

CALCULATION OF THE INCREMENTAL BURDEN OF THE IDENTIFICATION DISCLOSURE—Continued

	Affected responses	Incremental hours/form	Total incremental burden	75% company	25% professional	\$300 professional cost
	(A)	(B)	(C)=(A)×(B)	(D)=(C)×0.75	(E)=(C)×0.25	(F)=(E)×300
14A	0 ²⁴⁵	0.25	0	0	0	\$0.00
14C	0 ²⁴⁶	0.25	0	0	0	\$0.00
Total			438	312	127	\$38,100.00

Regulation S–K includes the requirements that a registrant must provide in filings under both the Securities Act and the Exchange Act. Regulation S–B includes the requirements that a small business issuer must provide in filings under the Securities Act and the Exchange Act. The disclosure changes will include changes to items under Regulation S–K and Regulation S–B. However, the filing requirements themselves are included in Form 10–K, Form 10–KSB, Form 20–F, Form 40–F, Schedule 14A and Schedule 14C. We have reflected the burden for the new requirements in the burden estimates for those firms. The items in Regulation S–K and Regulation S–B do not impose any separate burden. We previously have assigned one burden hour each to Regulations S–B

²³³ For convenience, the estimated PRA hour burdens have been rounded to the nearest whole number, and the estimated PRA cost burdens have been rounded to the nearest \$100. As a result of rounding, the sum of the entries in columns (D) and (E) of the tables may not exactly equal the corresponding entry in column (C).

²³⁴ This figure is based on our estimate of the total number of affected responses by listed issuers.

²³⁵ This figure is based on our estimate of the total number of affected responses by listed issuers.

²³⁶ This figure is based on our estimate of the total number of affected responses by listed issuers, as adjusted for the number of responses where Part III information would be incorporated by reference from a proxy or information statement.

²³⁷ This figure is based on our estimate of the total number of affected responses by listed issuers, as adjusted for the number of responses where Part III information would be incorporated by reference from a proxy or information statement.

²³⁸ This figure is based on our estimate of the total number of affected responses by listed issuers.

²³⁹ This figure is based on our estimate of the total number of affected responses by listed issuers.

²⁴⁰ Issuers that file their annual report on Form 20–F are already required to identify the members of their audit committee.

²⁴¹ This figure is based on our estimate of the total number of affected responses by listed issuers.

²⁴² This figure is based on our estimate of the total number of affected responses by listed issuers, as adjusted for the number of responses where Part III information would be incorporated by reference from a proxy or information statement.

²⁴³ This figure is based on our estimate of the total number of affected responses by listed issuers, as adjusted for the number of responses where Part III information would be incorporated by reference from a proxy or information statement.

²⁴⁴ This figure is based on our estimate of the total number of affected responses by listed issuers, as

and S–K for administrative convenience to reflect the fact that these regulations do not impose any direct burden on companies.

IV. Cost-Benefit Analysis

The amendments represent the implementation of a Congressional mandate. We recognize that implementation of the Sarbanes-Oxley Act will likely create costs and benefits to the economy. We are sensitive to the costs and benefits imposed by our rules, and we have identified certain costs and benefits of our amendments.

A. Background

Section 10A(m)(1) of the Exchange Act, as added by section 301 of the Sarbanes-Oxley Act, requires us to direct, by rule, the national securities exchanges and national securities associations to prohibit the listing of any security of an issuer that is not in compliance with several enumerated standards regarding issuer audit committees. The new rule must become effective by April 26, 2003, which is 270 days after the date of enactment of the Sarbanes-Oxley Act and section 10A(m) of the Exchange Act.

In general, according to the standards listed in section 10A(m) of the Exchange Act, SROs will be prohibited from listing any security of an issuer that is not in compliance with the following standards:

- Each member of the audit committee of the issuer must be independent according to specified criteria;
- The audit committee of each issuer must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing

adjusted for the number of responses where Item 5 information would be incorporated by reference from a proxy or information statement.

²⁴⁵ We estimate that proxy statements on Schedule 14A are already required to identify the members of their audit committee.

²⁴⁶ We estimate that information statements on Schedule 14C are already required to identify the members of their audit committee.

other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee;

- Each audit committee must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters;

- Each audit committee must have the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties; and

- Each issuer must provide appropriate funding for the audit committee.

The amendments described in this document respond directly to the requirements in section 10A(m) of the Exchange Act. In addition, our amendments include several additional provisions, such as:

- Revising existing disclosure requirements regarding the composition of audit committees by also requiring this disclosure in annual reports of listed issuers filed with the Commission;

- Requiring a company availing itself of one of the exemptions from the requirements to disclose that it is doing so;

- Updating existing disclosure requirements regarding audit committees to reflect changes made by the amendments and the Sarbanes-Oxley Act; and

- Revising the disclosure requirements regarding the independence of audit committee financial experts for foreign private issuers.

B. Benefits

One of the main goals of the Sarbanes-Oxley Act is to improve investor confidence in the financial markets. The amendments in this document are among many required by the Sarbanes-