

**Statement of Chairwoman Sue Kelly  
House Committee on Financial Services  
Subcommittee on Oversight and Investigations  
Hearing on the SEC's Role in Capital Formation:  
Help or Hindrance?  
June 26, 2001**

This hearing of the Subcommittee on Oversight and Investigations will come to order. Without objection, all members' opening statements will be made part of the record.

This morning we are holding this Committee's first hearing on the issue of capital formation. Capital formation has been an implicit responsibility of the SEC since it was first created. In 1996, securities laws were amended by the National Securities Markets Improvement Act to explicitly state that capital formation is an important responsibility of the SEC. In 1995, in testimony before the former Subcommittee on Finance and Hazardous Materials, former SEC Chairman Arthur Levitt stated, "Existing law already requires the agency to give consideration to efficiency, competition, and capital formation concerns whenever the Commission is required to make a public interest determination."

The securities markets are the critical force behind our nation's economy. It has been one of my long-standing goals in Congress to eliminate obstacles to capital formation in those markets, especially for small businesses. I am greatly distressed by concerns that fundamental regulatory obstacles are inhibiting the flow of capital to, and investor participation in, the small and middle-market business sector. This hearing is the Subcommittee's first step in determining how we in Congress, and the Commission, can effectively eliminate those obstacles -- for all participants in our nation's capital markets.

Capital is the lifeblood of business and the efficient access to capital is a crucial ingredient to a strong, growing economy. We have the responsibility to closely examine the different structures the SEC has crafted for businesses to access the markets and determine if these are practical and effective. Businesses should be able to devote their energies towards their customers and not be delayed by unnecessary requirements that no longer reflect the realities of our new economy. In the SEC's work to ensure investor protection and efficient capital formation, I believe the best service they can provide is to ensure transparency in disclosures and ensure fair play through their enforcement division.

A September 2000 General Accounting Office report found that the estimated average total costs needed to conduct a small business IPO during 1994-1999 was about 10 percent of the total offering proceeds, while the average total costs for a large business IPO was about 8 percent. The SEC has a few different processes for smaller businesses and smaller offerings which were designed to reduce the regulatory burden for these issuers. We will examine the effectiveness of some of these processes here today.

In addition, in 1996 the SEC was given general exemptive authority to allow them to waive specific requirements on a case by case basis in order to give the SEC additional flexibility in assisting businesses access to the capital markets. I intend for this Subcommittee to take a close look on how that authority is being used.

Before us today we are honored to have a distinguished panel of witnesses to share their thoughts and observations with us on these issues. I thank you all for taking the time out of your busy schedules to discuss these issues with us.

I would like to let members of the Subcommittee and their staff know that it is my intention to enforce the five-minute rule and would appreciate their cooperation in this.

I will now recognize my friend from Chicago, Mr. Gutierrez, the distinguished ranking member for this Subcommittee, for his opening statement.

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