US gives foreign firms extra time

Foreign firms have been given an extra year to meet tough new corporate governance regulations imposed by the US stock market watchdog.

The Securities and Exchange Commission has extended the deadline to get in line with the rules until 15 July 2006. Many foreign firms had protested that the SEC was imposing an unfair burden. The new rules are the result of the Sarbanes-Oxley Act, part of the US clean-up after corporate scandals such as Enron and Worldcom. Section 404 of the Sox Act, as the legislation is nicknamed, calls for all firms to certify that their financial reporting is in line with US rules. Big US firms already have to meet the requirements, but smaller ones and foreign-based firms which list their shares on US stock markets originally had until the middle of this year.

Over the past few months, delegations of European and other business leaders have been heading to the SEC's Washington DC headquarters to protest. They say the burden is too expensive and the timescale too short and some, particularly the UK's CBI, warned that companies would choose to let their US listings drop rather than get in line with section 404. The latest delegation from the CBI met SEC officials on Wednesday, just before the decision to relax the deadline was announced. "I think this signifies a change of heart at the SEC," CBI director-general Sir Digby Jones told the BBC's Today programme. "They have been listening to us and to many overseas companies, who have reminded America what globalisation really means: that they can't make these rules in isolation." The SEC said it had taken into consideration the fact that foreign companies were already working to meet more onerous financial reporting rules in their home countries. The European Union, in particular, was imposing new international financial reporting standards in 2005, it noted. "I don't underestimate the effort (compliance) will require... but this extension will provide additional time for those issuers to take a good hard look at their internal controls," said Donald Nicolaisen, the SEC's chief accountant.