

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Majority Staff

Date: June 20, 2025

Re: June 25, 2025, Subcommittee on Capital Markets Hearing: “Reassessing Sarbanes-Oxley: The Cost of Compliance in Today’s Capital Markets”

On June 25, 2025, at 10:00 a.m., the Subcommittee on Capital Markets will hold a hearing in Room 2128 of the Rayburn House Office Building, titled “*Reassessing Sarbanes-Oxley: The Cost of Compliance in Today’s Capital Markets.*” The following witnesses are expected to testify:

- **Dr. Abigail Allen**, Associate Professor of Accounting, Marriott School of Business, Brigham Young University
- **Mr. Lawrence Cunningham**, Director, Weinberg Center for Corporate Governance, University of Delaware
- **Mr. Frank Watanabe**, President and CEO, Arcutis
- *Additional Witness to be Added*

This hearing will examine the implementation and effects of the Sarbanes-Oxley Act of 2002, with a particular focus on how certain provisions affect public companies and capital markets activity. The Subcommittee will review the law’s impact on corporate compliance practices, investor protection, and access to public markets.

Attached Legislation:

- **H.R. ___, a bill to require the Securities and Exchange Commission to revise certain thresholds related to smaller reporting companies, accelerated filers, and large accelerated filers:** This discussion draft mandates the SEC increase revenue and public float amounts for smaller reporting companies and adjust the thresholds for transitioning between filer categories. It also seeks to exclude smaller reporting companies from being classified as accelerated or large accelerated filers.
- **H.R. ___, a bill to require auditor independence standards of the Public Company Accounting Oversight Board and the Securities and Exchange Commission applicable to past audits of a company occurring before it was a public company to treat an auditor as independent if the auditor meets established professional standards (McClain):** This discussion draft clarifies that if an auditor meets established professional standards, they should be considered independent, even when auditing a company’s financial statements for periods before the company became public. This applies specifically to audits conducted before the company’s initial public offering or registration statement filing.