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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ROUNDTABLE ON MODERNIZING THE SECURITIES  
AND EXCHANGE COMMISSION'S DISCLOSURE SYSTEM

Wednesday, October 8, 2008

Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549

Diversified Reporting Services, Inc.

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1                   This roundtable is part of the 21st Century  
2 Disclosure Initiative which Chairman Cox began in June of  
3 this year. It is an agency-wide effort to begin the process  
4 for the Commission to move from its current complicated  
5 forms-based disclosure system to a system of electronically  
6 filed structured data in what we are calling a company file.

7                   By the end of this year the initiative will develop  
8 a plan that will outline such a disclosure system and the  
9 process for moving to that system. With this system  
10 investors will be able to find the data they want with a  
11 minimum of keystrokes, and then slice, dice, and manipulate  
12 the information they want in the format they want. You will  
13 hear more about this system, what it would look like, and  
14 what it can do during the discussion of the second panel.

15                   But we begin with our first panel and a discussion  
16 of the current system of disclosure, its strengths and its  
17 weaknesses, from the perspective of those who use it both as  
18 filers and as investors. I will turn this now over to Matt  
19 Reed who will begin by introducing the panelists and  
20 moderating the discussion.

21                   Thank you, and I hope you find the day informative,  
22 interesting, and challenging.

23                   PANEL ONE: THE MARKET'S USE OF DISCLOSURE INFORMATION

24                                   AND THE SEC'S DISCLOSURE SYSTEM

25                   MR. REED: Thank you Bill and good morning.

1 (Applause.)

2 MR. REED: Good morning Commissioners and good  
3 morning panelists.

4 I will begin with just a few brief ground rules for  
5 today. We have prepared a number of questions for the  
6 panelists, but periodically, as you know, the Commissioners  
7 both present and Commissioner Aguilar, who appears by video,  
8 may ask questions.

9 We have asked you not to present opening  
10 statements, as you know, but have encouraged you and  
11 encouraged members of the audience who are listening via the  
12 internet or C-SPAN to take advantage of the opportunity to  
13 file written comments, and you can get more information about  
14 that on our website.

15 Toward the end of the panel we will have a minute  
16 or so to have each panelist present some closing comments and  
17 I will speak in a moment about how we will divide up the  
18 subject matter for today, but we will ask each question of a  
19 different panelist. If you would like to interject, just  
20 raise up your name card or try to make eye contact. One of  
21 the three of us will try to ensure that we will try to get to  
22 everybody, so you can jump in as often as you want to.

23 And I guess one more housekeeping measure is the  
24 restrooms are out the doors and to the left for anybody who  
25 doesn't know at this point.



















































1           Some of the things that we look for is a broader  
2 sensitivity analysis, somebody forecasting what happens when  
3 the market does slow down. Today's market is one that  
4 couldn't be predicted, but all the models had things  
5 continuing to look upward swinging. We want to make sure  
6 that the analysis going in is presented back out, not just a  
7 one percent swing, but what is a five percent swing due to  
8 the information?

9           MR. BERKELEY: I would just like to comment on the  
10 comment that was made about people looking to analysts. One  
11 of the things that we ought to add to Chairman Cox's list of  
12 problems, such as the regulatory gap, is the unintended  
13 consequences of the evaporation of research on thousands of  
14 public U.S. companies. It is not a simple problem, but we  
15 ought to be looking out of box at things like allowing  
16 companies to pay to have sensible comparative reports written  
17 on themselves.

18           Right now, if the company pays for research, it is  
19 perceived as somehow tainted. There is no incentive in the  
20 broker-dealer business model these days to write any research  
21 on any but the most frequently traded stocks. So you will  
22 have 25 to 30 percent on the most liquid stocks and no  
23 analysts on thousands of stocks that are perfectly viable  
24 companies and I really recommend that to the Division of  
25 Corporate Finance to look at.

1                   MR. DOGGETT: I just wanted to follow up that both  
2 the International Accounting Standards Board and the  
3 Financial Accounting Standards Board, we feel they have been  
4 very active in coming up with sets of disclosures that will  
5 be helpful to investors. There are many things in their  
6 recent requirements and their professional review of illiquid  
7 markets, recommendations in there we feel will have benefit  
8 as they become incorporated.

9                   MR. WHITE: I thought maybe we would change  
10 directions here for a moment now. I guess we have been  
11 talking about this so far from the investor or user side. If  
12 we could switch for a few minutes and talk about it from the  
13 filer or company side. And I guess what I really would like  
14 is a kind of basic description from, I guess I will say the  
15 three groups that we have represented here today, of how you  
16 prepare information and file it and assure yourself of its  
17 accuracy in the process.

18                   And I guess I would like to start from the large  
19 company perspective, Bob, if you could talk about it from  
20 Xerox, and then we will go to the smaller company perspective  
21 to Kara and how you do it at Bluefly, then from - I will ask  
22 our fund representatives to put on their filer hats and ask  
23 Tim and Paul to come in. Bob, can I start with you?

24                   MR. SORRENTINO: Yes. John, if I get too  
25 long-winded, just stop me, okay?























































1                   (Whereupon, at 10:53 a.m., a brief recess was  
2 taken.)

3                   PANEL TWO:   MODERNIZING THE SEC'S DISCLOSURE SYSTEM

4                   MR. LUTZ:   Welcome back.

5                   First of all, I would like to thank the panel for  
6 an interesting and somewhat spirited discussion.  When we  
7 first proposed that topic to Chairman Cox, he just looked at  
8 me and said, "Oh, that will really excite them," and I  
9 promised that we would make it interesting, and I think the  
10 panelists certainly did.

11                  MR. WHITE:  That's because you didn't know that the  
12 national treasure was going to emerge.

13                  MR. LUTZ:  We always have hidden surprises here.

14                  So we looked at what the current system is.  This  
15 panel will explore what a system could look like if we moved  
16 to an electronically-based structured database form of  
17 disclosure.  It is a big question, it is a big issue,  
18 involving a lot of detail.  Certainly we are not going to be  
19 able to cover everything given the limited amount of time  
20 that we have, but I think we have enough people on the panel  
21 to give you some very specific ideas as well as stir up some  
22 interesting discussion.

23                  So now I will turn it over to our panel.  Joining  
24 both Buddy Donohue and John White is Jim Kaput.  Jim is a  
25 special counsel to the 21st Century Disclosure Initiative.











































































































































