US probe after Goldman investment in Facebook

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A Goldman Sachs investment of nearly half a billion dollars into Facebook has spawned a probe by US regulators eager to safeguard the dividing line between public and private companies, The Wall Street Journal reported on Wednesday.

US media earlier this week said that investment giant Goldman had poured 450 million dollars into Facebook and that a Russian investment firm, Digital Sky Technologies, sank another 50 million dollars into the social networking site.

The Journal reported however that the federal Security and Exchange

Commission has begun examining whether disclosure rules for privately held firms need to be rewritten as a result of recent deals allowing investors to buy shares in Internet companies such as Facebook and Twitter.

Facebook's agreement with Goldman Sachs Group to create an investment vehicle that will allow some of the securities firm's richest clients to buy as much as 1.5 billion dollars of equity in Facebook has caused the SEC to re-examine the divide between public and private companies, The Journal wrote.

SEC rules require firms with 500 or more shareholders of record in a given type of stock to publicly disclose certain financial information. The requirement is designed to protect investors from risking money on companies that say little about their operations and performance.

Citing people familiar with the probe, the financial daily wrote that the review is at an early stage and that SEC officials looking at the recent deals have not concluded that any of them run afoul of the 47-year-old rules governing private companies.

The fast-growing Facebook website has more than 500 million active users per month worldwide as subscribers "friend" their contacts and share their activities.

Its founder Mark Zuckerberg, 26, recently named Time magazine's "Person of the Year," has resisted pressure to launch an initial public offering of stocks.

With this reported fresh investment, Facebook has a bigger capitalization than Boeing, at 48.7 billion dollars, or Time Warner, about 36 billion.

Yet its annual revenue, primarily based on advertising, is estimated at two billion dollars, compared with Boeing's 64.62 billion and Time Warner's 26.5 billion.