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# United States Senate

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COMMITTEES:  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS, CHAIRMAN  
ARMED SERVICES  
SPECIAL COMMITTEE  
ON AGING

October 22, 2008

The Hon. Christopher Cox, Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Office of the Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Dear Mr. Chairman:

I write to comment on the Commission's 21st Century Disclosure Initiative, File No. 4-567.

Replacing the EDGAR system of prescribed-form filings with a dynamic, interactive, flexible, and readily searchable system would be a great step forward under any economic conditions. Regulators, investors, fund managers, academic researchers, public officials, Congressional staff, journalists, and many other citizens would find great benefit from the ability to customize fast searches and create reports geared to their specific needs and interests rather than proceed file by file through labyrinths of static, online archives. Providing this capability will make the greatest possible use of the growing numbers of electronic filings from publicly traded companies, mutual funds, and other entities that submit data to the SEC.

The core idea of the 21st Century Disclosure Initiative is even more appealing and imperative, however, in view of the past year's devastating developments in financial markets; the sudden failures of large and well-regarded companies; the drastic decline in investor, institutional, and public confidence in published financial data and the regulatory system; and the prospects for a long struggle to fend off a severe global recession. Prompt reporting in easily accessible, searchable, and retrievable formats will be an essential feature for people who seek to understand current and developing issues, investigate possible misleading or deceptive reports, identify new topics for disclosure, or comment on the rationale and impacts of proposed rules.

A critical element of the current financial crisis is that the ill effects of the proliferation of worthless or grossly overrated mortgage-backed paper were compounded by the difficulty in spotting and characterizing its risks. We are, of course, seeing similar problems developing in the trillions of dollars of liabilities associated with credit-default swaps and other financial derivatives that reference non-mortgage obligations. Increased regulation and reporting of these potential systemic risks are essential to avoid new crises, boost transparency, promote accurate risk assessment and price discovery, and ensure that lenders and investors have access to the information they need to make capital-allocation decisions that will assist economic growth and job creation.

Simply collecting more data, however, is of limited value – and may even contribute to information overload for end users – if we do not also improve the mechanisms for accessing, filtering, retrieving, and analyzing that data.

While conducting investigative hearings this year on the role of speculative investments in raising the costs of agricultural and energy commodities, I have been amazed and alarmed at the kinds and the extent of potentially disruptive activity that can proceed unregulated, little reported, and poorly understood. What is true in commodity markets also applies in some quarters of our markets for debt, equities, and financial derivatives. Before we can settle the debate on what additional or revised regulation may be necessary and helpful, we need more and better information on what is happening.

Expanding the reach and improving the quality of financial disclosure, extracting maximum benefit from new technologies for handling and serving electronic data, and ensuring that the language of regulations, reporting protocols, and data presentation is as clear and direct as subject matter allows are all important steps to make regulation more efficient, disclosure more accurate, deception more difficult, and our financial system more trustworthy.

I will follow your 21st Century Disclosure Initiative with great interest. Improving the accessibility and usability of disclosure information is a critical step in repairing the damage that has befallen our economic system.

Sincerely,

A handwritten signature in black ink that reads "Susan M. Collins". The signature is written in a cursive, flowing style.

Susan M. Collins  
United States Senator