



GAO

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

B-291306

September 26, 2002

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

The Honorable Michael G. Oxley
Chairman
The Honorable John J. LaFalce
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: Securities and Exchange Commission: Acceleration of Periodic Report Filing Dates and Disclosure Concerning Web Site Access to Reports

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 "Acceleration of Periodic Report Filing Dates and Disclosure Concerning Web Site Access to Reports" (RIN: 3235-AI33). We received the rule on September 6, 2002. It was published in the Federal Register as a final rule on September 16, 2002. 67 Fed. Reg. 58480.

The final rule accelerates the filing of annual and quarterly reports by domestic reporting companies that have a common public equity float of at least \$75 million, that have been subject to the Securities Exchange Act's reporting requirements for at least 12 months, and have filed at least one annual report. The changes in the filing deadlines will be phased in over 3 years.

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 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 Tom McCool, Managing

Director, Financial Markets and Community Investments. Mr. McCool can be reached at (202) 512-8678.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: Margaret H. McFarland
Deputy 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
"ACCELERATION OF PERIODIC REPORT FILING DATES AND DISCLOSURE
CONCERNING WEB SITE ACCESS TO REPORTS"
(RIN: 3235-A133)

(i) Cost-benefit analysis

The Securities and Exchange Commission states that it has limited data on which to base the cost estimates of the final rule. However, using cost estimates from a survey based on the original proposed rule conducted by the American Society of Corporate Secretaries, the SEC arrived at the following median costs of the final rule. The initial costs are estimated to be \$298,625,000, and the ongoing, annual costs are estimated to be \$247,230,000.

The benefits are that the final rule will deliver information to investors and the capital markets faster thereby enabling them to make informed investment and valuation decisions more quickly.

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

The SEC prepared an Initial and Final Regulatory Flexibility Analysis in connection with the proposed and final rules, respectively. The analyses meet the informational requirements of the Act.

SEC notes that the public float requirement will have the effect of almost completely excluding all small entities from the final rule.

(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.

(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 contained at 5 U.S.C. 553. On April 23, 2002, the SEC published a Notice of Proposed Rulemaking

in the Federal Register. 67 Fed. Reg. 19896. SEC received 305 comments in response to the proposal, which are discussed in the preamble to the final rule.

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

The final rule contains information collections that are subject to the review and approval of the Office of Management and Budget under the Paperwork Reduction Act.

The preamble to the final rule contains the information regarding the collections required by the Act and responds to the comments received in connection with the proposed rule, which resulted in revising the annual burden.

SEC estimates that Form 10-K results in a total annual compliance burden of 12,107,420 hours and an annual cost of \$1,210,742,025 and Form 10-Q results in an total annual compliance burden of 2,728,092 hours and an annual cost of \$272,809,200.

Statutory authorization for the rule

The final rule is promulgated pursuant to the authority contained in sections 3(b) and 19(a) of the Securities Act and Sections 12, 13, 15(d), and 23(a) of the Exchange Act.

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.