

Securities and Exchange Commission Provides Time for Small Companies to Review Their Internal Controls

On March 11, 2005, the Office of Advocacy (Advocacy) sent a letter to the U.S. Securities and Exchange Commission (SEC) expressing appreciation for providing an extension of the Sarbanes-Oxley Act Section 404 filing deadline to smaller public companies. A complete copy of Advocacy's letter to the Commission may be accessed at <http://www.sba.gov/advo/laws/comments/>.

- Section 404 of the Sarbanes-Oxley Act requires public companies to review their internal controls and procedures for financial reporting and to assess the effectiveness of those internal controls and procedures in a filing to the SEC. On June 18, 2003, the SEC published a final rule setting the rules for these filings and required the first annual section 404 filings to be filed by smaller public companies for the first fiscal year ending after June 15, 2004. The SEC later extended this filing deadline, and on March 8, 2005, the SEC published a notice extending this deadline further to the first fiscal year ending on or after July 15, 2006. Advocacy's letter thanked the SEC for this extension of time, as well as expressed Advocacy's approval of SEC's recent creation of an SEC Advisory Committee on Smaller Public Companies.
- On March 7, SEC announced the appointments of the members of its new Advisory Committee on Smaller Public Companies. The advisory committee will be charged with examining the impact of the Sarbanes-Oxley Act and other aspects of the federal securities laws on smaller companies and making recommendations for reform.
- Advocacy believes that delaying the implementation of section 404 of the Sarbanes-Oxley Act should allow the advisory committee adequate time to make its recommendations. Advocacy believes that this is a prudent course which should assist SEC in implementing the Sarbanes-Oxley Act in a fair and reasonable manner.

The SEC's advisory committee will be publishing its agenda on its website at <http://www.sec.gov/info/smallbus/secacspc.shtml>, and will be soliciting the views of the public on this agenda. For more information, visit Advocacy's Web page at: <http://www.sba.gov/advo>, or contact assistant chief counsel Michael See by email at Michael.See@sba.gov or by phone at (202) 619-0312.