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## Effect of Sarbanes-Oxley Act on the Influencing of Executive Compensation

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### Abstract


An analysis of over 569,000 option grant filings by insiders after the imposition of the two-day reporting rule by the Sarbanes-Oxley Act (SOX) reveals that post-grant date market-adjusted stock returns are positive but lower in magnitude than pre-SOX figures, suggesting that SOX has curtailed, but not eliminated, managerial influencing of the grant day stock price. The post-grant date market adjusted stock returns are significantly more positive in the sample of late-reported grants, consistent with stock price influencing either through back-dating the grant date or timing the grant date or information flow with the intent to camouflage. The results suggest that strict enforcement of the two-day reporting rule can significantly reduce managers' ability to use these channels of influence.

**Keywords:** Sarbanes-Oxley Act, Executive Compensation, Corporate Governance, Backdating, Executive Stock Options

**JEL Classification:** G30, G34, G38, K22, K42

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