



SECURITIES AND EXCHANGE COMMISSION

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(202) 272-2650



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JOINT COMMERCE-SEC PROJECT TO PROVIDE ECONOMIC INFORMATION ON SEC REGULATIONS

Chairman Harold M. Williams and Commerce Secretary Juanita M. Kreps announced a joint project designed to enable the Commission to monitor, on an ongoing basis, the impact of key rules on the ability of small businesses to raise capital.

Chairman Williams and Secretary Kreps said the two agencies have signed an agreement to carry out the second phase of a project under the Experimental Technology Incentives Program (ETIP), which is administered by Commerce's National Bureau of Standards. Phase I, consisting principally of exploratory studies, was completed recently.

"Considering the rapidly changing environment of our securities markets," Chairman Williams said, "it is essential that we develop procedures capable of providing timely and reliable economic data to the policy development process. The ETIP project shows every indication that it will succeed in that effort."

The objective of Phase II is the implementation of an economic monitoring system within the Commission's Directorate of Economic and Policy Research. This system will provide timely and useful economic information about the effect of certain SEC regulations on issuers, investors, broker-dealers and other participants in the capital markets.

The primary thrust in the initial phase was directed toward assessing the ability of small, technology based firms, such as manufacturers of electronic components, scientific instruments, chemicals and computer equipment, to obtain adequate capital for growth. These firms, which are heavily dependent on equity financing, can be adversely affected by any reductions in funding resulting from changes in the regulatory environment or other market factors.

Phase II will institutionalize economic monitoring capability at the Commission and expand analyses beyond the monitoring of small business and technology-based issuers to issues involving tender offers, accounting and disclosure rules and other substantial policy concerns, while at the same time retaining a focus on the needs of innovative enterprises.

Phase I, begun in March 1977 and just concluded, identified specific areas where a modification of SEC regulations could ease the burden on small business consistent with investor protection.

Partly as a result of information developed by Phase I, the Commission recently conducted a broad examination of its regulation of small business enterprises and moved to lower issuer costs. Changes in registration requirements were implemented in order to assist emerging companies in their capital raising efforts. The effects of these actions will be studied closely in Phase II of the ETIP project so as to maintain a balance between the efficiency with which capital is raised and the protection of investors.

ETIP, begun in fiscal year 1973 as a means of facilitating changes in government policy that affect technological innovation, has provided the SEC with up to \$400,000 to support both phases of the joint project. The Commission, through the Directorate of Economic and Policy Research, will provide senior management, staff and facilities support as required.

The initial stage of Phase II will be completed in September 1980.