



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

OCT 2 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11567 - Securities and Exchange
 Commission Appropriation Authorization
 Sponsor - Rep. Eckhardt (D) Texas

Last Day for Action

October 7, 1978 - Saturday

Purpose

To authorize appropriations for the Securities and Exchange Commission for fiscal years 1979 and 1980 and to exempt certain public offerings of securities from detailed registration requirements.

Agency Recommendations

Office of Management and Budget	Approval
Securities and Exchange Commission	Approval
Small Business Administration	Approval (Informally)

Discussion

The enrolled bill, which passed both Houses of the Congress by voice vote, would (1) authorize appropriations for the Securities and Exchange Commission (SEC) of \$69 million for fiscal year 1979 and \$79 million for fiscal year 1980; and (2) would facilitate the underwriting of securities issued by small offerors.

The 1979 authorization is \$4.2 million more than the \$64.8 million requested in your 1979 budget. However, this presents no problem since the 1979 appropriations bill for SEC, as reported by the House and Senate conferees, would only appropriate \$64.6 million for the Commission. While the 1980 authorization level exceeds present planning ceilings, we anticipate that an appropriate level of funding for the SEC will be developed in the 1980 budget and appropriations processes.

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The enrolled bill would also expand the Commission's authority to exempt certain offerings of securities from the full-scale registration provisions of the Securities Act of 1933. Under current law, the SEC may do this when it finds that such compliance is not necessary in the public interest and for the protection of investors by reason of the small amounts involved or the limited character of the public offering. However, no exemption may be granted for offerings in excess of \$1.5 million. Such a limitation, according to the Senate Banking Committee, may be contributing to the capital formation problems of small businesses. This may be so because banking houses are not always interested in underwriting small issues in view of the complexities involved and the small rate of return. If they do, their commissions devour a substantial portion of the amount sold. Accordingly, the enrolled bill would raise the exemption to \$2 million. This increase appears to represent a reasonable balancing of the interests of small businesses and the SEC's general obligations to the investing public.

(Signed) James M. Frey

Assistant Director for
Legislative Reference

Enclosures