

**Press Release**

**For Immediate Release:**

**Contact: Mariane E. Broadhurst, Senior Vice President/Retail Banking**

**1-508-520-8003**

**ABA RAISES SARBANES-OXLEY CONCERNS IN SENATE TESTIMONY**



WASHINGTON, D.C. (April 18, 2007): The American Bankers Association raised concerns to Congress today regarding the huge time and cost burdens associated with the Sarbanes-Oxley Act, particularly Section 404, which requires an annual evaluation and verification of the adequacy of internal controls by auditors.

In testimony before the Senate Committee on Small Business and Entrepreneurship, Thomas Venables, CEO of Benjamin Franklin Bank, Franklin, Mass., explained that his own institution, which has \$913 million in assets and 186 employees, incurred costs of approximately \$420,000 – and over 2,200 man-hours – during 2006 to comply with Section 404.

“This represents 6 percent of our normalized earnings,” said Venables. “It is hard enough to be struggling with an inverted yield curve and tremendous loan and deposit competition in our markets, but to start off the earnings year at 94 percent of potential because Section 404 compliance costs – well, this is difficult.”

Venables urged that the revised rules proposed by the SEC and Public Company Accounting Oversight Board be finalized quickly and should include a delayed implementation date for non-accelerated filers (those under \$75 million in market capitalization).

He also requested that another set of rules, those related to shareholder threshold for SEC registration, should be updated.

“The shareholder level has remained at the same level since it was first set in 1964,” said Venables. “The ABA strongly recommends updating the Exchange Act registration shareholder threshold to between 1,500 and 3,000 record shareholders. The threshold for deregistration should also be brought in line to between 900 and 1,800 record shareholders.”

Implementation of the rules should focus on cost reductions, but can only be realized if the auditing firms apply them as intended by the rule-makers, he explained.

“The SEC and PCAOB have achieved the proper balance with their proposals, but monitoring the results will be extremely important to determining the success of the changes,” said Venables.

Venables expressed concern that non-accelerated filers should be given adequate advance notice of required compliance – a minimum of one full year in the case of calendar year companies – to allow for successful implementation and testing.

“We are concerned that during the recent Section 404 meeting of the SEC there was no mention of a specific delay of the compliance for non-accelerated filers. It is urgent that the SEC provide relief to these small businesses in a timely fashion,” said Venables.

He explained that non-accelerated filers are required to produce reports this year on internal controls, and that in order to comply, they must decide now whether to follow the old rules or follow the recently proposed rules.

“Placing such a significant time constraint on these smaller companies is unreasonable,” said Venables.

The American Bankers Association, on behalf of the more than two million men and women who work in the nation's banks, brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership-which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks-makes ABA the largest banking trade association in the country.

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