

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

June 5, 2003

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

On May 27, 2003, the Securities and Exchange Commission (the "Commission") adopted new rules and amendments to existing rules under the Securities Act of 1933 and the Securities Exchange Act of 1934 to implement the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act"), and also adopted amendments to existing rules under Sections 302 and 906 of the Sarbanes-Oxley Act. These amendments are hereby submitted to each House of Congress and to the Comptroller General pursuant to 5 U.S.C. § 801. A copy of Commission Release No. 33-8238, which contains the amendments, is attached at Tab A.

2. Concise General Statement of the Amendments.

The rules implementing Section 404 of the Sarbanes Oxley Act require companies subject to the reporting requirements of the Securities Exchange Act of 1934, other than registered investment companies, to include in their annual reports a report of management on the company's internal control over financial reporting. The internal control report must include: (1) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company; a statement identifying the framework used by management to evaluate the effectiveness of the company's internal control over financial reporting; (2) management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year; and (3) a statement that the registered public accounting firm that audited the company's financial statements included in the annual report has issued an attestation report on management's assessment of the company's internal control over financial reporting. Under the new rules, a company is required to file the registered public accounting firm's attestation report as part of the annual report. Furthermore, the new rules require management to evaluate, as of the end of each fiscal quarter, any change in the company's internal control over financial reporting that occurred during the quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control. The new rules also require companies to provide the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act as exhibits to certain periodic reports.

3. The Amendments Are a Major Rule.

Based upon the following analysis, the Office of Management and Budget ("OMB") has determined that the amendments are major for purposes of 5 U.S.C. §804(2).

Annual Effect on the Economy. We estimate that the rules implementing Section 404 of the Act will impose a disclosure requirement on approximately 13,632 public companies. For purposes of the Paperwork Reduction Act (“PRA”), we estimated that company personnel would spend approximately 3,792,888 hours per year (278 hours per company) to prepare, review and file the proposed disclosure. Based on our estimated cost of in-house staff time, we further estimated the PRA hour-burden would translate into an approximate cost of \$758,577,600 (\$55,647 per company). We also estimated that companies would spend approximately \$481,013,550 (\$35,286 per company) in fees to outside professionals to comply with the disclosure. We believe that many companies will experience costs in excess of these averages in the first year of compliance and costs less than the averages in subsequent years. We estimated the total estimated cost of preparing the disclosure to be \$1.24 billion (\$91,000 per company).

We estimate that the incremental costs of the amendments related to Section 302 of the Act are minimal. Under amendments we adopted last October, companies must already include the Section 302 certifications in their quarterly and annual reports. There should be no added cost to relocating these certifications from the text of the reports to the “Exhibits” section. Requiring the Section 906 certifications to be included as an exhibit to the periodic reports to which they relate may lead to additional costs for companies that have not been filing these certifications as part of the companies’ periodic reports. For purposes of the PRA, we estimated that the annual paperwork burden of the proposed amendments related to Sections 302 and 906 to be approximately \$23.4 million.

No Major Increase in Costs or Prices. The amendments will not result in a major increase in costs or prices for consumers or individual industries, or companies’ costs to collect the information necessary to prepare the required disclosure. Companies will incur additional costs to collect the information necessary to prepare the required disclosure and to receive the required attestation from the company auditor. However, not all of these costs are new, as companies have existing statutory obligations under Section 13(b) of the Exchange Act to keep books and records and maintain an adequate system of internal accounting controls. Companies will also incur costs as a result of the requirement to obtain the required auditor attestation. These additional costs will be due to the companies’ obligation to obtain a new service from the auditor, not an increase in price for the services provided previously. We do not believe that the rules will result in a major increase in costs or prices for investors, the exchanges or issuers.

Significant Adverse Effects on Competition or Investment. The amendments should not have any significant adverse effects on competition or investment. Companies may incur some costs to implement new internal controls or enhance existing controls. However, the final rules do not dictate that companies follow any particular procedure. Because the final rules allow companies to determine what procedures are necessary to meet the new reporting requirements, we do not believe that the amendments will impose a significantly disproportionate cost on small issuers. We have attempted to minimize potential anti-competitive efforts by giving smaller companies and foreign private issuers

a longer transition period. The amendments, however, may have “indirect” adverse effects on competition and investment. For instance, the amendments will increase the cost of being a public company; therefore, the amendments may discourage some companies from seeking capital from the public markets. Moreover, the amendments may also discourage non-U.S. firms from seeking capital in the United States.

4. Proposed Effective Date.

The amendments will become effective 60 days from the date of publication in the Federal Register.

5. Cost-Benefit Analysis.

The Commission considers generally the costs and benefits of a rule. Sections 2(b) of the Securities Act and 3(f) of the Exchange Act expressly require the Commission to consider whether an action will promote efficiency, competition, and capital formation. The amendments related to Section 404 of the Act represent the implementation of a Congressional mandate. The amendments require management reports that improve investors’ understanding of management’s responsibility for the preparation of reliable financial information and maintaining adequate internal control over financial reporting. We anticipate that these requirements will enhance the proper functioning of the capital markets by increasing the quality and accountability of financial reporting and restoring investor confidence.

Under 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 Commission may not adopt a rule that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. We do not believe that the amendments related to the Section 302 and 906 certifications would impose any burden on competition. Nor are we aware of any impact on capital formation that would result from the amendments. The Commission also believes that the amendments related to Section 404 of the Act are designed to enhance the quality and accountability of the financial reporting process and may help increase investor confidence, which implies increased efficiency and competitiveness of the U.S. capital markets. Increased market efficiency and investor confidence will encourage more efficient capital formation. The new disclosure may enable investors to make more informed investment decisions, and capital may be allocated on a more efficient basis.

A copy of the cost-benefit analysis of the amendments is included in the adopting release, which is attached at Tab A.

6. Regulatory Flexibility Act.

The Initial Regulatory Flexibility Analysis (“IRFA”) appeared in the proposing releases, Release No. 33- 8138 and Release No. 33- 8212. The Final Regulatory

Flexibility Analysis ("FRFA") is included in the adopting release, Release No. 33-8____, which was published in the Federal Register.

The amendments impose reporting and recordkeeping requirements on the class of small entities who become subject to our reporting requirements, either by registration under the Securities Act or by registration or fulfilling its ongoing reporting obligations under the Exchange Act. The amendments would subject that class of small entities to reporting and recordkeeping in connection with drafting, reviewing, filing, printing and disseminating additional disclosure in annual and quarterly reports.

Because Sections 302, 404 and 906 of the Act do not distinguish between small entities and other companies, the Commission does not believe it to be appropriate to exempt small entities from these requirements. We think that improvements in the financial reporting process for all companies are important for promoting investor confidence in our markets. However, we have provided an extended transition period for certain companies, including small business issuers, for the amendments implementing Section 404 of the Act. Under the amendments, small business issuers need not prepare the management report on internal control over financial reporting until they file their annual reports for fiscal years ending April 15, 2005. This deferral provides small business issuers more time to develop structured and formal systems of internal control over financial reporting.

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: Release No. 33-8238