

Chart of U. S. Legislative, Regulatory and Listing Exchanges Requirements Impacting Internal Auditing Function Under the Sarbanes-Oxley Act of 2002

This chart outlines the varying U.S. legislative and regulatory requirements impacting the corporate internal auditing function since passage of the Sarbanes-Oxley Act of 2002. It is sponsored and published as part of FLeC Legal's "Client Materials".*

Specifically, the chart below is intended to assist public companies, current private companies with expectations of a public company future**, executive managements of both types of companies and corporate governance entities with useful tools to facilitate compliance under Sarbanes-Oxley and other statutory and regulatory requirements impacting financial reporting and internal corporate controls.

With the increasing attention being paid to financial reporting -- by legislators, regulators, security analysts, institutional investors, and others - the roles of boards of directors, audit committees, corporate management, and external and internal auditors are changing in very dramatic ways. The relationships between these entities are being reshaped by this new legislation and by the regulations being adopted to implement it.

This document begins the process of comparing the key requirements of the Sarbanes-Oxley Act of 2002, the proposed definitive Securities and Exchange Commission interpretation of that act, and proposed regulations by the listing exchanges and other associations. It is meant to be a living document and will be changed as new regulations are approved. Readers are cautioned to use this document for reference purposes only and should refer to official regulatory sites for authoritative documents.

(Includes final rules and proposals as of June 16, 2003)

*Like other FLeC Legal "Client Materials", the chart set forth below is intended to assist our clients in their efforts to comply with certain aspects of the laws pertinent to the use of FLeC Legal's various service and related product offerings. It is intended to provide information, but is not a substitute for legal or accounting advice. FLeC Legal makes no representation or warranty as to any legal or accounting results through its publication of this document. When legal or accounting issues arise, professional assistance should be sought and retained.

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**Privately-held companies with public debt are also subject to Sarbanes-Oxley

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
	Contact Information	Public Accounting Reform and Investor Protection Act (H. R. 3763 ENR) signed July 30, 2002	Mark A. Borges, Special Counsel, or Elizabeth M. Murphy, Chief, Office of Rulemaking, Division or Corporation Finance - 202- 942- 2910, www. sec.gov	www. nyse. com (see "Corp Gov. Initiative) Corporate Accountability and Listing Standards (CALs) committee	Jennifer Olegario - 212-306-1627 Information is based on press release dated September 13, 2002	www. nasdaq. com - "Corp Gov" button
Ethical Climate						
1	Code of Ethics Required	Section 406: The SEC shall issue rules to require each issuer, together with periodic reports required pursuant to sections 13 (a) and 15(d) of the Securities Exchange Act of 1934, to disclose whether or not, and if not, the reason therefore, such issuer has adopted a code of ethics for senior financial officers, applicable to its principal financial officer and comptroller or principal accounting officer, or persons performing similar functions.	<p>Final Rule: Requires a company to disclose whether it has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. If the company has not adopted such a code of ethics, it must explain why it has not done so.</p> <p>Rule allows companies to choose between three alternative methods of making their ethics codes publicly available. 1) A company may file a copy of its code of ethics as an exhibit to its annual report. 2) A company may post the text of its code of ethics, or relevant portion thereof, on its Internet website, provided however, that a company choosing this option also must disclose its Internet address and intention to provide disclosure in this manner in its annual report on Form 10- K, 10- KSB, 20- F or 40- F. 3) A company may provide an undertaking in its annual report on one of these forms to provide a copy of its code of ethics to any person without charge upon request.</p>	<p>Listed companies must adopt a code of business conduct and ethics, and must promptly disclose any waivers of the code for directors or executive officers. Listed companies must publish codes of business conduct and ethics, and key committee charters. Listed foreign private issuers must disclose any significant ways in which their corporate-governance practices differ from NYSE rules.</p> <p>Each company may determine its own policies, but all listed companies should address the most important topics, including the following: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of company assets; (6) compliance with laws, rules and regulations (including insider trading laws); and (7) encouraging the reporting of any illegal or unethical behavior.</p>	Each Amex- listed company must adopt and disclose a code of ethics and compliance program.	Require all companies to have a code of conduct addressing, at a minimum, conflicts of interest and compliance with applicable laws, rules, and regulations, with an appropriate mechanism and disclosure of any waivers to executive officers and directors. The code of conduct must be publicly available.

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2	Code of Ethics Definition	The term 'code of ethics' means such standards as are reasonably necessary to promote: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the issuer; and (3) compliance with applicable governmental rules and regulations.	Final Rule: Defines the term "code of ethics" as written standards that are reasonably designed to deter wrong-doing and to promote: 1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2) Full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, the Commission and in other public communications made by the registrant; 3) Compliance with applicable governmental laws, rules and regulations; 4) The prompt internal reporting to an appropriate person or persons identified in the code of violations of the code; and 5) Accountability for adherence to the code.			
3	Code of Ethics Waiver	Within 180 days after enactment, the SEC shall amend its rules to require the immediate disclosure, by means of the filing of a form, dissemination by the Internet, or by other electronic means, by any issuer of any change in or waiver of the code of ethics of the issuer.	Awaiting additional rulings as required by legislation.	Listed companies must adopt a code of business conduct and ethics, and must promptly disclose any waivers of the code for directors or executive officers.		Waivers can only be granted by independent directors.

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4	Whistle-blowing	Section 301: Each audit committee shall establish procedures to: (1) receive, retain, and treat complaints; (2) handle whistleblower information regarding questionable accounting or auditing matters.	Final Rule: Each audit committee must establish procedures for: 1) The receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls or auditing matters, and 2) The confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.			Require that the audit committee establish procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls or auditing matters. Additionally, the audit committee is required to ensure that such complaints are treated confidentially and anonymously.
5	Corporate Governance Guidelines			Listed companies must adopt and disclose corporate governance guidelines. The following subjects must be addressed in the corporate governance guidelines: (1) Director qualification standards; (2) Director responsibilities; (3) Director access to management and, as necessary and appropriate, independent advisors; (4) Director compensation; (5) Director orientation and continuing education; (6) Management succession; and (7) Annual performance evaluation of the board.	Each foreign Amex issuer must include summary disclosure regarding any material differences between home country corporate governance practices and Amex requirements in its annual proxy statement.	

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6	Corporate Governance Violations	Section 807: Provides that anyone who "knowingly" defrauds shareholders of publicly traded companies may be subject to fines and imprisonment of up to 25 years.		The NYSE may issue a public reprimand letter for violation of a corporate-governance standard, in addition to the existing penalty of delisting.	The Amex staff is authorized to issue a "warning letter" to a listed company for a minor corporate governance violation. Amex- listed companies will be required to make timely public disclosure of board changes and vacancies and auditor "going concern" opinions.	Clarifies that a material misrepresentation or omission by an issuer to Nasdaq may result in the company being delisted. Clarifies the authority of Nasdaq to deny re-listing to an issuer based upon a corporate governance violation that occurred while that issuer's appeal of the delisting was pending.
Shareholders						
7	Shareholder Approval of Stock-Option Plans			<p>The Notice of Filing of the Proposed Rule Change was published by the SEC in the Federal Register on October 10, 2002, to solicit public comment on "Shareholder Approval of Equity Compensation Plans- Section 303A(8) and the Voting of Proxies- NYSE rule 452.</p> <p>Section 303A(8) - To increase shareholder control over equity- compensation plans, shareholders must be given the opportunity to vote on all equity- compensation plans, except inducement awards, plans relating to mergers or acquisitions, and tax qualified and parallel nonqualified plans.</p> <p>NYSE Rule 452 - The Exchange will preclude its member organizations from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions.</p>	Amex- listed companies must obtain shareholder approval of all stock option plans subject to limited exceptions, and brokers will not be permitted to vote their customers' shares on stock option plan proposals without instructions from the customer.	Require shareholder approval for the adoption of all stock option plans and for any material modification of such plans. An exemption would permit inducement grants to new employees if such grants are approved by an independent compensation committee or a majority of the company's independent directors. Exemptions will also be available for certain tax-qualified plans, such as ESOPs, and for the assumption of pre-existing grants in connection with an acquisition or merger. Existing option plans will be unaffected under this proposal, unless there is a material modification made to the plan.

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Board of Directors						
8	Board of Directors Composition	Expect further clarification of definition of independence.		Independent directors must comprise a majority of a board. Companies must have a nominating committee, compensation committee (or committees of the company's own denomination with the same responsibilities) and an audit committee, each comprised solely of independent directors. Controlled companies are exempt but must have a minimum three- person audit committee composed entirely of independent directors. For a director to be deemed "independent," the board must affirmatively determine the director has no material relationship with the listed company (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the company).	Amex- listed companies must have boards comprised of a majority of independent directors, except for "controlled" companies and small business filers. The definition of "independent" will be tightened and the board of each listed company will be required to evaluate any relationship between a director and the company and make an affirmative determination that such relationship does not preclude a determination that the director is independent. Boards of Amex- listed companies may not be classified into more than three classes of directors, and each director's term of office may not exceed three years.	Require a majority of independent directors on the board. Prohibits an independent director from receiving any payments (including political contributions) in excess of \$60,000 other than for board service and extend such prohibition to the receipt of payments by a family member of the director. Prohibit a director from being considered independent if the company makes payments to a charity where the director is an executive officer and such payments exceed the greater of \$200,000 or five percent of either the company's or the charity's gross revenues. Tightened the definition of independence by excluding large shareholders, relatives of executives, and former employees of the outside auditor.
9	Other Board Requirements			No director who is a former employee of the listed company can be "independent" until five years after the employment has ended. To empower non- management directors to serve as a more effective check on management, the non- management directors of each company must meet at regularly scheduled executive sessions without management.	Amex employees and floor members are prohibited from serving on the board of any Amex- listed company.	

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10	Other Board Committees			Listed companies must have nominating/corporate governance and compensation committees composed entirely of independent directors. These committees must have written charters that address: (1) the committee's purpose; (2) the committee's goals and responsibilities; and (3) an annual performance evaluation of the committee.	CEO compensation must be approved by a compensation committee composed entirely of independent directors or by a majority of the independent directors on an Amex- listed company board (except for "controlled" companies). Other executive compensation must be subject to review by the compensation committee (or a majority of the independent directors) in consultation with the CEO, which will be responsible for making a recommendation to the board. Board nominations must be approved by a nominating committee composed entirely of independent directors or by a majority of the independent directors on an Amex-listed company board (except for "controlled" companies and nominations which are legally required by contract or otherwise).	Nomination and compensation votes must be cast by independent committees, or by a majority of the independent directors. Require independent director approval of director nominations... A single non- independent director would be permitted to serve on an independent nominating committee (1) if the individual is an officer who owns or controls more than 20% of the issuer's voting securities, or (2) pursuant to the same "exceptional and limited circumstances" provisions.
11	Board of Director Meetings				Amex- listed companies must hold board meetings on at least a quarterly basis.	
12	Executive Sessions			Non-management directors must meet without management in regular executive sessions.	Independent directors must meet as often as necessary to fulfill their responsibilities, including in executive session without the presence of non-independent directors and management at least annually.	Require regularly convened executive sessions of the independent directors.

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13	Prohibited Loans	Section 402: It shall be unlawful for any issuer, directly or indirectly, to extend or maintain credit, or arrange for the extension of credit, in the form of a personal loan to or for any director or executive officer of that issuer. Section lists certain exceptions.				Prohibit loans to officers and directors through the adoption of a rule that mirrors Section 402 of the Sarbanes-Oxley Act of 2002.
14	Board of Directors Training			The NYSE urges every listed company to establish an orientation program for new board members. In conjunction with leading authorities, the NYSE will develop a Directors Institute.		Mandate continuing education for all directors, pursuant to rules to be developed.
Audit Committee						
15	Definition of Audit Committee	Section 205: Defines an Audit Committee as: A committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer. The Act further stipulates that if no such committee exists, then the audit committee is the entire board of directors.	Final Rule: The term audit committee is defined as: A committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer; and If no such committee exists with respect to an issuer, the entire board of directors of the issuer.			
16	Audit Committee Mandatory	Section 301: Public company audit committees - Within 270 days after the date of enactment, the SEC shall issue rules directing the national securities exchanges and national securities associations to prohibit the listing of any security for any issuer that doesn't have an audit committee, provided that there is a reasonable opportunity to cure defects prior to such prohibition.	Final Rule: Registrants would be allowed to have the entire board serve as the audit committee in lieu of appointing a separate committee. If the entire board constitutes the audit committee, the new SRO rules adopted under Exchange Act Rule 10A- 3, including the independence requirements, will apply to the issuer's board as a whole.	Audit committee must have a written charter that addresses: (1) the committee's purpose and (2) the duties and responsibilities of the committee.	Audit committee requirements will be conformed to the provisions and requirements of the Sarbanes Act.	Eliminate exceptions for the audit committee requirements for Small Business issuers.

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17	Independent Audit Committees	Section 301: Each member of the audit committee of the issuer shall be a member of the board of directors of the issuer, and shall otherwise be 'independent.' To be considered 'independent,' a member of an audit committee shall not: (1) accept any consulting, advisory, or other compensatory fee from the issuer; or (2) be an affiliated person of the issuer or any subsidiary. (The SEC is granted authority to make exemptions.)	<p>Final Rule: Each member of the audit committee of the issuer must be independent according to specified criteria.</p> <p>Audit committee members are barred from accepting any consulting, advisory or other compensatory fee from the issuer or any subsidiary thereof, other than in the member's capacity as a member of the board of directors and any board committee. This prohibition will preclude payments to a member as an officer or employee, as well as other compensatory payments. Disallowed payments to an audit committee member includes payments made either directly or indirectly.</p>	Director's compensation must be the sole remuneration from the listed company for audit-committee members. Disallowed compensation includes fees paid directly or indirectly for services as a consultant or a legal or financial advisor, regardless of the amount. No restriction on the form of compensation as a director or committee member was intended.	<p>Audit committee members will only be permitted to receive such fees from the listed company as are permitted by SEC rules pursuant to the Sarbanes Act.</p> <p>The time that a non-independent director may serve on an Amex- listed company audit committee pursuant to the "exceptional and limited circumstances" exception will be limited to two years, and such director may not serve as chair of the committee.</p> <p>Audit committee and board composition requirements applicable to Small Business filers will be increased.</p>	<p>Limits the time that a non-independent director may serve on the audit committee pursuant to "exceptional and limited circumstances" to two years, and prohibits that person from serving as the chair of the audit committee.</p> <p>Prohibit audit committee members from receiving any payment other than payment for board or committee service.</p> <p>Shareholder owning or controlling 20% or more of the company's voting securities will not be considered independent.</p>
18	Appointment, Compensation, and Oversight of Public Accounting Firm	Section 202: An audit committee, in its capacity as a committee of the board of directors, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by that issuer (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The registered public accounting firm shall report directly to the audit committee.	<p>Final Rule: The audit committee of a listed issuer will need to be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer, and the independent auditor will have to report directly to the audit committee. These oversight responsibilities include the authority to retain the outside auditor, which includes the power not to retain (or to terminate) the outside auditor. In addition, in connection with these oversight responsibilities, the audit committee must have ultimate authority to approve all audit engagement fees and terms.</p>			

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19	Preapproval of auditing and non-auditing services	Section 202: Preapproval Requirements - All auditing services (including underwriting comfort letters or statutory audits required for insurance companies for purposes of State law) and non- audit services must be preapproved by the issuer's audit committee. Any audit committee approval of non- audit services shall be disclosed to investors in the required periodic reports.	Final Rule: Requires that the audit committee pre-approve all permissible non- audit services and all audit, review or attest engagements required under the securities laws. In doing so, the audit committee is permitted to establish policies and procedures for pre-approval provided they are detailed as to the particular service and designed to safeguard the continued independence of the accountant. The rules require that before the accountant is engaged by the issuer or its subsidiaries, or the registered investment company or its subsidiaries, to render the service, the engagement is: approved by the issuer's or registered investment company's audit committee; or entered into pursuant to pre-approval policies and procedures established by the audit committee of the issuer or registered investment company, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.	Audit committee has the sole authority to hire and fire independent auditors and is directly responsible for the appointment, compensation, and oversight of the work of the independent auditor. The audit committee, at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality- control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company. Audit committee has the sole authority to approve any significant non-audit relationship with the independent auditors.	Amex- listed company audit committees must be responsible for selecting the independent auditor and must meet privately with the independent auditor.	Requires that audit committees have the sole authority to appoint, determine funding for, and oversee the outside auditors. Require that audit committee approve, in advance, the provision by the auditor of all permissible non-audit services.

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20	Auditor Reports to Audit Committees	Section 204: Requires registered public accounting firms to make timely reports to its issuer clients. Such reports shall include: 1. all critical accounting policies and practices to be used; 2. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; and 3. other material written communications between the auditor and management of the issuer (e. g. management letter or schedule of unadjusted differences).	<p>Final Rule: Requires that certain information be communicated by the independent accountant to the audit committee. The communication does not have to be in writing. Such communications are expected to be documented by the accountant and the audit committee. Many of these communications currently are being made as accountants fulfill their responsibilities under GAAS and the securities laws.</p> <p>The communication will include: 1) Critical Accounting Policies and Practices; 2) Alternative Accounting Treatments; 3) Other Material Written Communications, such as the management representation letter, reports on observations and recommendations on internal controls, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any, engagement letter, and independence letter.</p> <p>The timing of these communications is intended to occur before any audit report is filed with the Commission pursuant to the securities laws.</p>			
21	Related Party Transactions	Section 403: Specifies additional disclosures relating to transactions with management and principal stockholders. Section 16(a) of the Securities Exchange Act of 1934 is substantially amended to require enhanced disclosures by management and principal stockholders. Among other things, some of these disclosures must be filed electronically and posted in near real time on the SEC Internet site and the Web site of the issuer beginning one year after the date of enactment.			All related party transactions entered into by Amex- listed companies must be subject to oversight by the audit committee.	Require that a company's audit committee or a comparable body of the board of directors review and approve all related-party transactions. Require companies to disclose transactions in company stock by officers or directors within 2 business days for transactions exceeding \$100,000. For smaller transactions, disclosure would be required not later than the second business day of the following week.

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22	Engage Advisors	Each audit committee shall have the authority to engage independent counsel and other advisors.	Final Rule: An issuer's audit committee has the authority to engage outside advisors, including counsel, as it determines necessary to carry out its duties.	The audit committee will, as appropriate, obtain advice and assistance from outside legal, accounting, or other advisors.	Audit committees of Amex-listed companies must have the authority and funding to engage independent counsel and other advisors in appropriate circumstances.	Requires that audit committees have the authority to to engage and determine funding for independent counsel and other advisors.
23	Funding for Audit Committee	Each issuer shall provide for appropriate funding, as determined by its audit committee, for payment of compensation to: (1) the registered public company accounting firm for audit reports; and (2) any independent counsel or advisor retained by the audit committee	Final Rule: Each issuer must provide appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of compensation: 1) To any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer; and 2) To any advisors employed by the audit committee. In addition to funding for advisors, the issuer must provide appropriate funding for ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.			

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24	Audit Committee Composition	Section 407: Disclosure of Financial Expert on Audit Committees. Within 180 days after enactment, the SEC shall issue final rules, as necessary or appropriate in the public interest and consistent with the protection of investors, to require each issuer, together with periodic reports required pursuant to sections 13(a) and 15(d) of the Securities Exchange Act of 1934, to disclose whether or not, and if not, the reasons therefore, the audit committee of that issuer is comprised of at least one member who is a 'financial expert.'	Final Rule: A company must disclose that its board of directors has determined that the company either: has at least one audit committee financial expert serving on its audit committee; or does not have an audit committee financial expert serving on its audit committee. A company disclosing that it does not have an audit committee financial expert must explain why it does not have such an expert. If a company discloses that it has an audit committee financial expert, it also must disclose the expert's name. Requires a company to disclose whether the person or persons identified as the audit committee financial expert is independent of management. The company's board will make the determination of who is (are) the audit committee financial expert(s).		Requires audit committees be chaired by a person with sophisticated financial experience.	Requires that all audit committee members be able to read and understand financial statements at the time of their appointment rather than "within a reasonable period of time" thereafter
25	Safe Harbor Provisions for Audit Committee Financial Expert		Final Rule: Audit committee disclosure item includes a safe harbor to clarify that: 1) A person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose; 2) The designation or identification of a person as an audit committee financial expert pursuant to the new disclosure item does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification; 3) The designation or identification of a person as an audit committee financial expert pursuant to the new disclosure item does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.			

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26	Definition of "Financial Expert" Changed to "Audit Committee Financial Expert"	Section 407: Defines the term 'financial expert' as follows: the SEC shall consider whether a person has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions: (1) an understanding of generally accepted accounting principles and financial statements; (2) experience in the preparation or auditing of financial statements of generally comparable issuers and the application of such principles in connection with the accounting for estimates, accruals, and reserves; (3) experience with internal accounting controls; and (4) an understanding of audit committee functions.	Final Rule: Defines an audit committee financial expert as a person who has the following attributes: 1) An understanding of generally accepted accounting principles and financial statements; 2) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; 3) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; 4) An understanding of internal controls and procedures for financial reporting; and 5) An understanding of audit committee functions.		Audit committee chairs of Amex-listed companies must be financially sophisticated and all members of the audit committee must be financially literate at the time of appointment.	Require that in selecting the financial expert necessary for compliance with the NASDAQ audit committee composition requirements, issuers consider whether a person has, through education and experience as a public accountant or auditor of a principal financial officer, comptroller, or principal accounting officer of an issuer or from a position involving the performance of similar functions, sufficient financial expertise in the accounting and auditing areas specified in the Act.
27	Definition of "Audit Committee Financial Expert" (continued)		Final Rule: A person must have acquired such attributes through any one or more of the following: 1) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; 2) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; 3) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or 4) Other relevant experience.			

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28	Risk Management			<p>The audit committee will discuss policies with respect to risk assessment and risk management.</p> <p>While it is the job of the CEO and senior management to assess and manage the company's exposure to risk, the audit committee must discuss guidelines and policies to govern the process by which this is handled. The audit committee should discuss the company's major financial risk exposures and the steps management has taken to monitor and control such exposures.</p>		
29	Audit Committee Meetings			<p>The audit committee will meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors.</p> <p>The audit committee must regularly review with the independent auditor any difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.</p>	Amex- listed companies must hold audit committee meetings on at least a quarterly basis.	

**Chart of U. S. Legislative, Regulatory, and Listing Exchanges
Requirements Impacting Internal Auditing Function Under Sarbanes-Oxley**

		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
30	Executive Compensation					<p>Requires independent director approval of CEO compensation, either by an independent compensation committee or by a majority of the independent directors meeting in executive session.</p> <p>Require independent director approval of other executive officer compensation, either by an independent compensation committee or by a majority of the independent directors, in a meeting at which the CEO may be present.</p>
31	Financial Reports in Accordance with GAAP ents.	Section 401: Each financial report that is required to be prepared in accordance with generally accepted accounting principles under the Securities Exchange Act of 1934 and filed with the SEC shall reflect all material correcting adjustments that have been identified by a registered public accounting firm in accordance with generally accepted accounting principles and the rules and regulations of the SEC.	11 items added to list of events that require a company to file a current report on Form 8-K. Shorten filing deadline for Form 8-K to two business days (formerly 5 business days or 15 calendar days depending on the event) after an event triggering the form's disclosure requirements.			

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
32	Off- Balance Sheet Transactions	Section 401(a): Within 180 days after the date of enactment, the SEC shall issue final rules providing that each annual and quarterly financial report shall disclose all material off- balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the issuer with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses. Within 18 months after enactment, the SEC shall complete a study of off- balance sheet disclosures made by issuers pursuant to this section. Six months later, the SEC shall submit a report on this study to the President, and the Congressional banking/ financial services committees.	<p>Final Rule: Requires disclosure of off- balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.</p> <p>Requires registrants to disclose in a tabular format the amounts of payments due under specified contractual obligations, aggregated by category of contractual obligation, for specified time periods.</p> <p>Requires a registrant to present the disclosure about off- balance sheet arrangements in a separately-captioned section of MD& A. In contrast, a registrant may place the tabular disclosure of known contractual obligations in an MD& A location that it deems to be appropriate</p>			
33	Definition of Off-Balance Sheet Transactions		<p>Final Rule: The definition of "off-balance sheet arrangement" includes any contractual arrangement to which an unconsolidated entity is a party, under which the registrant has: 1) Any obligation under certain guarantee contracts; 2) A retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets; 3) Any obligation under certain derivative instruments; 4) Any obligation under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.</p>			

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
34	Pro Forma Financial Information	Section 401(b): Also within 180 days after the date of enactment, the SEC shall issue final rules providing that pro forma financial information included in any periodic or other report filed with the SEC pursuant to the securities laws, or in any public disclosure or press or other release, shall be presented in a manner that: (1) does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the pro forma financial information, in light of the circumstances under which it is presented, not misleading; and (2) reconciles it with the financial condition and results of operations of the issuer under generally accepted accounting principles.	Final Rule: New disclosure regulation, Regulation G, which will require public companies that disclose or release such non- GAAP financial measures to include, in that disclosure or release, a presentation of the most directly comparable GAAP financial measure and a reconciliation of the disclosed non-GAAP financial measure to the most directly comparable GAAP financial measure. Amendments to Item 10 of Regulation S- K and Item 10 of Regulation S- B to provide additional guidance to those registrants that include non- GAAP financial measures in Commission filings. Amendments to Form 20- F to incorporate into that form the amendments to Item 10 of Regulation S- K. Amendments that require registrants to furnish to the Commission, on Form 8- K, earnings releases or similar announcements.			
35	Management Assessment of Internal Controls	Section 404: Requires the SEC to prescribe rules requiring each annual report required by section 13(a) or 15(d) of the Securities Exchange Act of 1934 to contain an internal control report, which shall: (1) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (2) contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting.	Final Rule: Companies subject to the reporting requirements of the Securities Exchange Act of 1934, other than registered investment companies, to include in their annual reports a report of management on the company's internal controls over financial reporting. The internal control report must include: a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company; management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year; a statement identifying the framework used by management to evaluate the effectiveness of the company's internal control over financial reporting; and a statement that the registered public accounting firm that audited the company's financial statements included in the annual report has issued an attestation report on management's assessment of the company's internal control over financial reporting.			

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	Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
Management Assessment of Internal Control (continued)		<p>Under the new rules, a company is required to file the registered public accounting firm's attestation report as part of the annual report.</p> <p>Furthermore, a requirement has been added that management evaluate any change in the company's internal control over financial reporting that occurred during a fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.</p> <p>Finally, amendments have been adopted to the rules and forms under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 to revise the Section 302 certification requirements and to require issuers to provide the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as exhibits to certain periodic reports.</p> <p>A company that is an "accelerated filer," as defined in Exchange Act Rule 12b-2, as of the end of its first fiscal year ending on or after June 15, 2004, must begin to comply with the management report on internal control over financial reporting disclosure requirements in its annual report for that fiscal year. A company that is not an accelerated filer as of the end of its first fiscal year ending on or after June 15, 2004, including a foreign private issuer, must begin to comply with the annual internal control report for its first fiscal year ending on or after April 15, 2005.</p>			

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
36	CEO/ CFO Certifications	<p>Section 302: CEO and CFO will certify in each annual or quarterly report filed that: 1. the signing officer has reviewed the report; 2. based on the officer's knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements not misleading; 3. based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report; 4. the signing officers: (A) are responsible for establishing and maintaining internal controls; (B) have designed such internal controls to ensure that material information relating to the issuer and its consolidated subsidiaries is made known to such officers by others within those entities, particularly during the period in which the periodic reports are being prepared; (C) have evaluated the effectiveness of the issuer's internal controls as of a date within 90 days prior to the report; and (D) have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date; 5. the signing officers have disclosed to the issuer's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function): (A) all significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize, and report financial data and have identified for the issuer's auditors any material weaknesses in</p>	<p>Final Rule: Certification statements regarding fair presentation of financial information are not limited to a representation that financial information has been presented in accordance with GAAP and should contain assurances that the financial information contained in the report, viewed in its entirety, meets a standard of overall material accuracy and completeness that is broader than financial reporting requirements under GAAP. "Fair presentation" encompasses the selection of appropriate accounting policies, proper application of appropriate accounting policies, disclosure of financial information that is informative and reasonably reflects the underlying transactions and events and the inclusion of any additional disclosure necessary to provide investors with a materially accurate and complete picture of an issuer's financial condition; results of operations and cash flows.</p> <p>Signing officers 1. Are responsible for establishing and maintaining "disclosure controls and procedures," intended to cover a broader range of information than is covered by internal controls related to financial reporting. 2. Have designed such disclosure controls and procedures to ensure that material information is made known to them, particularly during the period in which the periodic report is being prepared. 3. Have evaluated the effectiveness of the issuer's disclosure controls and procedures as of a date within 90 days prior to the filing date of the report. 4. Have presented in the report their conclusions about the effectiveness of the disclosure controls and procedures based on the required evaluation of that date.</p>	<p>Each listed company's CEO must certify annually that he or she is not aware of any violation by the company of NYSE corporate-governance standards. The SEC and NYSE certifications must be disclosed in each company's annual report to shareholders.</p>		

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
	CEO/ CFO Certifications (continued)	internal controls; and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and 6. the signing officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.	<p>Certification requirements also apply to foreign private issuers, banks and savings associations, and asset-backed securities issuers, and they apply to amendments and transition reports.</p> <p>A company must comply with the new exhibit requirements for the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 and changes to the Section 302 certification requirements in its quarterly, semi-annual or annual report due on or after August 14, 2003.</p>			
37	Penalty for False Certifications	CEO or CFO knowingly filing a false certification is open to a fine of up to \$1 million and imprisonment of up to 10 years. The fines and imprisonment increase to \$5 million and 20 years for knowingly violating made "willfully."	CEOs and CFOs already are responsible as signatories under Exchange Act liability provisions and can be liable for material misstatements or omissions under general antifraud standards and under SEC authority against those who cause or abet securities violations.			
38	Restatement Penalty	Section 304: Stipulates that the CEO and CFO shall forfeit bonus or other incentives received and any profits realized from sale of securities if the issuer is required to restate due to noncompliance with financial reporting requirements.				

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		Sarbanes-Oxley Act of 2002	Securities & Exchange Commission	New York Stock Exchange (Proposed)	American Stock Exchange (Proposed)	Nasdaq (Proposed)
39	Public Disclosures	Section 409: Specifies Real-time Disclosures. Each issuer reporting under section 13(a) or 15(d) shall disclose to the public on a rapid and current basis such additional information concerning material changes in the financial condition or operations of the issuer, in plain English, which may include trend and qualitative information and graphic presentations, as the SEC determines, by rule, is necessary or useful for the protection of investors and in the public interest.				Requires that a going concern qualification in an audit opinion be disclosed through the issuance of a press release
40	Internal Auditing		Proposed Rule : Exposure draft for Standards Relating to Listed Company Audit Committees asks; Should the audit committee also be directly responsible for the appointment, compensation, retention and oversight of an issuer's internal auditor?	Every listed company must have an internal audit function.		
41	Pension Funds	Section 306 "Prohibition of Insider Trading During Pension Fund Blackout Periods" 306(b) - The U. S. Department of Labor's Pension and Welfare Benefits Administration issued interim final rules requiring defined contribution pension plan administrators to provide participants 30-day advance notice of blackout periods that would affect participants' rights to direct investments, take loans, or obtain distributions. Administrators of plans with individual accounts must provide blackout notices that contain, among other things, the reasons for the blackout period; a description of the rights that will be suspended during that period; the start and end dates of the blackout; and a statement advising participants to evaluate their current investments based on their inability to direct or diversify assets during the blackout period. Civil penalties of up to \$100 per day per participant can be levied for plan administrators who do not comply with the notice requirements.	Final Rule: Regulation BTR addresses the operation of Section 306(a) of the Act and its prohibition against trading in issuer equity securities by an issuer's directors and executive officers during a pension plan blackout period as follows: 1) New Rule 100 defines terms used in Section 306(a) and Regulation BTR. 2) New Rule 101 clarifies the operation of the Section 306(a) trading prohibition and establishes several exemptions from the prohibition. 3) New Rule 102 describes the exceptions to the definition of "blackout period" set forth in Section 306(a)(4)(A) of the Act. 4) New Rule 103 clarifies the operation of the private remedy for a violation of the Section 306 (a) trading prohibition, including a method for calculation of recoverable profits. 5) New Rule 104 sets forth the content and delivery requirements for the notice that an issuer must provide in connection with a blackout period.			

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42	Standards for Professional Conduct for Attorneys	Section 307: Requires the Commission to prescribe minimum standards of professional conduct for attorneys appearing and practicing before the Commission in any way in the representation of issuers. The standards must include a rule requiring an attorney to report evidence of a material violation of securities laws or breach of fiduciary duty or similar violation by the issuer up- the- ladder within the company to the chief legal counsel or the chief executive officer of the company (or the equivalent thereof); and, if they do not respond appropriately to the evidence, requiring the attorney to report the evidence to the audit committee, another committee of independent directors, or the full board of directors.	<p>Final Rule: Part 205 responds to this directive and is intended to protect investors and increase their confidence in public companies by ensuring that attorneys who work for those companies respond appropriately to evidence of material misconduct.</p> <p>SEC is still considering the "noisy withdrawal" provisions of our original proposal under section 307; this part of the original proposal is discussed in a related proposal that seeks comment on additional alternatives.</p>			
Public Accounting						
43	Public Company Accounting Oversight Board	The new Board must be established within 270 days of enactment. Five full-time members; two of five must be CPAs. Funded by fees imposed upon publicly-held companies. Sec 105: Board may require testimony or the production of documents or information in the possession of any registered public accounting firm relevant to an investigation. The Board may also "request" documents and testimony from other persons, including issuers. Subpoena power through SEC.	<p>Board established within 270 days after enactment. Once Board is established, accounting firms will have 180 days to register with the Board.</p> <p>New York Federal Reserve President William McDonough to be the board's chairman. McDonough said he expected to finish his work at the Fed and take his new post by late May.</p>			

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44	New Internal Control Auditing Standards	Section 103: New auditing standards shall be developed, requiring each registered public accounting firm to describe in each audit report the scope of the auditor's testing of the internal control structure and procedures of the issuer, required by section 404(b), and present (in such report or in a separate report): 1. the findings of the auditor from such testing; 2. an evaluation of whether such internal control structure and procedures include maintenance of records, provide reasonable assurance that transactions are recorded in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and 3. a description, at a minimum, of material weaknesses in such internal controls, and of any material noncompliance found on the basis of such testing.				
45	Attestation of Management's Internal Control Assertion	With respect to the internal control assessment required by Section 404, each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer. Such attestation shall be made in accordance with standards for attestation engagements issued or adopted by the Board. Any such attestation shall not be the subject of a separate engagement.				

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46	Employment Prohibitions	Section 206: It shall be unlawful for a registered public accounting firm to provide any audit service to an issuer if the issuer's CEO, CFO, CAO (Chief Accounting Officer), or controller was previously employed by the auditor and participated in any capacity in the audit of the issuer during the one- year period preceding the date of the initiation of the audit.	Final Rule: Requires that when the lead partner, the concurring partner, or any other member of the audit engagement team who provides more than ten hours of audit, review or attest services for the issuer accepts a position with the issuer in a financial reporting oversight role within the one year period preceding the commencement of audit procedures for the year that included employment by the issuer of the former member of the audit engagement team, the accounting firm is not independent with respect to that registrant. The rule applies to all members of the audit engagement team unless specifically exempted, as discussed later in this section of the release.	Independence also requires a five-year "cooling- off" period for former employees of the listed company, or of its independent auditor; for former employees of any company whose compensation committee includes an officer of the listed company; and for immediate family members of the above.		
47	Disclosure of Fees	Section 202: Requires pre- approval of all audit and non- audit services with exceptions provided for de minimis amounts under certain circumstances, as described in the Act and in rules discussed previously in this release. The Act further requires disclosure in periodic reports of non- audit services approved by the audit committee.	Final Rule: Requires issuers to provide disclosures of fees paid to the independent accountant segregated into the four categories: (1) Audit Fees, (2) Audit-Related Fees, (3) Tax Fees, and (4) All Other Fees. Additionally, other than for the audit category, the issuer is required to describe, in qualitative terms, the types of services provided under the remaining three categories. Also, this information is required for the two most recent years. Finally, this information must be provided either in the issuer's proxy statement, or its periodic annual filing.			

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48	Non- Audit Services	Section 201: Makes it unlawful for a registered public accounting firm to contemporaneously perform both audit and non- audit services. The prohibited non- audit services include the following: 1. bookkeeping or other services related to the accounting records or financial statements of the audit client; 2. financial information systems design and implementation; 3. appraisal or valuation services, fairness opinions, or contribution- in-kind reports; 4. actuarial services; 5. internal audit outsourcing services; 6. management functions or human resources; 7. broker or dealer, investment advisor, or investment banking services; 8. legal services and expert services unrelated to the audit; and 9. any other service that the Board determines, by regulation, impermissible.	<p>Final Rule: With respect to the prohibitions on (1) bookkeeping; (2) financial information systems design and implementation; (3) appraisal, valuation, fairness opinions, or contribution-in-kind reports; (4) actuarial; and (5) internal audit outsourcing, the rules state that the service may not be provided "unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements."</p> <p>Prohibits an accountant from providing expert opinions or other services to an audit client, or a legal representative of an audit client, for the purpose of advocating that audit client's interests in litigation or regulatory, or administrative investigations or proceedings.</p>			

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49	Internal Auditing Outsourcing		<p>Final Rule: Prohibits the accountant from providing to the audit client internal audit outsourcing services. This prohibition would include any internal audit service that has been outsourced by the audit client that relates to the audit client's internal accounting controls, financial systems, or financial statements unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client's financial statements.</p> <p>During the conduct of the audit in accordance with generally accepted auditing standards ("GAAS") or when providing attest services related to internal controls, the auditor evaluates the company's internal controls and, as a result, may make recommendations for improvements to the controls. Doing so is a part of the accountant's responsibilities under GAAS or applicable attestation standards and, therefore, does not constitute an internal audit outsourcing engagement</p> <p>Prohibition on "outsourcing" does not preclude engaging the accountant to perform non-recurring evaluations of discrete items or other programs that are not in substance the outsourcing of the internal audit function. For example, the company may engage the accountant, subject to the audit committee pre- approval requirements, to conduct "agreed-upon procedures" engagements related to the company's internal controls, since management takes responsibility for the scope and assertions in those engagements. The prohibition also does not preclude the accountant from performing operational internal audits unrelated to the internal accounting controls, financial systems, or financial statements.</p>			

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50	Financial Information System Design and Implementation		<p>Final Rule: Prohibits the accountant from designing or implementing a hardware or software system that aggregates source data or generates information that is "significant" to the financial statements taken as a whole. In this context, information would be "significant" if it is reasonably likely to be material to the financial statements of the audit client. Since materiality determinations may not be complete before financial statements are generated, the audit client and accounting firm by necessity will need to evaluate the general nature of the information as well as system output during the period of the audit engagement. An accountant, for example, would not be independent of an audit client for which it designed an integrated Enterprise Resource Planning (" ERP") or similar system since the system would serve as the basis for the audit client's financial reporting system.</p> <p>This prohibition does not preclude the accountant from evaluating the internal controls of a system as it is being designed, implemented or operated either as part of an audit or attest service and making recommendations to management. Likewise, the accountant would not be precluded from making recommendations on internal control matters to management or other service providers in conjunction with the design and installation of a system by another service provider.</p>			

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51	Services Tax Services Final Rule:		<p>An accounting firm can provide tax services to its audit clients without impairing the firm's independence. Accordingly, accountants may continue to provide tax services such as tax compliance, tax planning, and tax advice to audit clients, subject to the normal audit committee pre-approval requirements under 2-01(c)(7). Additionally, the rules require registrants to disclose the amount of fees paid to the accounting firm for tax services.</p> <p>However, accountants would impair their independence by representing an audit client before a tax court, district court, or federal court of claims.</p>			
52	Mandatory Rotation of External Audit Partners	Section 203: The lead (or coordinating audit partner (having primary responsibility for the audit), or the second review audit partner, must be changed for a public company every five fiscal years.	<p>Final Rule: Requires the lead and concurring partners to rotate after five years and, upon rotation, be subject to a five-year "time out" period. Because of the importance of achieving a fresh look to the independence of the audit function, SEC believes that a five-year time out period is appropriate for these two partners.</p> <p>Requires partners subject to the rotation requirements, other than the lead and concurring partner, to rotate after no more than seven years and to be subject to a two-year time-out.</p>			
53	Partner Compensation		<p>Final Rule: Provides that an accountant is not independent if, at any point during the audit and professional engagement period, any audit partner, other than specialty partners, earns or receives compensation based on selling engagements to that audit client, to provide any services, other than audit, review, or attest services. Prohibits accounting firms from establishing an audit partner's compensation or allocation of partnership "units" based on the sale of non-audit services to the partner's audit clients. This provision also reinforces the position that accountants at the partner level should be viewed as skilled professionals and not as conduits for the sale of non-audit services to the audit partner's individual clients.</p>			

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54	Mandatory Rotation of External Audit Firms	Section 207: GAO shall conduct a study and review of the potential effects of requiring the mandatory rotation of registered public accounting firms. A report on such study is due to the relevant Congressional committees within one year after enactment. (The term 'mandatory rotation' refers to the imposition of a limit on the period of years in which a particular registered public accounting firm may be the auditor of record for a particular issuer.)				
55	Improper Influencing of the Audit	Section 303: It shall be unlawful for any officer, director, or affiliated person of an issuer to take any action, in contravention of a rule adopted by the SEC, to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in auditing that issuer's financial statements, for the purpose of rendering such financial statements materially misleading.	Final Rule: Prohibits officers and directors, and persons acting under their direction, from coercing, manipulating, misleading, or fraudulently influencing (collectively referred to herein as "improperly influencing") the auditor of the issuer's financial statements when the officer, director or other person knew or should have known that the action, if successful, could result in rendering the issuer's financial statements materially misleading. The types of conduct that the Commission believes could constitute improper influence include, but are not limited to, directly or indirectly: 1) Offering or paying bribes or other financial incentives, including offering future employment or contracts for non-audit services; 2) Providing an auditor with an inaccurate or misleading legal analysis; 3) Threatening to cancel or canceling existing non-audit or audit engagements if the auditor objects to the issuer's accounting; 4) Seeking to have a partner removed from the audit engagement because the partner objects to the issuer's accounting; 5) Blackmailing; and 6) Making physical threats. The final rule also clarifies that such actions should not occur at any time that the auditor is called upon to exercise professional judgment related to the issuer's financial statements.			

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56	Workpaper Retention Rules	Section 802: The SEC shall review workpaper retention rules.	Final Rule: Requires that records be retained for seven years after the auditor concludes the audit or review of the financial statements. These records include workpapers and other documents that form the basis of the audit or review, and memoranda, correspondence, communications, other documents, and records (including electronic records), which are created, sent or received in connection with the audit or review, and contain conclusions, opinions, analyses, or financial data related to the audit or review. The rule applies to the retention of records related to the audits and reviews of not only issuers' financial statements but also the financial statements of registered investment companies.			
Securities and Exchange Commission						
57	SEC Review of Disclosures	Section 408: The SEC shall review disclosures made by issuers reporting under section 13(a) of the Securities Exchange Act of 1934 (including reports filed on Form 10-K), and which have a class of securities listed on a national securities exchange or traded on an automated quotation facility of a national securities association, on a regular and systematic basis for the protection of investors. Such review shall occur no less often than once every three years and include a review of an issuer's financial statement. For purposes of scheduling these reviews, the SEC shall consider, among other factors: (1) issuers that have issued material restatements of financial results; (2) issuers that experience significant volatility in their stock price as compared to other issuers; (3) issuers with the largest market capitalization; (4) emerging companies with disparities in price to earning ratios; (5) issuers whose operations significantly affect any material sector of the economy; and (6) any other factors that the Commission may consider relevant.	SEC will prohibit the listing of any company, after giving it a chance to "cure defects" that does not comply with new listing standards.		It is anticipated that the requirements applicable to board and audit committee composition would become effective two years following SEC approval of the proposed rule change, unless earlier implementation is otherwise required by SEC rules adopted pursuant to the Sarbanes Act. The other proposed changes would generally become effective within six months of SEC approval, or in the case of the disclosure requirements, sanctions and Amex employee prohibitions, immediately.	Clarifies the authority of Nasdaq to deny re-listing to an issuer based upon a corporate governance violation that occurred while that issuer's appeal of the delisting was pending.