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United States Government Accountability Office
Washington, DC 20548

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April 18, 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: Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934*

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 "Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934" (RIN: 3235-AJ38). We received the rule on March 27, 2007. It was published in the *Federal Register* as a final rule on April 5, 2007. 72 Fed. Reg. 16,934.

The final rule makes it easier for foreign private issuers to terminate registration of equity securities under the Securities Exchange Act by allowing exit if the daily trading volume in the United States of the subject class of equity securities has been no greater than 5 percent of the worldwide average daily trading volume for a recent 12-month period.

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 the 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: Nancy M. Morris
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
"TERMINATION OF A FOREIGN PRIVATE ISSUER'S REGISTRATION OF A CLASS
OF SECURITIES UNDER SECTION 12(G) AND DUTY TO FILE REPORTS UNDER
SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934"
(RIN: 3235-AJ38)

(i) Cost-benefit analysis

The Securities and Exchange Commission (SEC) performed a cost-benefit analysis of this final rule. The analysis determined that the expected benefits of the new rule could total approximately \$200 million during the first year of effectiveness. These benefits come from removing a disincentive for foreign firms to enter the United States capital markets by making it easier to exit those markets. The analysis determined the costs would include potential decreases in information available to investors or less protection for investors. The new rule would enable some foreign registrants to avoid some United States regulation, such as the Sarbanes-Oxley Act. There are also some costs associated with filing the new Form 15F, a requirement for foreign private issuers seeking to terminate their Exchange Act registration and reporting under Rule 12h-6.

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

The SEC certified that this rule would not have a significant economic impact on a substantial number of small entities for the purposes of the Regulatory Flexibility Act. The rule will affect directly only foreign entities, which the SEC concluded are outside the intended scope of the Regulatory Flexibility Act.

(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.

This final rule was issued pursuant to the notice and comment procedures found at 5 U.S.C. § 553. On December 30, 2005, the SEC published a proposed rule in the

Federal Register. 70 Fed. Reg. 77,688. In response, the SEC received over 50 letters commenting on the proposed rule. The SEC incorporated some of those comments and, on January 11, 2007, published a repropoed rule. 72 Fed. Reg. 1384. The SEC received 30 letters from over 40 distinct entities commenting on the repropoed rule.

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

This final rule contains collection of information requirements within the meaning of the Paperwork Reduction Act of 1995. These information collections were reviewed and approved by the Office of Management and Budget. The titles of the affected collections of information are Form 20-F (OMB Control No. 3235-0288), Form 40-F (OMB Control No. 3235-0381), Form 6-K (OMB Control No. 3235-0116), new Form 15F, and submissions under Exchange Act Rule 12g3-2 (OMB Control No. 3235-0119).

Statutory authorization for the rule

This rule is promulgated under the authority of sections 6, 7, 10, and 19 of the Securities Act (15 U.S.C. §§ 77f, 77g, 77j, and 77s) and sections 3(b), 12, 13, 23, and 36 of the Exchange Act (15 U.S.C. §§ 78c, 78l, 78m, 78w, and 78mm).

Executive Order No. 12866

As this rule is promulgated by an independent regulatory agency, it is not subject to the review requirements of the order.