



**SECURITIES AND
EXCHANGE COMMISSION**
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**COMMISSION RELEASES STUDY OF EFFECTS OF SAFE HARBOR RULE
ON RESALE OF UNREGISTERED SECURITIES**

A Commission report released today concludes that a major SEC rule which creates a "safe harbor" for the resale of unregistered securities has no adverse effects on the over-the-counter (OTC) market for such securities.

The report, "Rule 144 Sales in the OTC Market," prepared by the Directorate of Economic and Policy Research, is the first publicly released study resulting from a joint SEC-Department of Commerce project designed to monitor the effects of SEC regulations on the capital raising abilities of small, technology-based businesses. The joint project is being conducted by the Directorate under the sponsorship of the Commerce Department's Experimental Technology Incentives Program (ETIP).

The purpose of the study was to determine if sales, pursuant to Rule 144, of unregistered stock in certain issuers, particularly young, technology-based companies, in

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the OTC market have adversely affected the market for such stocks. Rule 144 was adopted in January 1972 to provide a "safe harbor" for persons wishing to sell unregistered securities which had been acquired by them directly from issuers. The rule also serves to provide liquidity to those issuers and their investors.

The study concludes that: (1) there are no negative price effects on OTC securities as a result of Rule 144 sales, and (2) the public announcement of Rule 144 sales does not trigger abnormal price changes. Particular attention was given the effects of sales in the secondary market confronting technology-based firms and sales by persons who acquired their stock in private placements.

Other Directorate studies in progress which relate to capital formation by small businesses include an analysis of the use of the Commission's new Form S-18, which was adopted last Spring to provide small issuers with a simplified registration form, and the monitoring of Rule 242, which provides a registration exemption for limited sales by issuers.

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