all sides, and I want to commend the committee for at least having some sense of an open rule today to allow a number of amendments to be offered.

Mr. SESSIONS. Mr. Speaker, I yield myself such time as I may consume.

I appreciate the comments of the gentleman from Texas (Mr. BENTSEN). His service not only to this body but also to this Nation has been well deserved and done well, and I believe what he speaks about is the fairness of not only what the Committee on Rules has done today to make sure that there are two substitutes and other actions that will be available so the minority can be debated today, can be brought for full debate on the floor but also about our ability to not overregulate.

By not overregulating means that we will in essence bring the light of day, which is the best of all standards. The light of day will now be available not only to the SEC for them to have the ability to come and look at companies with that authority and responsibility of the Federal Government but also some changes of the things that we have learned as a result of the Enron circumstance with accounting firms.

I believe that what the gentleman from Texas (Mr. BENTSEN) has talked about means that this is a fair opportunity today on this floor to talk about problems that have been seen, and this is yet another opportunity for this body to address things that we see; and I am proud of what we are doing here.

Mr. Speaker, I would like to inquire how much time is remaining on both sides.

The SPEAKER pro tempore (Mr. SHIMKUS). The gentleman from Texas (Mr. SESSIONS) has 13½ minutes. The gentlewoman from New York (Ms. SLAUGHTER) has 18 minutes remaining.

Ms. SLAUGHTER. Mr. Speaker, I yield back the balance of my time.

Mr. SESSIONS. Mr. Speaker, I yield myself such time as I may consume.

We have had a vigorous debate about this important rule that is in front of us. I would ask the Members to give due consideration to supporting this bill.

Mr. LAFALCE. Mr. Speaker, the bill before us today presents an opportunity to restore confidence and integrity to our markets and right the wrongs demonstrated by the dramatic failure of Enron and Global Crossing. Unfortunately, the Rules Committee has seen fit to close off debate on most of the critical issues that plague our capital markets. The House

should have had the opportunity to discuss the modest and reasonable package of amendments I put before the Rules Committee to strengthen this woefully inadequate bill.

This House should have the opportunity to consider and debate thoughtfully proposals to strengthen H.R. 3763, the so-called Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002. This bill claims to address many of the financial disclosure and accounting issues raised by the collapse of Enron. Unfortunately, the kinds of financial abuses that led to this unprecedented debacle will not be stopped—or even very much impeded—by this Republican bill. It is cosmetic and simply pretends to bring about reform. “Don’t look for a major overhaul of the accounting industry soon,” says the Wall Street Journal in a recent article criticizing the Oxley bill because it “punts” overhaul “to just where the industry would like it—the Securities and Exchange Commission.”

This bill does virtually nothing to correct the systemic flaws in our financial reporting system. It fails to strengthen oversight of auditors and accountants, and fails to hold corporate executives fully accountable for their misdeeds. Unless major improvements are made, H.R. 3763 will do nothing to restore integrity to our financial markets and will not protect the savings and pensions plans of millions of Americans that remain threatened by future Enrons.

The House should have had the opportunity today to work its will on several key areas.

First, I offered an amendment in the Rules Committee to create a powerful new regulatory board to ensure that auditors will be truly independent and objective. My amendment provided for a regulator that (1) sets audit and quality standards for auditors of public companies; (2) possesses sweeping investigative and disciplinary powers over audit firms; and (3) is controlled by a board comprised of public members—not the accounting industry. My amendment took a decidedly different approach than H.R. 3763, which punts almost all of the functions and powers of the regulator to the SEC. Only a regulator with explicit powers and duties, and a defined composition, such as the one I proposed, will ensure that the abuses we witnessed in the Enron debacle will not be repeated.

In addition, the Republican bill purports to prohibit auditors from providing their audit clients with two consulting services: financial reporting systems design and internal auditing. In fact, the bill prohibits nothing. Instead, it simply codifies existing SEC rules that provide only very limited restrictions on these services. In contrast, my amendment clarifies the definitions of these two services in a way that will actually ban them. In the case of any non-audit consultant services that are not prohibited, my amendment requires approval by the audit committee of the firm’s board of directors.

Second, in a spirit of bipartisanship and comity with our Republican friends. Mr. KANJORSKI and I have taken President Bush’s proposals on corporate responsibility and executive accountability and prepared an amendment to give them legislative substance and real teeth. Rather than implement the President’s proposals, the GOP bill either regresses from current law or does nothing to hold CEOs accountable. It amazes me that the Republican bill summarily rejected the President’s own plan to promote corporate responsibility.

So our amendment, also rejected by the Rules Committee, did three things to implement the Bush plan. First, it requires CEOs and CFOs to certify the accuracy of their firms’ financial statements. Violation of this provision would carry with it criminal (in the event that the violation is willful), civil, and other penalties provided for under the securities laws. H.R. 3763 contains no similar provision. It is essential that Congress require officers of public companies to stand behind their public disclosures. That is the absolute minimum we should require.

Second, this amendment required corporate officers who falsify their financial statements to surrender their compensation, including stock bonuses and other incentive pay. It empowered the Securities and Exchange Commission (SEC), in an administrative proceeding, or in court, to seek such a disgorgement. H.R. 3763 requires only a study of the question: should guilty CEOs forfeit their stock bonuses.

Third, this amendment empowered the SEC to bar officers and directors from serving in that capacity for a public company if they are found guilty of wrongdoing and determined to be unfit. It would also remove judicial hurdles to seeking such a bar in court. Incredibly, the Republican bill actually makes it harder to obtain officer and director bars. It codifies restrictive judicial standards that would make it substantially more difficult for the SEC to obtain officer and director bars—a change which the head of the SEC’s Enforcement Division has stated publicly is highly problematic. In this regard, H.R. 3763 is a serious step backward.

The Rules Committee even refused to allow debate on my amendment that gave shareholders a voice in executive compensation decisions by requiring that a majority of shareholders approve any stock options plan for an officer or director. H.R. 3763 does not include a similar provision. Would anyone argue on this floor that shareholders should not have a voice in the lucrative stock option plans of officers and directors. After all, it is the shareholders who own public companies, not management.

Finally, the Rules Committee refused to give this body an opportunity to debate and vote on an amendment to ensure that stock analysts are truly independent and objective. My amendment achieved this by (1) barring analysts from holding stock in the companies they cover; (2) prohibiting analysts’ pay from being based on their firms’ investment banking revenue; and (3) barring their firm’s investment banking department from having any input into analysts’ pay or promotion. As with other important issues in this legislation, H.R. 3763 only requires a study.

Today we are on the verge of squandering an opportunity for real reform. I urge my colleagues to consider our substitute and do something real to prevent the next Enron.

Mr. SESSIONS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON FINANCIAL SERVICES TO FILE SUPPLEMENTAL REPORT ON H.R. 3764, SECURITIES AND EXCHANGE COMMISSION AUTHORIZATION ACT OF 2002

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that the Committee on Financial Services be permitted to file a supplemental report on H.R. 3764.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

CORPORATE AND AUDITING ACCOUNTABILITY, RESPONSIBILITY, AND TRANSPARENCY ACT OF 2002

The SPEAKER pro tempore. Pursuant to House Resolution 395 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 3763.

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IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 3763) to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes, with Mr. SWEENEY in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Ohio (Mr. OXLEY) and the gentleman from Pennsylvania (Mr. KANJORSKI) each will control 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

Mr. OXLEY. Mr. Chairman, I yield myself such time as I may consume.

Today, the House turns to H.R. 3763, the Corporate and Auditing Accountability, Responsibility, and Transparency Act. To my colleagues on both sides of the aisle, today we must act. We must act for our Nation’s investors, retirees, and employees of publicly traded companies; and that covers a large majority of Americans.

In recent months our struggling economy has absorbed a number of shocks. We have endured two large bankruptcies, Enron and Global Crossing. Thousands of jobs have been lost for hardworking employees. Billions of dollars are gone from investment portfolios and retirement plans. Investor confidence has understandably wavered.

Congress has examined these issues for 4 months. The Committee on Financial Services alone held seven hearings, took testimony from 33 witnesses; and we are but one of many panels. We know now what happened, and we know what needs to be done. Now it is our responsibility to do something about it.