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United States Government Accountability Office
Washington, DC 20548

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February 12, 2007

The Honorable Christopher J. Dodd
Chairman
The Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Internet Availability of Proxy Materials*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (SEC), entitled "Internet Availability of Proxy Materials" (RIN: 3235-AJ47). We received the rule on January 22, 2007. It was published in the Federal Register as a final rule on January 29, 2007. 72 Fed. Reg. 4148.

The final rule provides an alternative method of providing proxy materials to shareholders by posting the materials on an Internet site and notifying shareholders of their availability.

Enclosed is our assessment of the SEC's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that SEC complied with the applicable requirements.

If you have any questions about this report, please contact Michael R. Volpe, Assistant General Counsel, at (202) 512-8236. The official responsible for GAO

evaluation work relating to the subject matter of the rule is Richard Hillman, Managing Director, Financial Markets and Community Investment. Mr. Hillman can be reached at (202) 512-8678.

signed

Robert J. Cramer
Associate General Counsel

Enclosure

cc: Florence E. Harmon
Deputy Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"INTERNET AVAILABILITY OF PROXY MATERIALS"
(RIN: 3235-AJ47)

(i) Cost-benefit analysis

The SEC performed a cost-benefit analysis of the final rule. This analysis determined that the rule would produce annual paper-related savings to issuers ranging from \$48.3 to \$241.4 million. The estimates of these benefits were adjusted for the cost to issuers of printing and sending notices to shareholders regarding the availability of proxy materials. The SEC estimated that the rule would produce annual costs, associated with the expenses of printing the proxy materials, to shareholders ranging from \$16 to \$80 million. However, shareholders could eliminate such costs by either accessing the proxy materials online or requesting paper copies from the issuer.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

A Final Regulatory Flexibility Analysis was prepared in connection with the final rule. The analysis complies with the requirements of the Act, including the steps taken to reduce the economic impact on small entities. For example, the SEC revised the proposed rule to make it easier for shareholders to continue to receive paper copies of proxy materials.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the SEC is not subject to title II of the Unfunded Mandates Reform Act of 1995.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures found at 5 U.S.C. § 553. On December 15, 2005, the SEC published a proposed rule in the Federal Register. 70 Fed. Reg. 74598. In response, the SEC received approximately 140 comments.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains information collections within the framework of the Paperwork Reduction Act. The SEC published a notice requesting comments on the collection of information requirements accompanying the proposed rule and submitted requests to the Office of Management and Budget (OMB) in accordance with the Act, which were approved by OMB. Some of the revisions to the proposed rule affect the collections of information. Therefore, the SEC has requested public comments on the paperwork burden with respect to these revisions, which are due by March 30, 2007.

Statutory authorization for the rule

The final rule is promulgated pursuant to the authority found in sections 3(b), 10, 13, 14, 15, 23(a), and 36 of the Securities Exchange Act of 1934, as amended; and sections 20(a), 30, and 38 of the Investment Company Act of 1940, as amended.

Executive Order No. 12866

As an independent regulatory agency, the SEC is not subject to the review requirements of the executive order.

Executive Order No. 13132 (Federalism)

As an independent regulatory agency, the SEC is not subject to the review requirements of the executive order.