



Silver Users Association

Washington Report

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Market Watch: Silver Price

2006 Comex Spot Settlement

Month	High	Low	Avg.
January	9.85	8.82	9.18
February	9.84	9.10	9.52
March	11.62	9.71	10.40
April	14.50	11.67	12.63
May	14.85	12.28	13.44
June	12.25	9.60	10.69
July			
August			
September			
October			
November			
December			
2005	9.0	6.43	7.32

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Association News:

- ✚ SUA Fall Meeting has been scheduled for November 13-14, 2006 in Washington, DC at the Army-Navy Club. For more information call Paul Miller at (703) 930-7790.
- ✚ Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.

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McKeon Hails Passage of Sweeping Reforms to Worker Pension Laws

U.S. House Education & the Workforce Committee Chairman Howard P. "Buck" McKeon (R-CA) applauded overwhelming passage of H.R. 4, the *Pension Protection Act*, legislation that reflects the bipartisan agreement struck this week by House and Senate negotiators to reform outdated worker pension laws. The House passed the measure by a vote of 279-131.

"The pension laws on the books today were written for a 1970s economy with a 1970s workforce," said McKeon, who serves as Vice-Chairman of the House-Senate pension reform conference. "Times have changed, but unfortunately, these laws have not. The new realities of a 21st Century economy require a new approach to retirement security. Tonight, we embraced that new approach, and this represents a major victory for American workers, retirees, and taxpayers."

In addition to reflecting the bipartisan House-Senate pension conference agreement, the *Pension Protection Act* also enjoys strong support from a broad coalition of both labor and employer groups. Among those supporting swift House approval of the bill were the United Auto Workers, the U.S. Chamber of Commerce, and the United Brotherhood of Carpenters & Joiners of America.

"The *Pension Protection Act* will reform broken pension rules that no longer serve the interests of workers who count on their retirement savings being there for them when they need it," McKeon noted. "It's imperative that the Senate move quickly on this legislation next week so President Bush can sign it into law just as soon as possible. These changes are long-overdue, and we simply cannot afford to wait much longer to enact these sweeping reforms."

The *Pension Protection Act* includes tough new funding requirements to ensure employers adequately and consistently fund their pension plans, provide workers with meaningful disclosure about the financial status of their benefits, and protect taxpayers from a possible multi-billion dollar bailout of the federal Pension Benefit Guaranty Corporation (PBGC). Specifically, H.R. 4:

- Tightens funding requirements so employers make more cash contributions to their worker pension funds;
- Closes loopholes that allow underfunded plans to skip pension payments;
- Prohibits employers and union leaders from digging a hole even deeper by promising extra benefits if their pension plan is significantly underfunded;
- Enhances disclosure to give workers and retirees more information about the status of their pension plans;
- Protects multiemployer pension plans for workers and their employers;
- Restricts "golden parachute" executive compensation arrangements in which executives of companies in financial difficulty often are given generous deferred compensation arrangements while the retirement security of rank-and-file workers remains at risk; and
- Gives workers new access to personally-tailored, face-to-face professional investment advice.

For a summary of H.R. 4, the *Pension Protection Act*, visit the Education & the Workforce Committee website at <http://edworkforce.house.gov/issues/109th/workforce/pension/pensionbillsum72806.htm>.

Kolbe Announces the Coin Act of 2006

Today, Rep. Jim Kolbe (R-AZ) introduced the Currency Overhaul for an Industrious Nation (COIN) Act. The bill takes a comprehensive approach to modernizing our currency system. Among other things, the COIN Act will address the rising production costs of producing the penny.

"Today, I am introducing the COIN Act of 2006 – the Currency Overhaul for an Industrious Nation Act – which will drastically reduce the demand for the penny by introducing a cash transaction rounding system and modernizing the currency system in several other ways," says Rep. Kolbe.

"The U.S. currency system is in desperate need of reform and this bill is long overdue. Our currency and coinage policies are quite simply pound wise and penny foolish. The penny has been a nuisance for years but now that the cost of a penny exceeds its value, the landscape of the debate has completely changed. This year it will cost more than one cent – 1.4 cents to be exact – to manufacture a penny. That means \$20 million will be wasted on penny production and that is government waste at its worst."

"So it's time for us to say that the penny stops here. Today, I am asking my colleagues to join me in making government and business more efficient by giving our currency system a well-needed makeover."

Highlights of the bill:

- Implements a cash transaction rounding system to reduce demand for the penny;
- Requires a Government Accountability Office (GAO) study on alternative composition for coin;
- Clarifies existing law regarding inclusion of seigniorage – the government profit from the minting of coins – in the budget;
- Moves the Bureau of Engraving and Printing (BEP) and the Mint into the Federal Reserve;
- Eventual replacement of \$1 note with \$1 coin; and
- Issue quarter dollars commemorating the District of Columbia and the U.S. Territories

Hu Visit Leaves Trade Deficit With China, Others Issues In Limbo

By Forrest Laws Farm Press Editorial Staff

President Bush's much-anticipated meeting with Chinese President Hu Jintao appears to have done little to address the \$202 billion U.S. trade deficit with China or other sources of economic tensions between the two superpowers.

Administration officials attempted to put a positive spin on the 90-minute, April 20 meeting, which followed a White House arrival ceremony marked by several incidents that might have been funny if the stakes of the Chinese president's

first official visit to Washington hadn't been so high. Manufacturing executives had been hopeful that President Bush, suffering from low approval ratings, would use the talks to wring some concessions from Hu and help himself regain a degree of the popularity he enjoyed in his first term. But the administration came away with little to show for its efforts.

"The president failed to make any significant progress in his talks with Hu," said Kevin L. Kearns, president of the U.S. Business and Industry Council, which represents 1,500 small- to medium-sized manufacturing companies. "It was more of the same do-nothing-to-upset-the-Chinese approach." Shortly before the trip, the Chinese government announced that its economy grew by 10.2 percent in the first three months of this year, which was faster than the 9.9 percent growth it registered in 2005. Chinese officials said the amazing rate of expansion (U.S. GDP typically grows 3 percent to 4 percent annually) was unintentional. "We do not want, nor are we pursuing over-rapid economic growth," he told reporters before leaving Beijing for his trip to the United States.

The surge in the Chinese economy, which could translate to more exports of textiles and apparel and other manufactured goods, is expected to lead to another increase in its trade surplus with the United States, which reached \$202 billion last year. U.S. manufacturing groups say much of the trade imbalance is due to China's continued refusal to allow more than a token devaluation of its currency, the yuan. Some economists claim China's pegging of the yuan to the dollar makes Chinese exports 40 percent cheaper than products in the United States. Sen. Charles Schumer, D-N.Y., has threatened to introduce legislation that would impose sanctions on China until it devalues the yuan, but had agreed to delay it until after Hu's visit to the United States. President Bush said Hu realizes the trade deficit is a major concern for his administration and other Americans.

"He recognizes that a trade deficit with the United States, as substantial as it is, is unsustainable," the president said during a joint photo opportunity with Hu in the Oval Office. Bush had to begin the meeting with an apology after a Falun Gong supporter who was granted a press pass heckled Hu during the arrival ceremony. Chinese officials reportedly had warned the U.S. Protocol Office to be careful who it admitted to the event. (The Falun Gong supporter, Wang Wenyi, crashed another media event in Malta five years ago and got into an argument with former president Jiang Zemin.)

"Our \$200-plus billion trade deficit with China is rather blunt proof that Beijing's predatory economic practices are hollowing out America's domestic industries. President Bush should have told President Hu that unless China cleans up its trade policy act by a specific date, it will start losing access to the U.S. market."

Reports from the U.S. Trade Representative's office also acknowledge that - contrary to the administration's promises - China's entry into the World Trade Organization has not brought its protectionism under control.

In a 2005 report, USTR said WTO membership has not significantly reduced China's theft of intellectual property. Its latest annual report on foreign trade barriers also notes that China has increasingly resorted to industrial policies that limit market access for foreign goods but support increased exports.

The American Manufacturers Trade Action Coalition says the trade deficit and the Chinese policies responsible for it cost the U.S. economy more than 275,000 jobs in 2005. "Manipulated currency, non-performing loans made by Chinese state-run banks, intellectual property theft, and other state-sponsored subsidies are the driving forces behind the job-destroying U.S. trade deficit with China," said Auggie Tantillo, AMTAC's executive director. "The only way for the United States to dig itself out of this hole is to use access to the U.S. market as leverage to get China to play by the rules," said Tantillo. "If China does not want to do that, they should not expect to receive the same level of access to the U.S. market they have now."

"You cannot have a market where domestic U.S. companies must abide by free-market rules while Chinese companies are free to cheat with impunity. Such an arrangement is unsustainable because it gives Chinese exporters an enormous

competitive advantage and it undermines both the rule of law and the confidence of U.S. manufacturers in the U.S. government."

Conventional wisdom says U.S. officials must exercise restraint in criticizing China because of the latter's position as the U.S. government's largest creditor. Latest estimates say Chinese banks now hold more than \$300 billion in U.S. securities purchased with the dollars flowing in in an exchange for U.S. exports to the United States. Kearns says fears of Chinese retaliation against potential American trade remedies are overblown. "China cannot afford to suddenly dump its sizable holdings of U.S. Treasury bills. These purchases have helped sustain the U.S. market in which China desperately needs to sell," he notes.

"If China stops subsidizing American consumption, their home unemployment crisis will worsen. That would threaten the regime's hold on power."

The U.S. economy is indeed vulnerable to a pullback of foreign capital overall, Kearns noted. This vulnerability results mainly from America's huge and rapidly growing global trade and current account deficits. These twin deficits are bound to undermine the nation's creditworthiness.

"The longer China's protectionism is allowed to continue, the less incentive China will have to correct the serious distortions of its own banking system and broader economy," said Kearns. "At the same time, ballooning American deficits and net debts could trigger a dollar crisis and a global economic crack-up. This is why President Bush missed a major missed opportunity today to direct Beijing toward a more sustainable economic path that can solidify the entire global economy's currently shaky foundations."

Immigration Bill Outlook Still Hazy

By John Stanton
Roll Call Staff

Efforts by Rep. Mike Pence (R-Ind.) and Sen. Kay Bailey Hutchison (R-Texas) to kick-start talks over immigration legislation by floating a compromise plan have failed so far to improve prospects for passage of a bill this year, Congressional sources said late last week.

The Pence-Hutchison proposal would require the president to certify control of the nation's borders before a guest-worker visa program is implemented. The compromise tries to ameliorate the intense skepticism that the guest-worker proposal has engendered among Republicans, especially in the House.

Although the Pence-Hutchison proposal garnered some attention in the House last week, Senate reaction was light.

However, a GOP leadership aide cautioned against reading too much into the quiet reaction, chalking it up to the fact that Members were focused on a number of other issues, including the conflict between Israel and Hezbollah and energy legislation.

"Folks have been distracted on other issues, so the response was muted," the aide said.

But one GOP aide also cautioned that much of the compromise already has been discussed in the Senate, and that while it has attracted some support, the level of backing is not yet sufficient to become a catalyst for passage.

The source added it should be clear by the end of August whether Congress will be able to move reform legislation this year.

In the meantime, House leaders last week announced that they would hold more than 21 hearings across the country next month, focused largely on what House Republicans see as failings in the broader Senate bill.

Although ostensibly designed for informative purposes, the hearings appear to be aimed at bolstering the hand of the House, which favors a much narrower bill, made up almost exclusively of border control provisions, if and when immigration legislation makes it to a House-Senate conference.

While those hearings may refocus some attention on the immigration debate, it remains unclear how long lasting that attention will be.

The Senate has a packed schedule in September, including issues such as appropriations bills, President Bush's nomination of John Bolton to remain ambassador to the United Nations and legislation on the treatment of prisoners at the Guantanamo Bay, Cuba, military facility.

And with Senate Majority Leader Bill Frist (R-Tenn.) seemingly intent on shuttering the chamber by the end of the month to give incumbents maximum time in their home states before Election Day, it appears increasingly likely that backers of immigration reform will have to wait at least until the lame-duck session following the November elections.

House Passes Manzullo Provisions to Increase Scrutiny of Foreign Purchases of U.S. Companies

U.S. House Small Business Committee Chairman Don Manzullo (R-IL) today voted for legislation to increase the scrutiny of foreign purchases of companies operating in the United States while continuing to encourage foreign investment in our nation. The House passed the bill this afternoon.

The bill, H.R. 5337, would reform the Committee on Foreign Investment in the United States (CFIUS), a secretive government committee that granted rapid and cursory approval to the deal that gave Dubai Ports World -- a state-owned enterprise of the United Arab Emirates -- management control over 27 terminals at six major U.S. ports earlier this year. The Dubai government has since announced it would divest itself of the U.S. port management business after House leaders announced plans to kill the deal. The legislation was sponsored by House Majority Whip Roy Blunt (R-MO), and Manzullo helped write the provisions concerning the increased scrutiny of state-owned enterprises that purchase U.S. companies.

"This legislation would strengthen the CFIUS process to provide greater protections to our national security while continuing to encourage important foreign investment in the United States," Manzullo said. "It's a good bill that acknowledges greater scrutiny is necessary when foreign governments purchase companies in the United States. It also provides more transparency to the process to ensure another fiasco like the Dubai ports deal never happens again."

Specifically, the legislation would require CFIUS to conduct an automatic 45-day extended investigation when foreign government-owned enterprises try to purchase companies operating in the United States. The bill would also require CFIUS to provide more information to Congress on pending deals; it would require CFIUS to consider foreign purchases of infrastructure in the United States as a national security concern; and it would name the Secretary of the Department of Homeland Security and the Secretary of Commerce as the vice-chairmen of the CFIUS committee (Secretary of Treasury would remain chair of CFIUS).

Manzullo has been working for more than a year to reform the CFIUS process. In early 2005, he led an effort with House International Relations Committee Chairman Henry Hyde (R-IL) and House Armed Services Committee Chairman Duncan Hunter (D-CA) to convince CFIUS to conduct an extended investigation into the purchase of IBM's personal computer division by Lenovo, a company partially owned by the Chinese government.

Reynolds Concedes Colleagues Vulnerable

By David M. Drucker
Roll Call Staff

National Republican Congressional Committee Chairman Tom Reynolds (N.Y.) named names Friday, indicating where he believes the committee will be most active this fall.

Questioned at a news conference held 102 days before Election Day, Reynolds identified the 14 Republican Members he believes could face the toughest time getting re-elected, and an additional three he is monitoring just in case. The New York Republican also telegraphed where the NRCC is likely to be the most active on offense, citing nine Democratic seats that present his party with its best opportunity for gains.

"The House Republican majority will return in the 110th Congress," Reynolds said. "It certainly isn't going to be pretty, but trust me when I say it's going to be a lot tougher on the other guys."

Bill Burton, communications director for the Democratic Congressional Campaign Committee, dismissed Reynolds' assertion, insisting that voters' desire for change in Washington, D.C., will be foremost in their minds when they go to the polls.

"Considering how Tom Reynolds is ashamed to call himself a Republican in ads about himself, it's hard to take him seriously when he claims that GOP incumbents aren't going to be harmed by a national political environment that clamors to change," Burton said.

While the races on Reynolds' list hardly will surprise any political observer, it was the first time he publicly acknowledged to this extent which of his colleagues he believes are vulnerable.

In Connecticut, Ohio and Pennsylvania, Reynolds sees difficult political environments statewide and a total of nine seats in play — as well as two competitive Indiana races, but emphasized he is pleased with the campaign performance of the incumbents thus far. He practically ridiculed many of the Democrats gunning for Republicans in those districts.

On the flip side, Reynolds expressed confidence that nine Democratic seats are ripe for the taking, including two in Georgia.

"We're going to go the distance down there," Reynolds said.

Brushing aside public opinion polls that suggest President Bush's approval ratings and the Iraq war could be a drag on his candidates, Reynolds said he will continue to welcome the president's assistance, calling him the "most successful fundraiser the Republican Party has today."

Adding to his confidence is the NRCC's decision to cede control of the committee's get-out-the-vote efforts to the Republican National Committee and its chairman, Ken Mehlman.

Mehlman's success running the Bush-Cheney '04 ground game and Rep. Brian Bilbray's (R-Calif.) special election victory in June has Reynolds convinced Republicans have a key edge on the ground.

"If money is the mother's milk of politics, then GOTV — get out the vote — is the survival kit of politics," Reynolds said.

Republican Incumbents Reynolds Deemed Vulnerable

- Connecticut Reps. Nancy Johnson, Christopher Shays and Rob Simmons. Reynolds said all three are running excellent campaigns, despite the "tough" environment.

"Chris Shays has been a candidate, and an active candidate, for well over a year. Sometimes he [begins] much later after he works very hard as a Member of Congress, and then starts a campaign, maybe [around] now. That's not the case with him" this year.

- Ohio Reps. Steve Chabot, Bob Ney and Deborah Pryce. "Ohio's got a lot of action in it," Reynolds said. "We will just make sure that because the Democrats have targeted [it], that our candidates are out and moving forward."
- Pennsylvania Reps. Michael Fitzpatrick, Jim Gerlach and Curt Weldon. "The Philadelphia suburbs are tough turf," Reynolds said. "How well [GOP Sen.] Rick Santorum does in the Philadelphia suburbs means whether he comes back. Three seats are in there."

Gerlach, he said, is "in one of the tougher seats in the country." And Weldon "has a serious opponent running against him; the retired rear vice admiral of the Navy in his race."

- Rep. Clay Shaw (Fla.). "Clay Shaw has a tough race in Florida almost every time" Reynolds said. "[His opponent] is a skilled state Senator coming at 'em. I think that Shaw is clearly down there working. He's raising money; this isn't new for him."
- Rep. Heather Wilson (N.M.). "Heather Wilson has one of the toughest seats in the country. The race starts almost the day after election. I think Heather, as an Air Force Academy grad, Rhodes scholar, is like a combat veteran of politics. She is totally focused."
- Rep. Jon Porter (Nev.). Senate Minority Leader "Harry Reid [D-Nev.] handpicked his opponent and is coming at him," Reynolds said. "Five thousand new people a month are showing up in that Las Vegas-based seat. I think Porter is doing everything right. ... Jim Gibbons (R), our colleague from Reno, is running for governor, I think that bodes well."
- Indiana Reps. John Hostettler and Mike Sodrel. "When you look at Mike Sodrel, he's going to have a tough re-elect, he knows that," Reynolds said. "He's taken two trips to my knowledge, one to Afghanistan and then one to Iraq. The rest of the time he is home working in his district, grinding out the race, town by town."

Republican Incumbents on Reynolds' "Watch" List

- Bilbray and Rep. Richard Pombo (Calif.). "I've noticed that there hasn't been too much attention on Richard from Democratic circles," Reynolds said.
- Rep. Dave Reichert (Wash.). "We'll watch Reichert in the area of the state of Washington," Reynolds said. "I'll say to you that, one of the things I've had for a hunch that we'll see if it plays out: I think Washington Republicans felt ripped off when they lost their governor's race. I think there's an intensity of voter interest both in the U.S. Senate seat as well as some of the House seats."

Reynolds' Democratic Targets

- Rep. Alan Mollohan (W.Va.), who is facing state Del. Chris Wakim (R). "Mollohan is [in] a Republican seat," Reynolds said. "He's been banged up in media accounts. We have a very good candidate in Wakim, who is a West Point grad, Harvard educated; came home, started his family business with his wife. ... We're going to continue helping him — we like everything we see there."
- Rep. John Spratt (S.C.), who faces state Rep. Ralph Norman (R). This is "John Spratt's toughest race since, probably, '94," Reynolds said.
- Rep. Melissa Bean (Ill.), who faces investment banker David McSweeney. "That is a good Republican seat," Reynolds said. "We have a very good candidate there in McSweeney. He is continuing to do the things he needs to do."

- Georgia Reps. John Barrow and Jim Marshall, who face former Republican Reps. Max Burns and Mac Collins, respectively. "I've seen good results in Max's effort there, both in shoe-leather retail politics, and in fundraising," Reynolds said. "He's a pretty interesting guy."
- Rep. Leonard Boswell (Iowa), who faces state Senate Co-President Jeff Lamberti (R). Boswell "has never been a great performer in this seat," Reynolds said. "We're very impressed with where we are."
- Rep. Charlie Melancon (La.), who faces state Sen. Craig Romero (R). "This guy's filing was \$1.2 million in the second quarter," Reynolds said. "I promise you he got my attention. I think there's an interesting opportunity there."
- Rep. Chet Edwards (Texas), who is facing Iraq war veteran Van Taylor (R). "I've always been impressed when I've been down there helping [Taylor] raise money with the type of people he brings to events," Reynolds said.
- Rep. Rick Larsen (Wash.), who faces retired Navy officer Doug Roulstone (R). Roulstone "is, every day, moving forward in the types of things he needs to do as a candidate and a fundraiser," Reynolds said.

House Adopts Provisions Within Export-Import Bank Reauthorization Bill

U.S. House Small Business Committee Chairman Don Manzullo (R-IL) today voted for legislation to reauthorize the Export-Import Bank and expand its outreach to help more small businesses sell their goods and services overseas. The House passed the bill unanimously.

H.R. 5068, authored by Rep. Deborah Pryce (R-OH) and cosponsored by Chairman Manzullo, would reauthorize the Ex-Im Bank's charter for 5 years and would restore a Small Business Division within the Ex-Im Bank. Created in 1934 as an independent U.S. government agency, the Ex-Im Bank provides export credit guarantees, insurance and direct loans to help American companies export overseas.

The legislation also includes provisions authored by Manzullo to give the restored small business division more teeth by authorizing small business specialists within each division of Ex-Im Bank the ability to approve loans, guarantees and insurance to small businesses up to \$10 million. These provisions will speed up consideration of small business loans by experts who will know what is necessary to help small businesses compete overseas. In addition, H.R. 5068 enhances Ex-Im's delegated loan authority to private banks for medium-term transactions.

"This legislation will restore a Small Business Division within Ex-Im and place small business specialists within each operating division of the Bank who will be able to expeditiously approve loans, guarantees or insurance for small employers exporting overseas," Manzullo said. "Although they employ the majority of Americans and create most new jobs each year, small businesses do not sell as much overseas as they should. This legislation will help them increase their exports so they can prosper and create more jobs for Americans."

Earlier this year, the Government Accountability Office released a study requested by Manzullo that showed the Ex-Im Bank has consistently missed its statutory 20 percent set aside mandate for small business since Congress increased the mandate in 2002.

President Signs Ney's Braille Commemorative Coin Bill

Today, President George W. Bush signed into law the Louis Braille Bicentennial—Braille Literacy Commemorative Coin Act, introduced by Housing and Community Opportunity Subcommittee Chairman Robert W. Ney (OH).

H.R. 2872 commemorates the 200th anniversary of the birth of Louis Braille by directing the Treasury to mint \$1 silver

coins emblematic of his life and legacy. Louis Braille invented the Braille method of reading and writing for the blind.

House Financial Services Committee Chairman Michael G. Oxley (OH) said, "This law signed by the President today reaffirms the importance of literacy for all Americans. In addition to celebrating Louis Braille's life, the program, through surcharges on the sale of each coin, could raise as much as \$4 million. Proceeds will go to the Braille literacy programs run by the National Federation of the Blind. Together with privately raised funds that match the surcharges, the program has the potential to inspire a significant improvement in Braille literacy."

The bill directs the Secretary of the Treasury to design the coin, with the obverse bearing the image of Louis Braille, and the reverse of the coin emphasizing Braille literacy.

Rep. Ney said, "Given the proper tools, humans can overcome apparently insurmountable obstacles and achieve great things. Louis Braille did just that and hundreds of thousands of blind Americans do so every day. Honoring Louis Braille and promoting literacy for the blind will have lasting value for our society and I am very pleased that the President signed this bill today, which will help achieve both of these important goals."

The National Federation of the Blind will receive income from surcharges on the sale of the coins, and use them to further its programs to promote Braille literacy. The legislation was approved by the U.S. House of Representatives on February 28.

Domestic and International Monetary Policy Subcommittee Chairman Deborah Pryce (OH) said, "The Louis Braille Commemorative Coin is a reaffirmation of our nation's commitment to removing any barriers that might hinder the blind from fully participating in our American society. Louis Braille opened a universe of communication and information to blind individuals across the globe, and his legacy should be remembered and revered."

Oxley Statement on Sarbanes-Oxley

Marking the fourth anniversary of the Sarbanes-Oxley Act of 2002, Financial Services Committee Chairman Michael G. Oxley (OH) issued the following statement:

"During my first term as Chairman of the Financial Services Committee, our work was consumed with responding to the corporate accounting scandals and formulating legislative solutions aimed at assuring market participants, particularly investors, that America's capital markets were the most vibrant and transparent in the world.

"The implementation of Sarbanes-Oxley has helped to foster effective internal controls at our nation's public companies. Prior to Sarbanes-Oxley, many public companies had weak and outdated internal controls, leading many companies to file restatements.

"Four years after the passage of Sarbanes-Oxley, we've made progress toward closing the books on the era of questionable corporate governance. A recent case that clearly demonstrates the continued need for Sarbanes-Oxley compliance is Fannie Mae. Fannie Mae is still in the midst of recovering from an \$11 billion accounting scandal. It wasn't until Fannie had to comply with Sarbanes-Oxley requirements that executives at the company finally admitted that 'the company's internal control over financial reporting was ineffective.'

"Congress continues to address investor protection issues that arose during the corporate scandals and were further highlighted by Sarbanes-Oxley mandated reports. Recently, the House of Representatives passed H.R. 2990, legislation aimed at increasing competition, transparency and accountability in the credit rating agency industry. The credit ratings given to Enron and WorldCom by the two dominant rating agencies aided the companies' deception of

their true financial health.

“Looking forward, our economy and capital markets continue to benefit from Sarbanes-Oxley, and incremental benefits will continue over the coming years. Progress continues to be made at the regulatory level to make compliance with Sarbanes-Oxley more cost-efficient.

“The costs associated with the Section 404 internal control provision are the focus of most criticism of Sarbanes-Oxley. These costs were severely underestimated, especially for smaller public companies. I continue to believe these costs are due, not to the text of the Sarbanes-Oxley Act, but to an overly zealous implementation of these internal control provisions.

“I encourage the Securities and Exchange Commission and the Public Company Accounting Oversight Board to continue their efforts in assisting our public companies, both big and small, to comply with Sarbanes-Oxley. Further, I encourage the Commission and the Board to promptly adopt amendments to the internal control reporting and auditing requirements to provide further implementation guidance to public companies and their auditors. This guidance is necessary: Our capital markets will continue to thrive only if both public company financial reporting is accurate and the implementation of public company regulation is reasonable.”