

**REPORT TO CONGRESS
AND
THE GENERAL ACCOUNTING OFFICE
PURSUANT TO
5 U.S.C. §801**

August 30, 2002

1. Rules and Amendments Adopted by the Securities and Exchange Commission, and Copy of the Rules and Amendments.

On August 27, 2002, the Securities and Exchange Commission (the "Commission") adopted new rules, and amendments to its existing rules and forms, under the Securities Act of 1933, the Securities Exchange Act of 1934 (the "Exchange Act") and the Investment Company Act of 1940 (the "Investment Company Act"), in a release entitled "Certification of Disclosure in Companies' Quarterly and Annual Reports." These new rules and amendments are hereby submitted to each House of Congress and to the Comptroller General pursuant to 5 U.S.C. §801. A copy of Securities and Exchange Commission Release No. 33-8124, which contains the new rules and amendments, is attached at Tab A (the "Release").

2. Concise General Statement of the New Rules and Amendments.

The new rules and amendments implement Section 302 of the Sarbanes-Oxley Act of 2002, which was enacted into law on July 30, 2002. Section 302 directed the Commission to adopt, by August 29, 2002, rules requiring issuers' principal executive and financial officers to certify the financial and other information contained in issuers' quarterly, annual and other periodic reports filed or submitted under the Exchange Act. In addition, the new rules require issuers to establish, maintain and regularly evaluate the effectiveness of disclosure controls and procedures designed to ensure that the information required in reports filed under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

3. The New Rules and Amendments Are a Major Rule.

The Office of Management and Budget ("OMB") has determined that the new rules and amendments are major for purposes of 5 U.S.C. §804(2).

Annual Effect on the Economy. The new rules and amendments may have a \$100 million or more annual effect on the U.S. economy. Approximately 20,000 issuers will be subject to the new rules and amendments, and they will spend an average of approximately five hours per report and incur an average per report cost of approximately \$1,125 to prepare the required certification and related disclosure. Thus, the estimated aggregate direct cost of the new rules and amendments is approximately \$68,600,000.

Although the benefits are difficult to quantify, they are significant and may render the overall impact of this rule on the economy to be more than \$100,000,000.

Major Increase in Costs or Prices. The new rules and amendments are not expected to cause an increase in costs or prices for consumers or individual industries.

Significant Adverse Effects on Competition or Investment. The new rules and amendments should not result in significant adverse effects on competition, investment or innovation.

4. Proposed Effective Date.

The new rules and amendments will become effective on August 29, 2002, 30 days after the date the Sarbanes-Oxley Act of 2002 was enacted into law. The Commission has found good cause to make the rules effective immediately.

5. Cost-Benefit Analysis.

The Commission considers generally the costs and benefits of its rules. Section 3(f) of the Exchange Act and Section 2(c) of the Investment Company Act expressly requires the Commission to consider whether an action will promote efficiency, competition and capital formation. In addition, pursuant to Section 23(a) of the Exchange Act, the Commission is directed to consider, among other matters, the impact any rule would have on competition. The Release contains an analysis of the costs and benefits of the amendments in Section VII of the Release. In addition, a discussion of the impact of the amendments on competition, efficiency and capital formation is included in Section IX of the Release.

6. Regulatory Flexibility Act.

The Commission prepared an Initial Regulatory Flexibility Analysis ("IRFA") in June when proposing its own certification requirement for a somewhat smaller group of companies. The Commission received only one comment letter on the IRFA, from the Chief Counsel for Advocacy of the Small Business Administration. This commenter recommended that the Commission provide a transition period for small businesses and clarify the need for small businesses to audit their internal controls quarterly. The Release contains a transition provision that delays compliance with the certification requirement as it relates to disclosure controls and procedures and internal controls. The Commission will consider requirements for periodic audit of an issuer's internal controls at a future date. The Commission also prepared a Final Regulatory Flexibility Analysis ("FRFA"), which is set forth in Section VIII of the Release.

7. Unfunded Mandates Reform Act.

The Unfunded Mandates Reform Act of 1995 is inapplicable to the Commission. See Public Law 104-4, Section 421(1), 109 Stat. 50.

8. Other Relevant Information.

The relevant sections of the Administrative Procedure Act and the Paperwork Reduction Act have been satisfied. The Commission is unaware of any other relevant information or applicable requirements under any other Act or Executive Order applicable to it that should be brought to the attention of the Congress or the Comptroller General in connection with this rulemaking.

ATTACHMENT

Tab A: Securities Act Release No. 8124