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United States Government Accountability Office  
Washington, DC 20548

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August 17, 2005

The Honorable Richard C. Shelby  
Chairman

The Honorable Paul S. Sarbanes  
Ranking Minority Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Michael G. Oxley  
Chairman

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

Subject: *Securities and Exchange Commission: Securities Offering Reform*

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 (Commission), entitled "Securities Offering Reform" (RIN: 3235-AI11). We received the rule on July 19, 2005. It was published in the Federal Register as a final rule on August 3, 2005. 70 Fed. Reg. 44722.

The final rule modifies the registration, communications, and offering processes under the Securities Act. The rule eliminates unnecessary and outmoded restrictions on offerings and provides more timely investment information to investors with mandating delays in the offering process that are inconsistent with the needs of issuers for timely access to capital.

Enclosed is our assessment of the Commission'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 Commission complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO

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

signed

Kathleen E. Wannisky  
Managing Associate General Counsel

Enclosure

cc: Jill M. Peterson  
Assistant Secretary  
Securities and Exchange Commission

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE  
ISSUED BY THE  
SECURITIES AND EXCHANGE COMMISSION  
ENTITLED  
"SECURITIES OFFERING REFORM"  
(RIN: 3235-A111)

(i) Cost-benefit analysis

The Commission performed a cost-benefit analysis of the final rule. The costs associated with the final rule include compliance with the rules, potential behavioral changes resulting from the liability rules, and other costs. The quantifiable costs cited in the analysis include the annual paperwork burden totaling \$11,133,023 and the annual cost of providing notifications of \$11,622,500.

The Commission estimates the annual savings resulting from the prospectus delivery rules and the rules related to the registered securities offering process to be approximately \$130,753,000.

(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.

(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 Commission 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 November 3, 2004, the Commission published a Notice of Proposed Rulemaking in the Federal Register. 69 Fed. Reg. 67392. In response, over 130 comments were received, and the comments are discussed in the preamble to the final rule.

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

The final rule contains information collections subject to review by the Office of Management and Budget under the Paperwork Reduction Act. The Commission has estimated that the final rule will reduce the annual incremental burden of previously approved collections to be approximately 40,393 hours of in-house issuer personnel time and the reduction in cost to be approximately \$70,797,000 for the services of outside professionals.

Statutory authorization for the rule

The final rule is promulgated pursuant to the authority found in sections 7, 10, 19, 27A, and 28 of the Securities Act, as amended; sections 3, 10, 12, 13, 15, 17, 21E, 23, and 36 of the Securities Exchange Act, as amended; and sections 8, 24(a), 30, and 38, of the Investment Company Act of 1940, as amended.

Executive Order No. 12866

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