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September 14, 2020

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities Exchange Commission: Amendments to Financial Disclosures About Acquired and Disposed Businesses*

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 Exchange Commission (Commission) entitled "Amendments to Financial Disclosures About Acquired and Disposed Businesses" (RIN: 3235-AL77). We received the rule on May 22, 2020. It was published in the *Federal Register* as a final rule on August 31, 2020. 85 Fed. Reg. 54002. The effective date of the final rule is January 1, 2021.

According to the Commission, the final rule adopts amendments to the Commission's rules and forms to improve their application, assist registrants in making more meaningful determinations of whether a subsidiary or an acquired or disposed business is significant, and to improve the disclosure requirements for financial statements relating to acquisitions and dispositions of businesses, including real estate operations and investment companies. The Commission stated the changes are intended to improve, for investors, the financial information about acquired or disposed businesses, facilitate more timely access to capital, and reduce the complexity and costs to prepare the disclosure.

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. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink that reads "Shirley A. Jones".

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman
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
“AMENDMENTS TO FINANCIAL DISCLOSURES ABOUT
ACQUIRED AND DISPOSED BUSINESSES”
(RIN: 3235-AL77)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) estimated the final rule will improve the application of significance tests and assist registrants in making more meaningful significance determinations. The Commission additionally anticipates the final rule will improve the financial information about acquired or disposed businesses, facilitate more timely access to capital, and reduce the complexity and costs to prepare disclosures. Finally, the Commission estimated the final rule may reduce the cost of merger, acquisition, and disposition activity.

The Commission estimated the final rule will not generate significant costs for registrants. However, in certain situations, according to the Commission, the final rule could cause some transactions to be significant that would not be deemed so under the current rules. The Commission further estimated the final rule will reduce the amount of information provided. However, the Commission stated it does not believe that there will be a reduction in the disclosure of information that is material to investors.

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

The Commission prepared a Final Regulatory Flexibility Analysis. The analysis included (1) a statement of the reasons for, and the objectives of, the final rule; (2) significant issues raised by public comments; (3) a description of small entities subject to the proposed rule; (4) a description of the reporting, recordkeeping, and other compliance requirements; and (5) agency action to minimize effects 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 the Act.

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

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

On May 3, 2019, the Commission published a proposed rule. 84 Fed. Reg. 24600. The Commission received comments on the proposed rule and addressed them in the final rule.

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

The Commission determined the final rule contained information collection requirements (ICRs) subject to the Act and submitted them to the Office of the Management and Budget for review.

The ICRs are: “Form S-1” (OMB Control No. 3235-0065); “Form S-3” (OMB Control No. 3235-0073); “Form F-1” (OMB Control No. 3235-0258); “Form F-3” (OMB Control No. 3235-0256); “Form 10” (OMB Control No. 3235-0064); “Form 8-K” (OMB Control No. 3235-0060); “Form N-1A” (OMB Control No. 3235-0307); “Form N-2” (OMB Control No. 3235-0026); “Form N-14” (OMB Control No. 3235-0336); and “Form 1-A” (OMB Control No. 3235-0286). The Commission estimated the burden for each ICR.

Statutory authorization for the rule

The Commission promulgated the final rule pursuant to section 2 of title 7; sections 5221 and 5461 *et seq.* of title 12; sections 77b, 77b note, 77c, 77d, 77f, 77g, 77h, 77j, 77r, 77s, 77z-2, 77z-3, 77aa, 77nn, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c-3, 78c-5, 78d, 78e, 78f, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78n-1, 78o, 78o-4, 78o-7 note, 78o-10, 78p, 78q, 78q-1, 78s, 78t, 78u-5, 78w, 78x, 78ll, 78mm, 80a-1, 80a-2, 80a-3, 80a-8, 80a-9, 80a-10, 80a-13, 80a-20, 80a-23, 80a-24, 80a-26, 80a-28, 80a-29, 80a-30, 80a-31, 80a-34, 80a-37, 80a-39, 80b-3, 80b-4, 80b-11, 7201 *et seq.*, and 8302 of title 15; section 1350 of title 18, United States Code, and sections 939A and 953 of Pub. L. No. 111-203; sections 102, 107, 201, 401, 503, and 602 of Pub. L. No. 112-106; and section 72001, Pub. L. No. 114-94.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Act.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Act.