

[Securities Regulation Daily Wrap Up, SARBANES-OXLEY ACT—SOX coauthor Paul Sarbanes dies at 87, \(Dec. 7, 2020\)](#)

Securities Regulation Daily Wrap Up

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By [Anne Sherry, J.D.](#)

The Sarbanes-Oxley Act transformed corporate accounting and financial disclosure in response to Enron and WorldCom.

Former Maryland Senator Paul Sarbanes (D-Md), the co-sponsor of the Sarbanes-Oxley Act, has died at the age of 87. Sarbanes and Representative Michael Oxley (R-Ohio), who passed away in 2016, crafted the Act to reform the accounting profession in the wake of the Enron and WorldCom scandals. Despite challenges to the Sarbanes-Oxley Act and to the Public Company Accounting Oversight Board that it created, the legislators' vision has largely endured.

Sarbanes graduated from Princeton in 1954 and then studied at Oxford as a Rhodes Scholar. After graduating from Harvard Law School, he clerked for the Fourth Circuit Court of Appeals before going to work for, and later being elected to, the Maryland legislature. Sarbanes joined the U.S. Senate in 1977 and served there for 30 years, including as Chair of the Senate Banking Committee between 2001 and 2003. His son, Rep. John Sarbanes (D-Md), [said](#) that the family will hold a private service in accordance with COVID-19 guidelines.

According to [Greek Reporter](#), Sarbanes was the first person of Greek heritage to serve in the U.S. Senate. [Archbishop Elpidophoros](#) of the Greek Orthodox Archdiocese of America [said](#), "It is very difficult to speak of Senator Sarbanes' accomplishments, as they are virtually numberless; but through them all, he was a devoted husband and father, a devout Orthodox Christian, a faithful member of the Church, and a prudent, humble, and diligent servant of the People of his beloved Maryland and the American Nation." Greek President Katerina Sakellariopoulou also [offered condolences](#), calling Sarbanes "a bright man of US politics who kept Greece close at his heart he was always there when our nation needed him."

House Speaker Nancy Pelosi (D-Cal), who is from Sarbanes' hometown of Baltimore, [said](#) that "Marylanders can take pride in Paul Sarbanes' leadership as a defender of our American Democracy on the Judiciary Committee, and in his tireless work to bring integrity, transparency and oversight to Washington. As Chair of the Banking Committee, Senator Sarbanes passed Sarbanes-Oxley, landmark legislation that to this day helps hold bad financial actors accountable for fraud and abuse: a powerful testament to his commitment to working people that leaves an enduring legacy."

The Sarbanes-Oxley Act of 2002 fundamentally changed how public companies do business and how the accounting profession performs its statutorily required audit function. While the Act's reforms are a matter of course nearly two decades on, it is worth reflecting on how significant the statute's [changes](#) were. Among other things, the Act:

- created the Public Company Accounting Oversight Board to oversee the conduct of the auditors of public companies;
- made structural changes in the auditing of financial statements and the corporate disclosure regime;
- established that CEOs and CFOs are responsible for the presentation of material in their company's financial reports;
- strengthened auditor independence from corporate management by limiting the scope of non-audit services that auditors can offer their audit clients;
- barred audit committee members from accepting consulting fees or being affiliated persons of the company other than in their capacity as board members;

- made company audit committees responsible for the appointment, compensation, and oversight of the work of their auditors;
- limited, and exposed to public view, possible conflict of interests affecting securities analysts;
- prohibited insider trades during pension fund blackout periods and required prompt disclosure of insider transactions in company stock; and
- established a new federal crime of securities fraud with a potential 25-year prison sentence.

These reforms have largely endured throughout the years and despite litigation challenging some of the law's provisions. In 2009 the U.S. Supreme Court upheld the PCAOB against a challenge based in separation of powers, albeit while severing Board member tenure provisions that the Court held unconstitutional ([Free Enterprise Fund v. PCAOB](#)). At other times, the Court has expanded Sarbanes-Oxley (extending its whistleblower protections to employees of contractors in [Lawson v. FMR LLC](#) (2014)), limited its reach (rejecting a broad reading of its anti-shredding provision in [Yates v. US](#) (2015)), and highlighted its provisions against those of Dodd-Frank (comparing and contrasting anti-retaliatory provisions in [Digital Realty Trust v. Somers](#) (2017)). Other than minor setbacks for his namesake law, Sarbanes' impact on corporate accounting and financial disclosure has largely stood the test of time.

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