



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

OFFICE OF  
THE SECRETARY

January 5, 1998

BY COURIER

The Honorable Dennis Hastert  
The Speaker  
U.S. House of Representatives  
Room H-209, the Capitol  
Washington, D.C. 20515

Dear Mr. Speaker:

This constitutes the submission of a report to Congress, as required by 5 U.S.C. §801, relating to Securities and Exchange Commission Release No. 33-7620, issued on January 5, 1999. In that release, the Commission adopted technical amendments to its rules governing segment reporting to conform to recently changed generally accepted accounting principles. A copy of the report is enclosed with this letter, as well as a copy of Release No. 33-7620.

Simultaneously with the delivery of this letter and enclosures, the Commission is delivering a duplicate of this letter, on which we would appreciate that your office acknowledge the date of receipt of the original letter and enclosures.

Sincerely,

Jonathan G. Katz  
Secretary

Enclosed: Report to Congress Pursuant to 5 U.S.C. §801  
Rulemaking title: Segment Reporting, Issued January 5,  
1999. RIN No. 3235-AH43. Release No. 33-7620.

Similar letters and report submitted to:

Hon. Albert Gore  
Vice President  
President of the Senate  
Room S-212, the Capitol  
Washington, D.C. 20510

David M. Walker  
Comptroller General  
GAO Building  
441 G Street, N.W.  
Washington, D.C. 20548  
ATTN: Robert P. Murphy

REPORT TO CONGRESS PURSUANT TO 5 U.S.C. §801

January 5, 1999

**1. Rule amendments promulgated by the Securities and Exchange Commission, and copy of the rule amendments.**

Submitted herewith to each House of Congress and to the Government Accounting Office pursuant to 5 U.S.C. §801 are Securities and Exchange Commission rule amendments contained in a release entitled "Segment Reporting." A copy of Securities and Exchange Commission Release No. 33-7620, which contains the rule amendments, is attached at Tab A.

**2. Concise general statement of the rule.**

The segment reporting release contains technical amendments to Commission rules designed to reflect recent changes to generally accepted accounting principles. Since 1977, the Commission has coordinated its rules requiring disclosure about a securities issuer's business segments with the accounting requirements specified by generally accepted accounting principles established by the Financial Accounting Standards Board (FASB). In 1997, the FASB modified its standards governing segment disclosure in financial statements. The Commission has adopted changes to its segment reporting requirements to conform with the accounting changes. This action eliminates the potential for confusion and conflicting requirements that could result by retaining in Commission rules requirements that reflect the old accounting standards.

**3. The rule amendments are not major rules.**

The rule amendments have been determined by the Office of Management and Budget not to be major rules. It is anticipated that the amendments will have an annual effect on the economy of less than \$100 million. Any economic impact due to the possibility of cost increases from failing to conform our rules with FASB requirements is not immediately quantifiable, but the Commission believes it would not equal or exceed the \$100 million threshold. The amendments should not result in a major increase in costs or prices for consumers or individual industries because the rules will eliminate any potential for cost increases by modifying old requirements that might appear to be in conflict with the revised accounting standards. The amendments will have no adverse effects on competition because they impose no new costs and because they continue to apply equally to all persons subject to the Commission's disclosure requirements.

**4. Proposed effective date.**

The rule changes will become effective 30 days after publication in the Federal Register.

**5. Cost/Benefit analysis.**

No statutory mandate directs the Commission to undertake a specific cost-benefit analysis of a rule. However, the staff prepared an analysis which can be found in Section IV of Release 33-7620, attached at Tab A.

**6. Regulatory Flexibility Act.**

A copy of the Regulatory Flexibility Act certification prepared pursuant to 5 U.S.C. §605 is attached at Tab B. The certification, signed by the Chairman on June 24, 1998, states that these rule amendments would not have a significant economic impact on a substantial number of small entities.

**7. Unfunded Mandates Reform Act.**

The Unfunded Mandates Reform Act of 1995 is inapplicable to the Securities and Exchange 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 also has considered the impact this rulemaking will have on competition, pursuant to section 23(a) of the Securities Exchange Act of 1934. The Commission has determined there will be no adverse effect on competition and that the rule changes will not impose any unnecessary burden on competition that is not appropriate in furthering the purpose of the federal securities laws. The Commission is unaware of any other relevant information or requirements under any other Act or any relevant Executive orders applicable to it that should be brought to the attention of the Congress or the Comptroller General in connection with this rulemaking.