



# Block Transfer

In re File No. S7-15-23

November 21, 2023

Ms. Vanessa Countryman  
c/o U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

**via email**

Dear Ms. Countryman,

Chiefly, we commend the Commission for proposing such an innovative new system. From the viewpoint of modern issuers, EDGAR resembles 1980s technology, with its current security system not too far ahead.<sup>1</sup> EDGAR modernization is long overdue. We concur with the rule's implied view that machine-to-machine EDGAR communications must catalyze American Small Business Access to Capital ("SBAC"). Sincerely, we humbly comment to promote SBAC.

The Commission operates on an extremely tight budget compared to the vast markets, industry titans, and international considerations it regulates. Yet the Commission's dedicated, diverse, and driven staff promote the growth of small businesses, establish case studies through inexplicably complex landmark litigation cases, and create an incredibly vast amount of content educating investors. In fact, that content is how we learned about this pioneering proposal. These efforts no doubt lead many million Americans and potentially billions of international citizens to build real savings and retirements through quality compounding equity investments. We heartily applaud your stellar work. The Commission's resolute dedication to investors is well exemplified in recent history through amendments to the definition of an accredited investor. Your innovative improvement to add personal intelligence examinations to wealth considerations enabled more investors than ever before to fund the early-stage companies they truly understand. Incredible.

Ms. Countryman and the rest of the Commission's talented staff: a very good job done in this example and throughout all of the Commission's complex rulemaking balancing act. We are continually amazed by the unique staff ability consider the many viewpoints of fellow American investors, legacy intermediaries, and reporting filers. We wish you nothing but the best for your next meticulous, intriguing, and nuanced modernization proposal, based on the clear innovative thinking present throughout the Commission—especially given its limitations on time, money, and punitive capacity from Congress. We will share anything to support your great mission.

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<sup>1</sup> Cybersecurity should come from mathematics, not fear of the FBI in the event of misuse.

## I. Introduction

We highly commend the Commission on finding the time, expertise, and dedication to develop this proposal. We were not expecting such an innovative development from regulators, given the Commission's extreme funding constraints, lack of collections on most fines levied,<sup>2</sup> and general unquestionable operational efficiency. Our sincere gratitude, Ms. Countryman. We did not think the Commission would propose this necessary advancement due to its unwavering stewardship of limited resources.<sup>3</sup> We truly hope staff will scrutinize further this proposal's implications.

In this letter, we identify substantial cybersecurity risks in the outlined system. Fixing the setbacks documented by EDGAR Next's final launch would markedly position our United States apart from foreign markets for capital. It would definitively establish our great nation as the most advanced, developed, and liquid international capital market in a single stroke. Our commitment to cybersecurity excellence within EDGAR Next will instill deep global investor confidence.

We are on the same team—we share common staff goals. We respectfully submit that our cybersecurity upgrades, coherence, and safeguards will permit EDGAR Next to further all facets of the Commission's enduring mission. It will enable materially greater transparency and global accessibility for all issuers. From individuals to institutions, a secure and efficient EDGAR will:

- **Protect Investors:** Do critical pollution challenges afflict all equity investments? Perhaps efficient, secure, and electronic machine-to-machine filing submissions could alleviate snail-mail emissions. And digital reporting ought streamline novel trading regulations, widespread issuer materials distribution, and the overall public supervision of capital.
- **Maintain Fair, Orderly, and Efficient Markets:** Today's average stock trade involves eleven banks, brokers, or other custodians. What impacts could disintermediation have? Might we value securities more efficiently with markets using decentralized protocols?
- **Facilitate Capital Formation:** Capitalism excels in organizing society efficiently. Prompt, unbiased, and virtual allocation of capital has the potential to fund the future Wright brothers, Estée Lauder, or Thomas Edison. These innovators are our answer to widespread job loss from artificial intelligence, blockchain technology, and automation systems. Do we not have a national responsibility to deploy globally dominant financial infrastructure to empower these entrepreneurs, all of whom started with a small business?

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<sup>2</sup> Without blame to hardworking staff, who diligently put forth their best efforts.

<sup>3</sup> For instance, as shown in remarkably transparent and insightful annual reports.

### **A. Current EDGAR Accessibility**

Ms. Countryman, note 100 states that about 80% of EDGAR accounts are defunct. We think this has to do with a problem in the way small businesses currently interface with EDGAR. Namely, we believe machine-to-machine communication, such as the kind presented in the proposed rule, will help streamline the reporting, issuance, and compliance process for American businesses, promoting SBAC. We respectfully submit to the Commission these EDGAR filing obligations may be best completed through specialized machine-to-machine platform providers, each of which will help finance teams save many hours of legal work every week. Those hours add up fast. When combined with the reduction of paperwork, the automation efforts proposed will have a significant positive impact on the efficiency of our markets. This transformation will empower businesses to operate smoothly and allocate resources where they are needed most.

### **B. Our Perspective and Questions 18, 21, and 23**

BlockTrans Syndicate is the first Transfer Agent Depository.<sup>4</sup> We are a community built by investors for investors, self-funded through proceeds from proprietary securities trading. When

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<sup>4</sup> Ms. Countryman, our classification as a legacy transfer agent is particularly questionable due to note 77 in the proposed rule. To date, we've had to make certain assumptions about which rules may or may not apply to a TAD based on the Commission's thorough, thoughtful, and tangible securities regulations since first provisioned in 1934. Might we respectfully suggest that, given the Commission's origination of the TAD concept in 1967 and extensive insights into U.S. trading and markets, the hardworking staff honorably consider the following options: (i) provide a different filer type for BlockTrans Syndicate, (ii) materially amend the present definition of a "transfer agent filer" as documented in connection with written instructions for the uniform application for access codes to file on EDGAR, or (iii) adopt a thoughtful combination of either option, in accordance with all the intelligent staff minds, Commission regulatory duties, and any documented Congressional inputs. It is our present belief that TAD3 requires a formal distinction from legacy transfer agents to adequately comply with certain international securities trading and transfer regulations. Without this crucial staff guidance, we are unsure how to meaningfully respond to SEC Requests for Comment #18, #21, and #23. After extensive consultation with interested parties, on 16 Nov 2023 we unanimously resolved to deny the onboarding of any new issuers until the Commission provides a more detailed acknowledgment or other classification of TAD3. This operational delay may materially decrease competition in the transfer-agent market; impact certain American investors who are presently waiting weeks for a stock transfer, based on the medallion signature guarantee stamp system in place at legacy transfer agents; and hinder SBAC for the issuers requesting our services. It is our present belief that denying prospective

## EDGAR Next Machine-to-Machine Authentication

we first attempted to submit Form ID, we accidentally printed an outdated version of the form, subsequently wasting half a day getting it notarized. We respectfully believe that the Form ID process is a significant burden for many small businesses, largely due to its notarization requirement. We want to shed light on how some minor design tweaks in EDGAR Next could drastically increase its positive impact on SBAC while maintaining public safety.

We brought our inaugural client onto our blockchain platform this year. The company is a minority-owned small business in South Carolina. Ms. Countryman, when they first applied to work with us, we asked them to provide their Central Index Key.<sup>5</sup> However, they were unable to attain one based on the public “Apply for EDGAR Access Instructions.” Part of the problem was that the firm’s executives had material difficulty opening a business bank account. To get started, their chairwoman operated the company through her personal bank account, at great burden.

This unique situation exemplifies the barriers faced by many small businesses in gaining access to essential tools for financial growth. Our mission, more fully detailed in Section V, is to break down these barriers and empower all investors and businesses to thrive in the ever-evolving capital market. By fostering innovation, inclusivity, and collaboration, we aim to ensure that all aspiring entrepreneurs have the opportunity to succeed and contribute to the vitality of our economy. Together, we can build a more accessible and equitable financial future for all.

The challenge for many small businesses, like this one, is a lack of access to fair, transparent, and widespread capital markets. Hailing from a more rural area of South Carolina, this issuer did not have an immediate pool of individuals to draw on for fundraising. While this predicament might not be as pronounced in most American small businesses, it certainly presents itself one way or another quite often. Traditionally, investment banks stepped in to act as brokers for new fundraising deals. But in recent years, many small businesses have trouble accessing institutional capital despite dedicated efforts. Even though venture and total capital investments recently reached all-time highs, the system does not seem to work for a large number of citizens.

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clients access to TAD3 will help the Commission protect investors; maintain fair, orderly, and efficient markets; and facilitate much-needed capital formation. We would greatly appreciate timely Commission feedback on this present consensus. All material documentation is available on our website for further reference.

<sup>5</sup> As do many market data aggregators, we use CIKs to definitively identify issuers based on an immutable number. Using CIKs as standardized identifiers, as the Commission certainly knows, has many other benefits, such as providing an easy point of reference leading directly to an issuer’s Commission filings. These filings promote transparency, educate investors, and ensure legal corporate accountability.

### C. Automated Solutions and Question 11

Indeed, as the diligent Commission is well aware, many filers, acting on behalf of our clients, currently share insecure plaintext EDGAR access credentials, with no way to discern the true identity of a user within the system, aside from their IP address.

On that note, the Commission had inquired about the current annual EDGAR password update requirement. Ms. Countryman, we understand that the Commission has certainly taken great diligence into the current practice of filing agents. However, we would like to briefly elaborate on our beta implementation of automated EDGAR access in the current system, laying the groundwork for future security, design, and implementation choices respectfully suggested to advance the Commission's stated objectives.

Would the annual confirmation requirement create any additional burden for filers compared to the current annual EDGAR password update requirement? If so, are there any improvements to the proposed annual confirmation requirement that would reduce the burden for filers? Separately, are there any particular concerns for filers who may only engage in occasional filings, such as filers pursuant to section 16 of the Securities Exchange Act of 1934 who may make sporadic submissions of Forms 3, 4, and 5 less than once per year? If so, to what extent would those concerns be newly implicated by the proposal, given that currently filers must change their password annually or their access to EDGAR is deactivated?

The Commission witnesses firsthand a growing number of innovative entrepreneurs going through the hassle of filing Form ID, only to abandon their accounts.<sup>6</sup> We respectfully present to the Commission that these individuals represent potential American success stories waiting to be realized in the most advanced, developed, and liquid international capital market. We firmly believe that reliable and modern compliance automation is the key to unlocking this potential. Many of these would-be issuers can finally access a reliable capital market through a more efficient machine-to-machine system for securities disclosure filings. We respectfully propose that the proposed standardized computer system can facilitate the collection of capital into a distributed issuance pool, fostering American innovation with only minor adjustments.

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<sup>6</sup> Note 100 also states that out of a whopping one million accounts, most active filers are entities, without specifying the exact breakdown for inactive accounts. However, it stands to reason that most inactive accounts belong to individuals with business dreams that could thrive with SBAC.

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Currently, we use a computer “web simulator” called Selenium to open the EDGAR site in a machine-to-machine environment. Based on our understanding of referenced filing agents, such agents employ a similar software interface layer. The early code initiates a Chromium instance in the virtual machine running our compliance automation software packages.

There are several routine, manual processes that the transparent data generated by TAD3 allows us to automate on behalf of our clients. We will focus on three main production use cases and one security use case. The security use case involves the annual rotation of EDGAR credentials through an automated process. Provisioned in a separate AWS account from routine daily operations and developer permissions, our code sets up a Selenium environment, logs into EDGAR using the soon-to-expire credentials, navigates through the interface to reset the credentials, and updates a database in DynamoDB with the new access credentials, using the issuer’s CIK as a partition key. Finally, it sends an email to the issuer notifying them of the new EDGAR credentials, communicated in plaintext, albeit with the most up-to-date standards of email authentication and security in place.<sup>7</sup>

### **1. Rule 144/Section 16 Reporting**

Our first production use case is material insider trade reporting, following the standards currently codified by the Commission. TAD3 enables investors to trade directly with each other, bypassing the need for brokerages, clearinghouses, or CSDs. This benefits retail investors who often face hidden trading fees, a lack of interest income on loaned securities, and limited access to independent money managers through legacy market infrastructure. Additionally, there are interface mechanisms in place to allow insiders to sell shares in accordance with Rule 144 or applicable internal company policies for public firms.<sup>8</sup> We will focus on the Rule 144 implementation and reporting structure to keep this comment letter focused on SBAC.

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<sup>7</sup> We presently believe these standards to be at least of the high caliber employed by the Commission in the initial EDGAR access confirmation email upon the acceptance of Form ID.

<sup>8</sup> The trading policy implementation for public clients is marginally more complex, involving the “approval” of trade requests for certain insiders by corporate executives authorized to grant such approvals. We would be happy to discuss the implications of this policy with staff, including potential discrepancies in the investor-to-investor trading market’s ongoing price discovery compared to the National Best Bid and Offer promulgated through data feeds sold by the Securities Information Processors, supporting present centralized intermediation.

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Ms. Countryman, we believe wholeheartedly that widespread private secondary markets will allow early investors to access much-needed liquidity after applicable holding periods, in case they decide to divest their early-stage investment positions. Furthermore, we respectfully submit to the Commission that such markets will enable early-stage equity investments from international retail investors when early investors or employees decide to sell their securities pursuant to the Federal exemption of private sales codified to not be underwriting transactions. Therefore, and for many other reasons, we respectfully submit to the Commission that the widespread development of open, transparent, and free capital markets for the investing public will have significant benefits for society and U.S. interests in international financial markets. We will elaborate on this latter point throughout this comment as we discuss the implications of the proposed EDGAR Next and the submitted amendments.

We have certain automations and processes in place for the automated reporting of insider transactions deemed material under prong (b)(2) of Rule 144 as currently promulgated. This includes the temporary provisioning of a virtual machine to interface with the current EDGAR site using Selenium, as previously described.

Currently, we report insider transactions through a power of attorney signed digitally by all insiders when they access our platform, which offers corporate insiders issuer audits, internal transactions, and other securities management functions (“IssuerLink”). All relevant documentation can be found on our website or further detailed in this comment letter. We would be happy to meet with staff to discuss the automation functionality relevant to paperwork automation, regulatory transparency, and investor protections. An example of the style of the POA can be found in the Form ID filing of our inaugural client, whose CIK is 1984803.<sup>9</sup> We respectfully submit that this POA, held internally by the Commission, (i) is digitally signed using

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<sup>9</sup> We respectfully submit to the Commission that it is much more efficient to store CIKs as integers, and there exist material performance benefits in production code used to display certain relevant information to the investing public by using numerical storage of CIKs, compared to using strings with leading zeros padded to ten digits long. Although we have not had time to extensively test the proposed beta release development environment, as detailed in Section IV.A, might we suggest that the improved API schemes we suggest throughout this comment support the integral submission of CIK numbers. This could lower ongoing operational costs associated with data access, formatting, and warehousing, enabling issuers to have a more efficient method to access capital and further facilitating SBAC.

accessible, standardized, and auditable technological standards and (ii) restricts our POA authority to specific functions,<sup>10</sup> the nature of which is relevant to the rest of this comment.

## 2. New Offering Filings

TAD3 lets issuers provision pools of securities duly authorized and registered<sup>11</sup> in connection with Federal (exempt) offerings. Pools hold the amount of offered securities on the blockchain.<sup>12</sup>

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<sup>10</sup> The POA, on behalf of the issuer's president and chairwoman, delegates to an executive and a "notarization assistant" (acting on behalf of our transfer agent depository) the authority to file Form ID, Form D, Form 3, Form 4, Form 5, Form 144, and attachments thereto, included for the sake of regulatory transparency and material documentation of actions taken through TAD3. All of these filing authorities were included in an effort to facilitate SBAC. Also of material importance regarding this POA is that the assistant who helps with tedious runs to physical locations offering notary services is not a team member of Block Transfer. We respectfully ask the Commission how far the outdated notarization requirement for compliance documents should go and what level of cost and burden, including hours for ongoing notarization expenses, might not be presently accounted for in the OMB numbers and compliance costs currently calculated on behalf of issuers themselves, especially if items such as POAs require notary services on behalf of securities issuers. Why or why not? Does the Commission believe that initial identity confirmation is more or less important than widespread SBAC? Why or why not? Might there exist implications in the protections of investors if the POA notarization requirement was not enforced for "low authority" tasks, such as routine transaction reporting, as presented in this subsection? Why or why not? Lastly, we respectfully submit that the Commission may benefit from further thought regarding Section IV.D.1 of the proposed rule, which asserts that while "requiring PII from U.S.-based individuals and companies may result in a higher identity assurance level for U.S.-based persons, it would not achieve the same benefit for foreign individuals." Although we have full faith that this statement was made in good faith and researched to the highest and best standards presently available to the Commission, we respectfully submit to the Commission that there may be certain private identity providers with ample infrastructure to verify identities across international borders electronically using the same government documents required by an apostille.

<sup>11</sup> Registered with the Commission, including securities to be registered within two weeks of an inaugural offering sale as the case may be in private placements.

<sup>12</sup> A public key address specific to the (exempt) offering type is created with the issuer's treasury account as a signer, as a generalization. There exist other more complex mathematical



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The present processing of these allocations includes (i) the verification of cryptographic signatures of issuer insiders authenticating the intention and specific information related to a new securities offering, (ii) simulating the EDGAR website as described, and (iii) “passing through” certain information as required for the registration of such offerings as provided through an interface in IssuerLink—the nature of which is generally provided explicitly by the issuer but may be combined with programmatic data, including mathematical calculations based on public information like shares outstanding. Importantly, there exists great individual accountability to corporate insiders through the mathematical practices used to authorize offerings, making it easy to transparently communicate key insider actions to investors should legal challenges arise.

Ms. Countryman, we believe this method of human and machine-to-machine co-mingled offering documentation presents an ideal disclosure regime for the joint objective of protecting investors and facilitating capital formation without the traditional legal costs associated therewith, to the extent applicable through securities attorneys, as generally required for routine (exempt) offerings, which are particularly well codified in their disclosure requirements by the astute and meticulous staff. We respectfully submit that this joint human-machine approach to disclosures not only facilitates SBAC but also increases the amount of capital maintained by the issuer in connection with a registered securities offering, thereby promoting the prompt registration of certain offerings such as SAFEs, which are oftentimes not reported to the Commission under the current regulatory regime, leading to potential issuer liability in state or federal courts later on. The lack of reporting compliance for these early securities offerings present material legal risk to issuers in later fundraising rounds or in the case of bankruptcy.

By our understanding, the proposed system does not implement programmatic checks of digital signatures for anything other than the API key presented to Commission machines. We believe this is problematic and respectfully suggest a number of ways to increase confidence in rightfully authorized submissions in Section II.A based on the quality of existing Federal authentication solutions. We respectfully believe that material consideration of such proposals, or derivations from the various discussion questions respectfully presented for the benefit of the staff, would increase investor protections by ensuring the integrity of issuer communication,

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implementation details involving the cryptographic confirmation of certain “on-chain” activities on the part of our clients. The nature of these verifications is not materially relevant to the accounting of registered securities offering pools. Pools may hold different classes of securities held or to be otherwise offered under the same regulatory exemption or lack thereof. Securities are then distributed from these pools as allocated in exchange for consideration, the monetary basis of which is recorded on the blockchain in the fiat currency local to the investor acquiring shares, assisting in investor transparencies related to an issuer’s insider offering transactions.

promote both efficient markets and SBAC by lowering the compliance costs generally associated with new issues, and facilitate capital formation for the same reason.

Ms. Countryman, these issuers already work hard enough to beat average market returns for their shareholders and, in the case of small businesses, potentially introduce materially revolutionary products that certain markets may never have thought possible. All of these issuers thereby promote and affirm the status of the United States as the most advanced, developed, and liquid international capital market, therefore affirming the international influence and significance of such States. EDGAR Next should, we respectfully submit, support these efforts through consideration of the international parties relevant to the discussion of offering disclosures, submission conditions, and investor considerations. We respectfully submit that these considerations may include further input as to the role EDGAR plays in certain foreign financial and capital markets, in an effort to further the Commission's stated objectives.

### **3. Schedule 13 Reporting**

Beneficial ownership reports force many investors, for good reason, to register for EDGAR. Despite generally acquiring securities through a marketplace platform, the ultimate burden of filing timely reports falls on investors. However, many of these filers are older and might not be able to reliably complete the frequent proposed EDGAR Next authentication checks to keep their account open. It follows that a platform which manages machine-to-machine submission on the investors' behalf would simplify investing, promote efficient markets, and promote investor protections through reporting from timely, precise, and authoritative sources. Though it is less common that these filers would not have legal assistance, we respectfully submit that we should not assume that all wealthy investors have outside counsel to help with these reports. Therefore, we respectfully submit to the Commission that a streamlined machine-to-machine authentication system could help more filers subject to Schedule 13 report their positions if and only if they could easily communicate their intention to file a given report through a given reporting platform with a user-friendly interface, as might well be communicated through a digital signature from their Login.gov account.<sup>13</sup>

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<sup>13</sup> Our focus on using Login.gov will become more apparent in Section II. In relation to this suggestion, a user (insecurely) sharing a sole, fixed EDGAR Next dashboard (as proposed) machine-to-machine authentication key would expose such investors to material ongoing risks should bad cyber actors compromise a platform offering the benefits of automated reporting. Anyone with the key could submit filings, similar to the problematic bearer system in use.

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More specifically, we respectfully submit to the Commission that an investor could hold some private information, call it a secret key, which they could use to mathematically verify their intention to submit their ownership reporting obligations to the Commission. We cannot currently automate these filings since doing so would require access to each large trader's EDGAR account, which would create an undue burden of trust on our credentials storage system, putting investors, markets, and capital formation at risk. However, we respectfully submit to the Commission that a considerate machine-to-machine EDGAR authorization system employing modern cryptography could streamline reporting and compliance by empowering investors to privately hold their own secret key, which acts as their proof of digital signature authentication.

### **D. Brief Additional Staff Accolades and Upcoming Sabbatical**

We extend our deepest admiration and gratitude to the dedicated staff of the Commission for their instrumental role in the introduction and ongoing modernization of the EDGAR system. This landmark achievement in transitioning to the digital age has been nothing short of transformative, mirroring the pioneering spirit of the 1970s and 1980s when the financial world embraced dematerialization through the introduction of central depositories.

The digitalization of business reporting via EDGAR has been a cornerstone in enhancing transparency and accessibility in financial markets. Thanks to the unwavering efforts of the staff, information that was once ensconced in physical documents and accessible to a privileged few is now readily available to all. This democratization of information not only aligns with but actively promotes the Commission's paramount goal to protect investors, markets, and issuers.

Inspirationally, the regulatory evolution witnessed through the EDGAR system reflects a deep understanding and anticipation of the complexities of modern financial markets. The staff's foresight in adapting to these evolving needs has significantly contributed to maintaining fair, orderly, and efficient markets—all hallmarks of America's financial strength and integrity.

Moreover, the advancements in EDGAR have played a pivotal role in facilitating capital formation. By streamlining and simplifying the reporting process, the system has made it easier for businesses of all sizes to access capital markets, fostering innovation and growth. This aligns seamlessly with the Commission's goal of empowering entrepreneurs and small businesses—the lifeblood of the American economy.

Ms. Countryman, as we reflect on the remarkable journey from paper-based to electronic filings, we see a clear thread linking past initiatives to the sophisticated market infrastructure we have today. This journey has been marked by an unwavering commitment to adapt, innovate, and lead in the face of ever-changing market dynamics. On this holiday of gratitude, we thank you.

## II. Access Based on People

The Commission is built by amazing people full of talent, vigor, and attention to detail. We respectfully submit that it may benefit international retail investors if the Commission had additional resources to broadly approach regulating U.S. securities markets rather than only focusing on “landmark” cases due to a glaringly distinct lack of staff compared to the size of the financial market it regulates. Notwithstanding, even with limited funding, the aptitude staff do an incredible job of generally bringing three actions a day to the Department of Justice. Just as staff form the heart of the Commission, so too, people form the heart of issuers and the capital market.

### 1. Individual Accountability and Question 1

**Should we require the use of individual account credentials, as proposed under Rule 10(d)(1), and multi-factor authentication for all existing filers, individuals acting on their behalf, and applicants for access to EDGAR?**

Ms. Countryman, we place a similar focus on people, the citizens the stock market was built for in the first place. The United States would not be the landmark for international capital it is today without masses of people investing their hard-earned dollars in the tens of trillions of dollars worth of paper assets overseen by the Commission, building the foundation of our great nation’s real savings, pension funds, and retirements. Therefore, we celebrate the proposed EDGAR Next system’s focus on people for secure authentication and reporting culpability.

We agree with the proposition’s position that individual accountability through people-based, not organization-wide, accounts will lead to greater accountability, transparency, and efficiency in the market. We respectfully submit that the Commission did a good job leveraging an established authentication provider for EDGAR Next, which greatly improves the legacy plaintext credentialing system. To further the Commission’s public mission, we primarily respectfully suggest the staff possibly consider integrating EDGAR Next with a standardized Federal authentication system that allows admins to provision machine-to-machine accounts.

### A. Focus on Login.gov

As noted on page 15, Login.gov does not presently support machine-to-machine authentication. Across the visionary collection of cutting-edge API endpoints proposed, we respectfully submit to the Commission that Login.gov might present material benefits to issuers if it replaced the proposed security interface using EDGAR Next API keys. Fixing the lack of Login.gov

machine-to-machine capabilities would drastically help standardize authentication across U.S. Government machine-to-machine reporting services so that filers would need only one set of credentials for all data, we respectfully propose to the staff.

### **1. American Policy Concerns and Question 14**

**Should we add a technical administrator role to EDGAR, as set forth in proposed Rule 10(d)? If not, how would we address our policy concerns regarding the identification and authorization of the individuals who would manage the filer's APIs?**

We respectfully submit to the Commission at large an innovative approach because (i) the role of technical administrator has material problems and (ii) other Federal agencies require machine-to-machine data submission from the private sector, most generally from financial services firms.

This approach centers around leveraging Login.gov as a standard machine-to-machine authentication system across Federal services. This vision for Login.gov extends beyond the mere facilitation of secure EDGAR Next dashboard login procedures. It envisages a unified, government-wide platform that ensures robust authentication and streamlined management of API interactions for various Federal services, including EDGAR. By adopting Login.gov as the standard mechanism, we can address the current material gaps in identification and authorization processes, and significantly enhance the security and efficiency of digital interactions between entities and Federal services. The following section will detail the numerous advantages and potential impacts of this approach, reflecting how it aligns with the overarching goals of transparency, security, and efficiency in Federal operations.

Ms. Countryman, we respectfully present the following limited potential benefits across U.S. Government agencies, should Login.gov be standardized for secure machine-to-machine authentication. For these reasons and more, we respectfully submit to the Commission that a brief Congressional consideration is in order to ponder the creation of a report as to the strengths and weaknesses a unified Login.gov machine-to-machine authentication system may bestow upon our cybersecurity interests both domestically and abroad, potentially providing material protections for American citizens and boosted SBAC.

#### **a) *Internal Revenue Service and FIRE***

Firstly, by implementing more precise mechanisms for capital gains reporting, there is an opportunity to significantly increase the accuracy and completeness of data. Specifically,

ensuring that specific lots are always reported can prevent the common issue where certain filers combine transactions with varying acquisition dates, fiat valuations, and disposition prices. This level of detail in reporting would provide a clearer and more comprehensive view of capital gains, aiding the IRS in its crucial role of fund collection for the government.

Furthermore, the federal codification of wash sale calculations, based on comprehensive trade reporting activity across various brokers, can greatly enhance the integrity of financial reporting. By having a standardized, cross-broker reporting mechanism, investors' activities can be tracked more accurately, ensuring compliance and fair taxation. This would not only streamline the IRS's operations but also foster a more transparent and fair trading environment.

Lastly, the potential for gaining more accurate insights into trends of U.S. securities ownership is immense. Such insights would be invaluable for identifying potential future markets that might benefit from theoretical government tax incentives, should Congress decide to support the development of specific industries. Additionally, this data can be instrumental in real-time tracking of the decline in certain sectors, providing vital national information.

#### ***b) Department of the Treasury and Federal Reserve Actions***

Chiefly, increased investor confidence in the markets is a direct outcome of enhanced transparency and reliability in monetary disclosures. This confidence is crucial in protecting investors from the adverse impacts of panicked liquidation activities. When investors trust the integrity and stability of the market, they are less likely to make hasty decisions based on fear or misinformation. This stability is essential for maintaining a healthy investment environment and safeguarding individual investments.

Moreover, the promotion of efficient global capital markets is another significant advantage. By aligning international capital under one standardized capital market, as outlined in Section V.C.3, we can increase the efficacy of investment returns and business growth. The creation of a standardized interface for all reporting filers simplifies the process, making it more accessible and understandable. This uniformity is instrumental in ensuring fair and orderly market operations, a cornerstone of the Commission's mandate.

Finally, the proposed system could lead to increased international capital flowing into American markets, thereby facilitating capital formation. With a more streamlined and transparent reporting process, the U.S. financial markets become more attractive to international investors. This influx of capital is vital for economic growth, supporting a wide range of enterprises from burgeoning startups to established corporations.

***c) Pension Funds and the Employee Retirement Income Security Act***

Regarding ERISA, the first potential benefit is the drastic streamlining of pension fund management. By facilitating programmatic data sharing with the government, states, and plan participants, the management process becomes more efficient and transparent. This advancement allows for smoother operations, better compliance with regulatory requirements, and improved communication with all stakeholders involved. Such streamlining could lead to more effective management of these crucial funds, directly benefiting our national financial future and security.

Additionally, the system could streamline reports made by any governmental organization regarding the efficiency of pension fund investment strategies. Additionally, it offers an opportunity to optimize these strategies based on risk-adjusted, duration-weighted investment returns of various money managers. This level of analysis and reporting could lead to more informed decision-making in pension fund management, potentially enhancing the performance of these funds and ensuring better retirement outcomes for individuals.

The proposed theoretical interface could generally increase the efficiencies of pension plans in generating future American retirements. By decreasing the system's reliance on certain fund administrators, through both code and mathematics, we can support the potential to increase investor returns while simultaneously supporting ongoing operational transparency, accountability, and trend reporting. This reduction in dependency on traditional fund administration methods opens up possibilities for more dynamic, responsive, and effective pension fund management.

**2. User Authentication and Question 24**

The Overview of EDGAR APIs lists certain technical standards for the planned APIs. Are there any considerations we should take into account when determining what technical standards should be used for the planned APIs?

***a) Verification and Storage of PII***

Proposition Section IV.D.1 claims that acquiring and safeguarding PII would represent an undue burden for the Commission and by extension its honorable mission, but this is a task routinely undertaken by other State and Federal agencies. Moreover, this kind of sensitive personal information is already collected (on a machine-to-machine basis) and stored on behalf of the SSA and IRS through their existing private-sector authentication service provider. Might there be some benefit to unifying an interdepartmental login authentication system? Why or why not?

## EDGAR Next Machine-to-Machine Authentication

Does the Commission think “piggybacking” off data verification performed at the expense of other Federal agencies would increase (i) the security of EDGAR Next, (ii) ease of verification of Form ID without a notary, or (iii) SBAC by means of increased U.S. Government efficiency? Why or why not?

Ms. Countryman, we are deeply concerned about the lack of unified login verification systems across government organizations. Our chief concern is that some systems, such as those employed by the SSA and IRS, mimic much of the functionality of the proposed Login.gov’s machine-to-machine system interface with the EDGAR Next filer dashboard. If an individual acting on behalf of an issuer has already gone through enhanced live video identity and government document verification through such a private-sector independent authentication service, might we respectfully submit that the Commission may theoretically want to consider, in good faith, the digital application of Form ID and others from such a verified citizen without a further notary public affirming the same identifying information? We respectfully submit to the Commission that there may potentially theoretically exist a more secure way to attain access to EDGAR Next that, through an entirely digital process, could drastically streamline access to securities offering compliance for all issuers, if deemed fit by the Commission and in the best interests of both the American investing public and SBAC.

The use of different systems with similar functionality, with the exception of one performing additional identity checks and storing more user data, across government organizations presents a risk of confusion to the average U.S. small business. These innovators, bringing jobs to our economy, already have enough to worry about. They should not need to juggle between this login account or that one. This back and forth between Federal authentication methods leaves certain agencies working with old data while others see only current information.

### **b) Clarify Process to Modify Email**

We have concerns about the process to change a user email, designated in a footnote on page 20.

- Exactly which authentication checks would be required to change a user’s email?
  - Would changing the Login.gov email before the EDGAR Next dashboard email work? Why or why not?
  - Could the EDGAR Next dashboard email not appear in a user’s list of Login.gov verified emails for a prolonged period of time? Why, why not, or how long if so?



## EDGAR Next Machine-to-Machine Authentication

- Should the Commission send automated emails to users' EDGAR Next dashboard emails with minimal content confirming that such communications are delivered and not "bounced," which might happen for a variety of reasons? Why or why not? Should bounced emails have security or access implications? Why or why not? If there are implications, should responding actions be taken immediately via code or after a notice or reconciliation period? Why or how long?
- We respectfully submit to the commission:
  - The process for resetting a Login.gov email or list of emails might ought well be taken into consideration when considering security policies to implement in the EDGAR Next authentication system,
  - There ought to exist more reasonable documentation as to how an individual without access to EDGAR Next or their old EDGAR Next dashboard email might modify their email without imposing the undue burden of submitting a new Form ID (for example, because of a change of domain name), and
  - There may exist a better way to verify users than to require annual login confirmations. In our limited view of the Commission's vast plan, roadmap, and prior consultations with other cybersecurity divisions of the Federal government, we presently respectfully submit that there do not appear to be any material benefits of the proposed annual account confirmations, but there are thousands of projected burden hours associated with account deactivations by our reasonable extrapolation of the staff data presented on page 92.
- Should there be any "approvals" in place for adding a new user to an administrator, technical administrator, or both? Why or why not? We respectfully submit that:
  - Checks might include an administrator's organizational admin approving the addition of a requesting Login.gov account specified by name, email, and DOB,
  - This could, in practice, ensure only valid Login.gov accounts in good standing with the Federal government could present data in the EDGAR Next dashboard (or by means of machine-to-machine communication systems should the Commission decide after thoughtful deliberation to segment accounts by whether or not they represent a live human being interfacing with the EDGAR Next dashboard or a piece of computer software submitting data to proposed EDGAR APIs), and

- There are many other implications of these checks. Due to time constraints as documented in Section IV.A, we will refrain from undertaking further analysis in this comment. However, we would be happy to discuss security implications with the staff without consideration.

We believe that the Commission is on the right track for building a secure machine-to-machine interface for EDGAR Next based on the intelligent proposed approval system first introduced on page 25 for delegating entity and filer relationships, which requires the delegatee's account admin to accept assigned responsibilities. But a national standard private-sector machine-to-machine reporting and compliance interface is a matter of national security, and we respectfully submit to the unwaveringly-loyal American staff that such a topic may be best handled through a standardized Login.gov machine-to-machine interface for our great nation.

***c) Single-Member Filers and Question 58***

**Are there any filers for whom the compliance costs associated with EDGAR Next would not be justified by the benefits such that exempting those entities would be advisable? If so, which filers should the Commission exempt, and why?**

Consider the case when a single-member company terminates its filing responsibilities, goes bankrupt, or gets acquired. Through one means or another, the Login.gov user would no longer require access to EDGAR. Would such user retain access to EDGAR Next? Why or why not? Would they need to complete a new Form ID if they start another business? Why or why not?

**3. Proposed Rules 10(d)(4–6)**

Ms. Countryman, we respectfully believe that automatically closing accounts without annual verifications as proposed on page 88 would hinder SBAC and pose an undue burden on American small businesses. Might there be a way to interface with State reporting systems on a machine-to-machine basis to verify certain domestic issuer information as filed with Secretaries of State? Regardless, we respectfully submit that this liveness check should not apply to issuers without any previous submissions. We find this in line with the Commission's goals and mission since (i) filers with no submission history are most likely small businesses; (ii) assuming compliance with Federal securities laws, the lack of submissions implies there is no material group of investors to protect; and (iii) the additional burden of completing Form ID again could hinder SBAC. Moreover, if the Commission recommends "to submit the Form ID for review

well before the first required filing to allow sufficient time for staff to review the application” on page 123, then it follows that potential issuers should configure their EDGAR account well in advance of any actual fundraising activities to comply with Federal securities laws.

If we assume the Login.gov interface is secure, then there should be no material costs or risks associated with maintaining EDGAR Next accounts without any recent filings. So we don't see the problem with letting accounts sit inactive for a bonafide citizen that might need EDGAR down the road. Some entrepreneurs take decades to materialize their visions. Should the Commission really close an aspiring small business account down before they have the chance to publish their first Form D? Why or why not? Would the Commission consider publishing company information before a filer's first submission so that prospective investors can verify the firm's Commission registration, rather than showing “not found” online? Why or why not? Does the Commission believe that certain credibility landed from following proper offering registrations lends credibility to first-time issuers and thus facilitates SBAC? Why or why not? Would the Commission consider updating company information on EDGAR as soon as updated by a filer, rather than only when a new submission is received after the update? Why or why not?

#### **4. More Action Required and Question 27**

Ms. Countryman, we respectfully suggest a more thorough investigation into standardizing Login.gov across U.S. Government agencies for use in machine-to-machine communications, in light of our cybersecurity concerns related to the threat posed by certain foreign virtual terrorist organizations. If “Federal agencies, as well as State, local, and territorial governments” use Login.gov “to provide a secure login process and to allow members of the public to use a single account that is protected by encryption, multi-factor authentication, and additional safeguards,” then we respectfully request that either the Commission or Congress consider, in a manner deemed fit, the potential benefits of using Login.gov across other governmental machine-to-machine reporting systems for the private sector. We respectfully submit to the Commission that EDGAR Next will be a trailblazing issuer reporting system, which filers or their agents should utilize with a correspondingly new Federal machine-to-machine security interface.

We suggest such an investigation in part because we respectfully submit to the Commission that the proposed monthly MFA verifications are not a sustainable method for authenticating programmatic users for machine-to-machine data transfers or reporting at scale. Based on our internal policies, we presently believe that the user registered in EDGAR for machine-to-machine data reporting may not be the same team member(s) developing application code for submitting information to the Commission. We believe the technical administrator role as proposed would be delegated to someone in the capacity of a Chief Technology Officer, who

would then be unduly burdened with monthly verifications that such a user would complete without question as to the data being submitted through a machine-to-machine application. We understand that staff propose the use of two co-signing technical administrators. We raise challenges with this approach in Section II.C. Relevant here is that we respectfully submit to the Commission whoever is the second admin may be likely to just immediately sign off by confirming their own monthly MFA upon completion of such by a chief technical team member, again without necessarily confirming the accuracy or integrity of the machine-to-machine reporting systems, which may or may not have been (knowingly) compromised by bad actors. Therefore, we recount that entities seeking SBAC would be affected, given that their insiders wouldn't generally need to file any trading activity reports early on.

**As proposed, should we amend certain terms to update terminology or more clearly define existing definitions? Are there any proposed terms that are inconsistent with existing definitions or concepts or that otherwise should not be defined? Should any additional terms be revised to update outdated terminology or to clarify existing definitions? Please be specific.**

Without extensive further investigation and based on the naïve preparation of this report in haste, as per Section IV.A, we respectfully submit to the Commission that potentially adapting a theoretical SSL-style approach to renewing long-lived machine-to-machine credentials may conceivably present material cybersecurity benefits to issuers, regulators, and investors. Ideally, as with OpenSSL, a piece of machine code could rotate the credentials in a secure environment. This environment, set up one time by the most trusted users at a firm, could (i) subsequently never be modified and (ii) would automatically rotate machine-to-machine access credentials. Does the Commission think this approach, or something similar, would benefit all filers? Why or why not?<sup>14</sup> Further, would the proposed “users” include programmatic access accounts which

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<sup>14</sup> The answers to this question may verge into the sphere of corporate structure. Should the Commission, or any governmental organization for the matter, have in-depth knowledge related to a company's team members? Why or why not? If collected, should such information be published by the Commission (or any Federal organization)? Why or why not? If required, should (any) corporate structure information be published or association with a CIK? Why or why not? If only the Commission collects team data, should this information be shared with other organizations such as the IRS? Why or why not? How much personal information should companies need to disclose about their team members? Why or how come? In what manner should team information be updated? Why or how frequently? If required, who would be authorized by a corporation to manage this data? Why or how come? Should such a user be specified in a company's organizational or operational documents? Why or how come? Would the Federal government require collaboration with state agencies to implement such a user

## EDGAR Next Machine-to-Machine Authentication

have no human/EDGAR Next dashboard filing capacities? Why or why not? Does the Commission think that such a feature would further U.S. investor protections, SBAC, or market integrity? Why or why not? A former Chair of FS-ISAC shared the following comments with us:

is the API key “write only” or can it read data it previously submitted as well? Eg will a key compromise let someone see what the legitimate submitter is submitting? Also - does the system support early uploading of files and setting an “embargo date/time” at which point they go live? I would have expected that and would have expected companies to make frequent use of that to make sure the uploads are all done well in advance (but thus exposing the data for a period).

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authentication scheme, particularly to verify items such as the Articles of Incorporation? Why or how come? Would such collaboration promoting corporate team transparency be beneficial to citizens? Why or why not? Would such disclosures include contract or freelance works? Why or why not? What kind of information would be required for such people? Would U.S. Customs and Border Protection be allowed to use information collected to enforce certain immigration policies? Why or why not? As we stated, a formal inter-governmental investigation on the standardization of Login.gov across machine-to-machine communications may shed some light onto this topic. We believe Login.gov is a very good, well-implemented, and secure authentication system. We admire the thoughtful work that went into its development and codification. If allowed to review (some) internal Login.gov authentication inspirations or schemas, then we may be better able to provide recommendations for such a report. Does staff think a report should consider various use cases and viewpoints from all Federal agencies which presently offer machine-to-machine capabilities to any private-sector organization? Why or why not? Should the report investigate the implications of standardizing Login.gov for “minor” developers, elected officials, and any team members in between? Why or why not? If an independent private consultant is hired to prepare the report, what qualifications should such an organization meet? Why or how come? Which guidelines might such an advisor follow in preparing the report? Why or how come? What level of access to Federal information or previous data would such a consultant require to thoroughly investigate the implications of using Login.gov across governmental machine-to-machine data reporting facilities? Why or how come? Should users or team members interviewed for the report remain anonymous? Why or why not? Should machine-to-machine data be preserved after the report’s (extended) preparation period? Why or why not? Should team members (observing raw submission data) or outside collaborators involved in preparing the report need to be U.S. Citizens? Why or why not?

## **B. Designating Administrators on Form ID**

We appreciate the Commission's dedication to ensuring that all authenticating documents related to an issuer's sensitive filings conform to a high level of signer verification, as showcased on page 55 of the proposed release. Before delving into the specific challenges we see based on our current understanding of EDGAR Next, we would like to reiterate the importance of establishing a secure, reliable, and long-standing authentication system for EDGAR Next. This system serves as a landmark governmental machine-to-machine reporting system for international securities issuers.

### **1. Risk of MNPI Leaks**

The Commission epitomizes diligence and expertise in safeguarding investors and ensuring market integrity, particularly against the misuse of material non-public information. Their vigilant monitoring and enforcement against MNPI breaches, especially in the face of sophisticated cyber threats, underscore their unwavering dedication. Despite the complexity of these cybersecurity challenges, the talented staff tirelessly work to trace information leaks and prosecute insider trading. Their efforts are pivotal in maintaining fair, orderly, and efficient markets, and in reinforcing corporate responsibility for robust cybersecurity measures. The staff's enforcement actions are not just regulatory; they are fundamental to fostering trust and confidence in our financial markets.

#### ***a) Centralization Quandaries and Question 57***

**Do you agree with the estimated costs associated with the EDGAR Next changes? If not, why? Please provide your views on the burden of complying with the EDGAR Next changes relative to our estimates. In particular, would filers and filing agents switch to using the optional APIs contemplated as part of EDGAR Next? If not, why?**

We respectfully submit to the Commission that the proposed rule may not fully consider the materiality of machine-to-machine access credentials, security, and key rotation in the context of their international importance in protecting investors and markets.

As you know Ms. Countryman, five Russian nationals recently hacked filing agents, profiting over \$82,000,000. By infiltrating just two key agents, the perpetrators made trades before over 500 corporate earnings announcements with MNPI. The U.S. investing public foots the bill for these criminal acts. We respectfully submit that the proposed machine-to-machine

authentication system for EDGAR Next could increase the risks of more cyberterrorism due to vulnerable API key validation, rotation, and caching.<sup>15</sup>

The dedicated and intelligent staff are not to blame for these cyber threats; rather, they are at the forefront of combating them. The Commission’s enforcement actions, including the rigorous investigation and prosecution of cases where MNPI is compromised, highlight their unwavering commitment to investor and market protections. Talented, thorough, and dedicated staff delve into complex cybersecurity breaches, trace the source of information leaks, and identify insider trading culprits—showcasing their steadfast commitment to furthering our great nation’s capital market.

We respectfully submit to the Commission that the next Oleksandr Ieremenko will closely scrutinize EDGAR Next’s final cybersecurity systems. That’s why we believe getting EDGAR Next machine-to-machine authentication right at launch will protect all issuers from MNPI leaks, thereby safeguarding the investing public from fraudulent trading losses.

Corporate responsibility also plays a key role. Filing agents in possession of mass MNPI bear the duty to secure this information, implementing strong cybersecurity defenses to thwart unauthorized access. The staff’s enforcement actions serve as a reminder of the consequences of failing to protect MNPI, which range from regulatory repercussions to severe reputational harm.

**b) *Definition of an Insider***

In analyzing the adversarial implications of MNPI data breaches associated with EDGAR Next, we found ourselves stuck on the point of liability for filing agent insiders. We respectfully submit that, while the definition artfully outlined in the 1980s has protected investors well, the present statutory definition of an insider is materially outdated.

In *Chiarella v. United States*, the Supreme Court upheld in 1980 that a \$125,000 insider trading case<sup>16</sup> did not violate Rule 10b-5 when a financial printer purchased shares based on their client’s investor mailing. The court determined that the printer did not have a “relationship of

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<sup>15</sup> We have other concerns about the risk of MNPI leaks to foreign nationals and would like to speak further with staff about the treatment of certain EDGAR database items. We have particular national security questions about access patterns for test filings, means used by public-facing retrieval mechanisms, and whether or not EDGAR has a Security Operations Center.

<sup>16</sup> In 2023 dollars.

trust and confidence between parties to the transaction” because the printer “was not a corporate insider.”

Based on our present understanding of Federal securities laws and extensive due diligence into the proceedings in certain state courts, we respectfully submit to the Commission that the legacy definition of an affiliate or corporate insider, crucial to the interpretation of Rule 144, may not only be overly broad but potentially problematically vague. We believe that the lack of a formal promulgated rule explicitly defining an approach to defining an insider makes it very difficult to classify what exactly constitutes a related person.<sup>17</sup>

Through our interviews with over four dozen public American CFOs, we have gathered anecdotal evidence that the ongoing burden of this lack of specificity leads to an average of 8–12 burden hours per week for a CFO’s legal and investor relations team, or 416–624 burden hours per year. It’s important to note that all of the issuers interviewed were under \$10,000,000,000 in market capitalization but above \$200,000,000. Therefore, we extrapolate that the overall market compliance costs are significantly greater than 61,984,000–92,976,000 burden hours per year for the 149,000 active entity filers referenced on page 81, due in part to ongoing legal expenses related to Rule 144 opinion letters.

Ms. Countryman, we understand that there are significant legal precedents and historic considerations at play in making the terms “affiliate” or “control person” as used throughout Federal securities legislation broad and vague. We respectfully submit to the Commission that there are indeed investor protection benefits to keeping these terms loosely defined, so as to prevent or at least punish sufficiently the next Urban Casavant. However, might we respectfully

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<sup>17</sup> For instance, would the child of an affiliate be a related person? Why or why not? Would their age be a determining factor as to whether they have control over an issuer? Why or why not? At what point exactly does a team member become an affiliate? Why or how come? We respectfully request that the Commission contemplate the answer to this question in particular with consideration of innovative business structures such as the one presented in Section II.F. Would the extended family of an affiliate be an affiliate under the staff’s interpretation of Rule 144? Why or why not? Would someone who previously promoted an issuer’s products or securities be considered an affiliate if they maintain a material equity stake after providing such services? Why or why not? If so, how long would they need to cease such activities to not be an affiliate, and how come? Would someone that provides ad-hoc consultation or other material industry services irregularly in exchange for an equity position be considered a control person? Why or why not?



suggest that the Commission consider the benefits of explicitly providing a prong-based approach for defining these terms?

We respectfully submit that a prong-based definition<sup>18</sup> to determine one's affiliation status may be better exemplified in a machine-to-machine development environment than the current ambiguous definitions. We respectfully submit to the Commission that such a prong-based insider "formula" may assist the Commission in its prudent, honorable, and necessary mission to maintain efficient markets, promote the economical facilitation of capital formation, and protect retail investors from the undue acquisition of control securities on the basis of a legal misinterpretation of insider definitions.

***c) Sensitive Handling Considerations***

Based on our present understanding of the proposed rule, the Commission has not publicly disclosed precisely how it will store MNPI such as annual reports submitted before their publication dates, in an effort to prevent day-of filing problems. We have full faith and confidence in the staff's expert ability to manage this data cautiously and with the utmost of cybersecurity care. However, Ms. Countryman, we respectfully submit that the Commission should consider the benefits of maintaining a "security by math" approach rather than a "security by secrecy approach" for a number of reasons.

Consider briefly the recent incident involving FTX. We will focus on one minor but telling example of systems fraud employed by Sam Bankman-Fried and his accomplices. Briefly, FTX had a sort of "insurance fund" which supposedly held FTT tokens as collateral in case of margin trading losses due to inadequate liquidation considerations, as is customary in commodities futures trade clearance and settlement. However, this insurance fund never existed. It was fabricated by routinely dividing a well-known market statistic by a random number.

In no way are we suggesting or implying that the superior, admirable, and outstanding staff would commit or consider committing such a material fraud stealing from investors. However, we respectfully submit that the Commission might consider marginally increasing its levels of transparency regarding the handling of MNPI. While the Commission operates with the highest ethical standards, as demonstrated over its long history, enhancing transparency in handling MNPI can provide an extra layer of assurance to market participants and the public, reinforcing confidence in the regulatory process. This could include more detailed public

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<sup>18</sup> For example, such as the various approaches leveraged by the innovative United States Patent and Trademark Office.

disclosures or reports on the measures and protocols in place to safeguard sensitive information, thereby showcasing the Commission's commitment to upholding the integrity of the markets. Such transparency, when balanced with the need for security, can further strengthen the Commission's role in maintaining fair and orderly markets.

### **Lemma II.B.1.b.i**

All of the following hypotheticals included in this lemma are meant to be interpreted with the utmost respect and consideration for the staff's masterful, versed, and seasoned comprehension of international securities laws, capital markets, and the many interwoven participants therein:

- The Commission continues hiding the method it employs to secure MNPI.
- Hundreds of thousands of issuers submit MNPI through EDGAR Next APIs.
- Many issuers submit material financial data before it is subject to public release.
- A foreign bad actor wants to profit at the expense of investors through this MNPI.
- The bad actor uncovers a method to infiltrate the staff's intricate data repositories.
- The bad actor does not notify the Commission of such data access vulnerability.
- The bad actor accesses MNPI and makes investment decisions with such information.
- Investors get left footing the cost of improper security considerations through their losses.
- This may continue for an extended period of time if unnoticed by quite busy staff.

Consider the Spartan scytale, a rod with a strip of paper around it. The scytale's data security relied more on the secrecy of the system itself rather than on the inherent security of the method. The sender would wind the strip around the rod and write a message across it lengthwise. When unwound from the rod, the parchment appeared to contain a meaningless

sequence of letters. However, the recipient, who had a rod of the same diameter, could wind the strip around their scytale to read the message. We respectfully submit to the Commission that it might be worth considering the benefits of publicly documenting a data security model based around secure authentication, cryptography, and oversight, so as to prevent the next financial Enigma code.

Ms. Countryman, we would be happy to provide some light consultation to the Commission regarding certain measures for the secure transmission, storage, and release of MNPI without any expectation of compensation. We raise these concerns because we respectfully present in Section III.C.3 that the proposed Submission API presents material challenges for the secure handling of MNPI for certain agents.

## **2. Increasing Burden of Notaries and Question 28**

Notaries can pose challenges for an ever-increasing population with less and less access to physical bank branches and a distinct lack of other no-cost notarization providers. Is notarization considered a service? If notarization is the only way to confirm one's identity to the Commission or a Federal agency, then would it be reasonable for the Commission to provide a Federal means of accessing notarization services, such as through a United States Post Office? Why or why not? We respectfully submit to the Commission that there is presently a nuanced interweaving of State and Federal laws at play when it comes to verifying individuals' identities, which we believe are overly complicated in today's modern era, given the rise of online identity verification platforms and private security providers. Moreover, notaries present a number of material SBAC barriers.

Should any of the proposed amendments to Form ID be revised or removed and, if so, why or why not? For example, should any limits or qualifiers be placed on the proposed disclosure requirement regarding whether the applicant, its authorized individual, person signing a power of attorney (if applicable), account administrator, or billing contact has been criminally convicted as a result of a Federal or State securities law violation, or civilly or administratively enjoined, barred, suspended, or banned as a result of a Federal or State securities law violation? If so, why? Should this requirement apply to each of the applicant, its authorized individual, person signing a power of attorney (if applicable), account administrator, and billing contact, or only to certain categories of the aforementioned groups? Please explain your answer. Likewise, should the proposed requirement regarding whether the applicant is in good standing be revised or removed and, if so, why? For

example, if applicable, should we also require an explanation of why the applicant is not in good standing? Why or why not?

As stated in II.A, we respectfully submit that the Commission consider the implicit burdens of using physical stamps to verify issuer identities for the following four reasons. In regards to verifications of good standing, we refer to Section II.A.3's State interfaces.

**a) *Decrease in Bank Accessibility***

Anecdotally, in an increasing digital age, fewer citizens frequent bank branches. Moreover, we have anecdotal evidence to support that most new branches get built to service wealthy clients rather than the "average" investor, entrepreneur, or issuer. Given the trend towards online banking, which we respectfully submit is not likely to change in the immediate future, might the hardworking, astute, and creative staff consider the costs of relying on physical notaries to report electronically to the Commission (and such a decision's impact on SBAC)? We respectfully submit that digital methods should be leveraged to facilitate prompt Form ID filing, removing the need for a notary stamp.

**b) *Hidden Costs of Centralization***

Recall the assistant in Section I.C.1 that helps us with notary stamps for Form ID. Recently, a bank decided to close our business account after a six-year relationship after we asked them for treasury management services to facilitate investor deposits into TAD3.<sup>19</sup> We had a material

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<sup>19</sup> These banking configurations started before the FTX incident. We have modified our deposit rail systems since then (i) chiefly for efficiency, as traditional treasury management with under \$400,000 in monthly credits and debits has proven prohibitively expensive (after exploring options at about two dozen banks) for processing investors' TAD3 deposits and withdrawals would not let us offer such a service for free without materially increasing the rates we charge issuers; (ii) setup costs for certain U.S. bank-account connection products that would offer a scalable cost structure; and (iii) as a means to mitigate any and all concerns of misuse of comingled funds held in omnibus FBO accounts. Our new strategy is to open a Wyoming SPDI to process these transactions ourselves through a direct interface with the Federal Reserve, akin to the settling bank transfers of certain securities depositories, but with a heavier focus on investor accounts moving money as quickly as possible throughout the existing banking system between their own accounts for investments.

balance left in the account, so they “mailed a check to us.” However, unlike the vast majority of banks<sup>20</sup> that just send a normal check, this institution dispatched a cashier’s check. However, the check never arrived at our address, the address used for investor correspondences. We hire an outside agency to manage our investor, regulator, and issuer mailing address because the proper receipt of mail is crucial to legal compliance.<sup>21</sup>

Put briefly, our mailbox provider does not just get mail and not tell us about it. That’s why we were surprised when, a month after the bank closed the account, we still had not received a final check. After extensive back and forth on the phone, they let us know that the bank had to wait 90 days to re-issue a lost account closure check. 91 days later, I went to a branch, explained the situation, showed two IDs, and confirmed our information. But the banker told us we to wait another four days. The banker said they could have the check reissued if I just gave them a call at 9:30 am that Friday.

When Friday came, I called the banker’s phone, as listed on the card they gave me. But when I got through another IVR to the branch, one of the tellers answered and seemed surprised by my call. First, I explained the situation to them, and mentioned the banker I had an appointment with by name. However, the banker booked another appointment at the same time. After waiting for the branch visitor to finish, I finally got through to the banker, who said they’d have the check sent over again.

The next week, we received an email requesting a notarized declaration of loss waiver. We wrote a POA and got the paperwork notarized with our assistant. But that wasn’t enough for the bank, asking for my own notary stamp. This was a great burden since I do not own a car.<sup>22</sup> The anecdotal point here, Ms. Countryman, is that getting things notarized oftentimes comes down to “being in the right place at the right time,” “knowing the right person,” or otherwise extending material undue effort in locating an agent willing to review your information. While these may be acceptable risks and barriers for starting a successful small business, we respectfully submit to the Commission that they should not be a hurdle for anyone who wants to comply with Federal securities laws.

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<sup>20</sup> We have had many accounts closed in the past several years due primarily to our vision.

<sup>21</sup> Among other benefits, like easy secure team member access control, shredding facilities, letter scan digitization, operational efficiency via shared physical facilities, and transparent access history audit logs.

<sup>22</sup> Public transportation is demonstrably better for our cities, environment, and total well-being.

We respectfully submit to the Commission that the need to physically travel to attain identity verifications is both outdated in present authentication access systems and problematic for certain issuers. Based on the extensive security measures in place by notaries, should we really burden the citizens of our great nation with the heavy costs of custody for these rubber stamps, stamps which have less and less place in our modern internet age? Does the heavy burden of State punishments for any misuse, leading to extensive physical security measures for all notaries, need to continue in our modern economy?

***c) Outdated in Modern System and Question 38***

Would the proposed rule and form changes facilitate the responsible management of EDGAR filer credentials? Are there additional changes that would encourage such responsible management? Would the changes create any undue burdens for filers? If so, how could the proposed rule and form changes be modified to ease such burdens? Are there any other concerns that the Commission should be aware of with implementation of EDGAR Next? Are there any conforming or parallel changes that the Commission should make to effectively implement EDGAR Next?

When we first started out as a legacy transfer agent, we applied for access to the Securities Transfer Agents Medallion Program. Upon enrolling, we were remarkably surprised—and not in a good way. As the Commission knows, legacy transfer agents use medallion signature guarantee stamps to verify the authenticity of signers for most transactions.<sup>23</sup> This functionality is not unlike notaries in that the security of the physical stamp is paramount. Unfortunately, physical theft can easily lead to forgeries of signer identities. Might we respectfully suggest to the Commission that there may exist a better means to promote efficiencies in our capital market, protect investors by preventing fraud, and facilitate capital formation by securely verifying identities digitally.<sup>24</sup>

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<sup>23</sup> Should such assurance by means of insurance from a third party as to the identity of the signer not be provided through certain CSD programs presently interfacing with all American brokers?

<sup>24</sup> TAD3 is built around using cryptography and mathematics in place of medallion signature guarantee stamps. All relevant technical documentation is available in US Patent Application 17/396,742.

## EDGAR Next Machine-to-Machine Authentication

Upon enrollment in STAMP, we received access to an online portal we could use to help in processing stock transfers. One section of the portal was dedicated to all the stolen medallion stamps on record by financial institutions. Apparently, we were supposed to check every incoming transfer request's medallion stamp against this database to see if it was a known stolen stamp. It was like checking the FBI's most wanted list of rubber stamps every time an investor needed to move their shares.

We respectfully submit to the Commission that notary stamps similarly get lost, stolen, or otherwise misplaced by the reasonable humans that gatekeep access to them, but these stamps may not have the same advanced documentation of such losses. Without manually checking every notary record against its agent as presented, we respectfully submit to the Commission that certain thought should be put to mind as to any material risks in the proposed EDGAR Next authentication system stemming from a well-intentioned reliance on rubber stamps.

### ***d) Hidden Discrimination and Question 55***

The Commission requests comment on all aspects of the economic effects of the EDGAR Next changes, including any anticipated impacts that are not mentioned here. We are particularly interested in quantitative estimates of the benefits and costs, in general or for particular types of affected parties, including smaller entities. We also request comment on reasonable alternatives to the EDGAR Next changes and on any effect the changes may have on efficiency, competition, and capital formation.

Ms. Countryman, we respectfully submit that there exist extremely material socially discriminatory costs to requiring notarizations that are particularly difficult to quantify with a remarkably accurate estimation of burden hours. Without proper documentation due to time constraints per Section IV.A.1, we respectfully submit to the Commission that discriminatory socioeconomic factors (contributing to the difficulty of getting a notary stamp) impose an exceptionally large hindrance on SBAC.

Recently, my grandparents got a new car and decided to gift the old one to my brother. To effect the transfer, my elder grandparents, both of whom have mobility difficulties,<sup>25</sup> traveled

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<sup>25</sup> My grandmother recently broke her neck after falling down in the kitchen, whereas my grandfather suffers from certain ailments related to decades of smoking.

## EDGAR Next Machine-to-Machine Authentication

to a bank branch offering notary services. It is our present understanding that bank branches are presently the most accessible and generally known method of getting things notarized.

We respectfully submit to the Commission that there should be and do exist more ways to get things notarized than through a local bank.<sup>26</sup> In fact, as further detailed in Section I.C.1, there certainly are other ways to get the special stamp. But these methods require connections and “knowing the right person.” We respectfully submit to the Commission that if Form ID would be required for all issuers to generate EDGAR Next access credentials<sup>27</sup> as it is currently, then it could obstruct SBAC for certain diverse, minority, or otherwise unbanked entrepreneurs

After scheduling an appointment online a week in advance, my grandparents got to the bank with my Mom, car title in hand. The bank in question was an institution my Mom picked because she held a significant sum of monies there, constituting at least her retirement accounts, demand deposit accounts, and certain certificates of deposit. In fact, my mother had used this institution for a decade to run daily cash operations for the restaurant she opened along with my father. More specifically, my Mom was a “special” kind of account holder at this bank, with a “premium” tier of service offerings due to her deposit base.

When they finally sat down for the notarization appointment, the bank officer would not notarize the transaction paperwork because my grandparents did not have an account at the bank. Despite my mother threatening then and there to withdraw all her funds from the institute, the team member wouldn’t budge on their position. Acting as the manager for that branch, my family had no choice but to find another bank that would offer a notary, at great personal burden.

We respectfully submit to the Commission that certain transaction costs like these are not readily comprehensible by the dedicated, considerate, and diverse staff because the time wasted, distance traveled, and other personal burdens are not at all documented in the “final product” of a Form ID with a notary stamp. We would respectfully suggest that the steadfast, unwavering, and industrious staff consider the proposition made in Section II.A calling for a secure machine-to-machine Login.gov interface (which could potentially authenticate users based on a digital data collection process) as a solution for this material problem.

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<sup>26</sup> Many of our public American CFO interviews were with local banks, and we have no problem with the region-specific functions they serve in many developing parts of this great country. The chief relevant problem we have is their effective monopoly on access to the notarization services which the proposed rule relies on deeply.

<sup>27</sup> Or EDGAR Next dashboard access by means of Login.gov authentication, as the case may be.



### 3. Notarized Power Of Attorney

Firstly, we appreciate that the Commission took into consideration foreign filers through the involvement of Apostilles. We vehemently commend the Commission’s efforts in this regard and believe that the intention behind this proposed design choice is a significant first step in opening international investor access to the world’s most advanced, developed, and liquid capital market—a market which the diligent Commission has regulated and controlled extremely well in its best efforts since its founding nearly a century ago.

The problem with all of this is that it creates unnecessary barriers and burdens for individuals like my grandparents and entrepreneurs who may not have the same level of access or resources as others in the financial and regulatory system. Ms. Countryman, to foster foreign issuances and U.S. investor interests abroad, we present substitutes to paper identity verification.

#### a) *Alternative Consideration*

The particular security considerations for specific access levels are outlined in Section III. However, we respectfully propose that the Commission should consider the following authentication system, which has been narrowly conceived in haste per Section IV.A:

#### **Lemma II.B.3.a.i**

We respectfully submit to the Commission the following rudimentary proposed authentication system to help facilitate secure machine-to-machine access to EDGAR Next through Login.gov:

1. The user generates a cryptographically-secure random secret, which is written down locally on a piece of paper as a random word string. The corresponding public key is linked in Login.gov.
2. The user confirms their identity through an (international) government ID and liveness check online, marking their key as “Form ID Verified” or using a similar designation.
3. The user can access the EDGAR Next dashboard through their Login.gov account as proposed, but machine-to-machine access utilizes the standardized Login.gov authentication API system.

Moreover, we respectfully submit to the Commission that, under the present infrastructure of foreign securities offerings to U.S. investors, the digital acceptance of foreign identification documents may not pose a material risk to investor protections due to the enhanced disclosure requirements for any offerings of foreign issues. Furthermore, we respectfully submit that, although we could not timely prepare material anecdotal or statistical evidence supporting these potential benefits furthering the Commission's mission, in accordance with section IV.A, there may be material benefits to capital formation should the Commission simplify the process for diverse and particularly smaller foreign issuers to offer to the adept U.S. investing public.

Might we suggest staff consider diversifying the range of securities offerings available to the investing public. This diversification is crucial for enabling better portfolio risk allocations, particularly as investors approach retirement. With access to a broader spectrum of investment options, individuals can create more balanced portfolios, mitigating the risk of substantial losses during critical financial periods. This could promote market safeguards, stability, and resilience.

By streamlining access for global investors and fostering a standardized investing system, we can encourage a more dynamic influx of international capital. This could strengthen our markets and promote capitalism. As markets become more inclusive and widespread, they create equitable opportunities for investment, fundraising, and trading internationally. This expansion could drive international economic growth and ensures a fair distribution of financial resources.

### **C. Proposed Rule 10(d)(3) and Question 15**

Would the requirement of at least two technical administrators to manage the filer's APIs, as set forth in proposed Rule 10(d), create an undue burden for filers? Should this requirement be revised to more fully parallel the limit for account administrators by requiring only one technical administrator for filers who are individuals and single-member companies? Why or why not? Is a maximum number of ten technical administrators appropriate? Why or why not? Should any changes or clarifications be made to the scope of authority for technical administrators as part of the EDGAR Next changes?

We respectfully propose to the Commission that requiring two technical admins presents many material legal, efficiency, and operational risks. We respectfully submitted comments on operational risks in Section II.A.4.

#### **1. Question of Culpability**

Page 26 proposes that “[e]ach account administrator would be co-equal, possessing the same authority and responsibility to manage the filer’s EDGAR account.” Consider the case when an agent’s machine-to-machine systems are compromised by a bad actor who presents materially misleading data, which leads to investor losses. Consider also that staff misses the lie.

Firstly, would the two technical administrators be jointly liable or jointly and severally liable for the malicious submissions? The proposal mentions only that “technical administrators would be responsible for maintaining the API capabilities for filings by the delegated entity.” In looking for an answer to this question internally, jurisdictional questions surfaced as to the importance of investor locations regarding any lawsuit that may follow. It is our present opinion that the proceedings for a public company with a diverse base of investors would not follow the same approach as that of a small business with all investors located in one State.

Would this breach be a Federal or State case in deciding the means of joint liability? Why or how come? Would legal jurisdiction change based on the type of securities offering(s) leveraged to distribute securities to an investor or class of investors should a U.S. corporation be brought to court, e.g., for a materially misleading confirmation of account information as proposed on page 32? Why or why not? What if the issuer was a foreign government? Why or how come? What if a technical administrator approved such a confirmation, although not explicitly proposed? Why or how come? More to the point, is it within the present rights of the Commission to assign such liability across EDGAR Next technical administrator pairs, and if so, from which statutes would that power originate? Although there is extensive evidence proposed regarding the minimal burden of one or two administrators per entity as proposed, might the Commission publicly host a more open dialogue related to corporate technical development management structures—including the more general industry of investment companies affected by machine-to-machine EDGAR Next communications—as to potentially let filers assign their own liability frameworks through State employment contracts? Why or why not?

### **2. Efficiency Risks Affecting SBAC**

Page 87 states EDGAR Next would “facilitate the ability to pre-schedule and perform bulk filings” and reduce “the risk of missing deadlines.” As more fully detailed in II.B.1, we respectfully submit that machine-to-machine communication with EDGAR Next presents a riskier environment for programmatically handling of MNPI, especially should more filers enter the market for compliance information reporting. We respectfully submit concerns for smaller development teams which leverage the proposed API keys in hot production environments.

Despite frequent validity checks, we have anecdotal evidence showing that most cybersecurity incidents involving static API keys without dynamic machine handshaking occur

in very close succession to system infiltrations. We respectfully submit that the Commission may find value in a more broad consideration and possible codifications of participants responsible for events such as MNPI leaks in cases where developers mismanage keys. We respectfully submit that this may impact the number of new filing market entrants based on machine-to-machine automation, affecting the cost of compliance reporting services, which could decrease SBAC through higher accounting expenses.

#### **D. Monthly User MFA Checks**

We respectfully submit to the Commission that development-based access keys should not be subject to monthly user MFA checks. We believe that imposing such checks on these keys may introduce unnecessary complexities and hinder the efficiency of development teams working on various projects. This proposal aims to explore the reasons behind our recommendation and shed light on the potential benefits of exempting development access keys from monthly MFA checks within the context of secure and streamlined software development processes.

##### **1. Proposed Note 82 Measures and Question 10**

Ms. Countryman, we remain unconvinced that the benefits of the security measure proposed in this note would outweigh the significant burden it would impose on filers' internal controls.

Should any changes be made to the scope of the proposed annual confirmation requirement set forth in proposed Rule 10(d)? Why? Should the confirmation be performed annually, more frequently, or less frequently? Why? As currently contemplated as part of EDGAR Next, in the case of a failure to satisfy the proposed annual confirmation requirement, should there be a grace period for the account administrators to satisfy the confirmation requirements before the account is deactivated? How long should this grace period be, if adopted? Regardless of whether a grace period is provided, should failure to satisfy the proposed annual confirmation requirement result in deactivation of the account with removal of the individuals authorized on the dashboard for the filer, as discussed above, or alternatively, would a temporary suspension of EDGAR access without removal of any of the individuals authorized on the dashboard for the filer be more appropriate, until any of the listed account administrators satisfied the confirmation requirement? Why? How long should the described temporary

suspension be, if adopted? Separately, if failure to satisfy the proposed annual confirmation requirements should result in deactivation of the account with removal of the individuals authorized on the dashboard of the filer, as discussed above, should delegated entities and delegating filers also be removed from the dashboard? Why or why not?

Managing machine-to-machine automated key checkouts for certain applications holds significant importance. We suggest that it may be more effective to streamline the filer dashboard by relying solely on Login.gov authentication requirements, while a novel Login.gov machine-to-machine authentication standard could establish security best practices for certain credentials. This might encompass the implementation of programmatic temporary key checkouts and retention, utilizing tech admin credentials for machine-to-machine HTTPS-only authentication requests.

## **E. Availability for International Stakeholders**

We respectfully believe the Commission should not limit EDGAR Next operations to the D.C. workweek, given the international reach of EDGAR and the increasing number of issuers seeking access to U.S. capital markets. Most machines implementing EDGAR Next for routine reporting of data-based transactions will need to do so on an ad-hoc basis. Although most present trading takes place during the D.C. workweek, a growing number of transactions are being executed directly between investors on a private sale basis. These transactions should still be submitted and, when applicable, automatically disseminated through EDGAR Next. By removing key international reporting hours, the proposed access times disincentivize international market access and participation. Would the Commission respectfully consider a simple batch queue on Monday morning for any weekend items that need more processing, or a similar overnight weekday log? Why or why not?

### **1. Limited Machine-to-Machine Availability and Question 16**

For what purposes, if any, would filers need to access the dashboard when EDGAR filing functionality was not available? If the dashboard were made available to filers for a period of time outside of EDGAR operating hours, in addition to during EDGAR operating hours, would filers be impacted by the unavailability of filer telephone and email support and EDGAR submission

capabilities during that time period? How would they be impacted? Please be specific.

We understand that Regulation S-T stipulates EDGAR access times to certain Eastern Standard Times. However, EDGAR is a central repository for international participants. We know it might take significant efforts on the part of the overworked staff. But, Ms. Countryman, we believe a 24/7 EDGAR would revolutionize international capital markets by providing a standard for all issuers. The Commission's informed decision on this international matter could simplify or complicate implementation (and thus development and ongoing costs) of EDGAR's Operational Status API.

For standard reporting automation, such as that specified in Section I.C.1–3, we do not presently believe that the dashboard or machine-to-machine submission interface would not require additional telephone or email support for programmatic and technical users. The main benefit would simply be the timely submission of disclosure information.

#### ***a) Preparation and Review of Filings***

International filers face a unique set of challenges due to time zone differences, particularly when it comes to preparing and reviewing their filings. For many of these filers, their local business hours do not align with EDGAR's standard operating hours. This misalignment can be a significant hurdle in managing their filing processes efficiently. Having access to the EDGAR dashboard during their local business hours presents a considerable advantage. It allows them to use their regular working hours effectively for the critical tasks of document preparation and review. This access ensures that they can work within their normal business rhythms, avoiding the need for late-night or early-morning sessions that fall within EDGAR's operating schedule. It also means that their filings can be prepared and reviewed by teams who are fresh and alert,<sup>28</sup>

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<sup>28</sup> Sleep deprivation is a significant concern, particularly in professions where precision and alertness are crucial. Lack of sleep can lead to a range of problems, from reduced cognitive function and decision-making capabilities to increased risk of errors. This is particularly evident in high-stakes environments such as air traffic control. Studies have shown that air traffic controllers working on minimal sleep are at a higher risk of making mistakes, which in such a critical role, can have dire consequences. These errors can range from minor miscommunications to major oversights that could potentially lead to accidents. A notable historical example of the impact of sleep deprivation on decision-making can be seen in the Challenger space shuttle disaster. Investigations into the tragedy revealed that key decision-makers, including managers and engineers, had been working long hours with minimal sleep in the lead-up to the launch.

rather than those working at off-peak hours, thereby reducing the likelihood of errors and enhancing the quality of the submissions. In essence, providing dashboard access that caters to various international time zones is not just about convenience; it's about enabling international filers to work at their optimal efficiency and ensuring the high standards of their submissions.

**b) *Time-Sensitive Adjustments***

Markets are dynamic, and international filers might need to make time-sensitive adjustments to their filings based on developments in their local markets. In the context of global financial markets that operate continuously, the necessity for time-sensitive adjustments in regulatory filings becomes increasingly crucial, especially for international filers. As trading now happens around the clock, international companies must respond swiftly to market fluctuations or regulatory changes in their respective localities. Therefore, the ability to access the EDGAR dashboard outside of D.C. hours is indispensable.

Around-the-clock machine-to-machine submissions allow these filers to update their filings immediately, maintaining the relevance and accuracy of the information they provide. This real-time response is not only vital for the integrity of the filings but also aligns with the dynamic nature of global financial markets. In such an interconnected financial landscape, where developments in one market can have instant repercussions across others, having the flexibility to adjust filings to reflect the latest market conditions becomes a critical aspect of international financial reporting. Extending dashboard access to accommodate different time zones is thus not merely a convenience; it is a requirement driven by the demands of a 24/7 international market.

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This lack of rest was identified as a contributing factor to the flawed decision-making processes that ultimately led to the disaster. These examples underscore the importance of adequate rest, particularly in roles where safety and precision are paramount. In the context of international filers working with the EDGAR system, while the stakes might not be as immediately life-threatening as in air traffic control or space shuttle launches, the principle remains the same. Working on important financial filings when sleep-deprived can lead to errors, oversights, and poor judgment. This not only affects the quality of the filings but can also have broader implications for the financial markets and investor confidence. Therefore, accommodating the natural work rhythms of international filers by providing dashboard access aligned with their local business hours is not just a matter of convenience, but a crucial step in ensuring the accuracy and reliability of financial reporting should the Commission deem it a worth goal of standardizing international issuer transparency to promote SBAC.

***c) Coordination with Local Teams***

For international companies with teams dispersed across various regions, the challenge of coordinating activities and consolidating information is compounded by differences in time zones. Extended dashboard access plays a pivotal role in surmounting these challenges. When teams in different parts of the world can access the EDGAR dashboard during their respective local business hours, it dramatically improves their ability to collaborate efficiently.

This extended access allows teams to work synchronously, despite being in different time zones. For instance, a team in Asia can begin working on a document, pass it on to their European counterparts for further development, and then have it reviewed by the team in North America, all within the same business day. This relay of tasks not only maximizes the use of available time but also ensures continuous progress on the filings.

Moreover, the ability to access the dashboard concurrently allows for real-time communication and decision-making, which is crucial when dealing with complex financial information that requires input from various departments and expertise. This seamless integration of efforts across different regions ensures that the information consolidated in the filings is both comprehensive and accurate.

In a globalized business environment, where decisions and actions in one region can have immediate repercussions in another, effective coordination is key. Extended dashboard access facilitates this coordination, enabling international teams to operate as a cohesive unit, irrespective of geographical and time zone differences. This not only streamlines the filing process but also enhances the quality of the submissions, reflecting a well-coordinated, globally integrated approach to financial reporting.

**2. We Must Consider All Issuers**

Issuers from foreign nations have increasingly turned to U.S. capital markets as a means to raise funds and expand their reach, facilitated by the use of EDGAR. This trend is particularly notable in developing nations where access to international capital can be a catalyst for economic growth. It is important to consider the compliance aspect of this international engagement.

Compliance with U.S. laws and regulations becomes paramount when foreign issuers participate in American markets. Accounting standards and regulatory influences play a significant role in shaping the financial reporting landscape. The impact of these standards can be far-reaching, affecting the transparency and accountability of issuers.



Take, for example, an 8-K notice of a cybersecurity event. In an era where cyber threats are increasingly sophisticated, attackers may choose to exploit vulnerabilities in non-financial systems during weekends or off-hours when security measures might be less stringent. This emphasizes the critical importance of timely reporting, as delays can allow malicious activities to go unnoticed for extended periods, potentially resulting in significant data breaches or other adverse events (as exemplified by recent high-profile incidents).

Ensuring that investors can access EDGAR data at any time is a valuable step toward transparency and fairness. In this context, it becomes equally important for issuers to have the capability to submit material information promptly and efficiently. The goal is to have accounting and reporting standards that match the dedication and hard work of the people behind the companies issuing securities, fostering trust and confidence in the global financial markets.

#### **F. Information About Certain Filers or Agents**

We believe remote work constitutes a vast improvement in capital deployment efficiency for certain organizations by (i) removing the need for economic rents concerning leased office space, (ii) increasing a team's ability to adapt to changing business environments rapidly through dynamic increases in the employed workforce without physical changes to any office structure or physical location, and (iii) forcing, through the nature of internet communications, certain documents, internal policies, and decisions to be properly codified electronically rather than orally accepted on an ad-hoc basis. Block Transfer is a "flat organization" based in part on the structure and operational practices of Valve Corporation. All team members work remotely, and we maintain our present mailing address exclusively for investor, regulator, and issuer communications by snail mail, as required by certain Federal securities laws.

Ms. Countryman, after extensive investigation into the matter, we could not discover how to document this remote-work reality properly through either Form ID, any legacy transfer agent forms, or our EDGAR "company information." We believe that remote-first issuers should have materially different disclosure requirements when it comes to their "principle place of business" or "principle executive office." Does the Commission share this view? Why or why not?

We understand Federal laws such as sections of Regulation S-T referenced throughout the proposed release do not account for this organizational structure due in part to the "normal" management styles of American corporations at the time such legislation was artfully drafted with extensive peer evaluation and Congressional review. However, we respectfully believe the Commission or Congress should give further mind to this matter due in part to the approval of an IPO—by means of Form S-1 submitted electronically in EDGAR—without a principle executive

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office or meaningful physical presence for consultation by the investing public in any U.S. State or Territory in which the issuer thereof offers retail investors certain “money transfer” activities.

We believe a significant number of small businesses would qualify as “remote-first” organizations if federally codified. Anecdotally, our first issuer<sup>29</sup> leverages an innovative remote-first structure. Does the diverse and forward-looking Commission believe that implementing a remote-first disclosure option for EDGAR filers would promote U.S. investor protections or SBAC? Why or why not? Should such innovative businesses face the same tax treatment as “traditional” office-based employers? Why or why not? How might State payroll tax deductions react if a legacy organization goes remote-first? Why or how come? Should the Federal government prepare and disseminate a standardized list of payroll deduction and benefit requirements for team members across U.S. states and territories to facilitate the efficient management of programmatic ERPs, HCMs, or PEOs? Why or why not? Does the Commission believe that payment of State withholding taxes through EFTPS could streamline issuers’ administrative HR burdens or decrease the weighted average cost of capital in American financial markets? Why or why not? How about capital gains or dividend withholding taxes?<sup>30</sup>

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<sup>29</sup> Further information may be obtained by staff programmatically at [api.issuers.info/1984803](https://api.issuers.info/1984803).

<sup>30</sup> Ms. Countryman, per our present classification as a legacy transfer agent, we are unsure of how to report certain information to the IRS on behalf of investors, such as acquisition basis amounts, disposition proceeds, or other pertinent TAD3 private sale information. After extensive internal deliberation, we do not believe Form 1099-B would sufficiently capture the intent and specificity of distributed ledger data presently available for transparent public audit through any Stellar “block explorer.”

### **III. Specific Filing Endpoints Needed**

As the Commission knows, most small businesses fail due to a lack of capital. However, machine-to-machine communication with EDGAR would drastically increase SBAC by removing the high initial costs of complying with Federal securities laws. The groundbreaking EDGAR Next ideologies could finally let the next generation of issuers reliably turn to the qualified investing American public rather than predatory VCs, high-interest loans, or nothing at all if they happen to fall into certain demographic groups. We respectfully believe it is our duty to properly execute this pioneering machine-to-machine interface with strong cybersecurity to catalyze SBAC.

Page 42 states that certain proposed “users” cannot generate certain security credentials or authorize certain filer submissions. Although this was only a minor point in the proposed release, we believe it should be brought under further question. Namely, we respectfully suggest that filers be able to delegate certain forms to an authorized agent, not just blanket administrative authority. This would allow filers to designate certain reporting obligations to firms specializing in those filings, enhancing reporting efficiency without introducing a risk of granting more access permissions than needed.

#### **A. Route-Specific Authorizations**

##### **1. Intentions and Question 19**

Would the EDGAR Next delegation framework address concerns raised by commenters about the impact that the contemplated EDGAR Next changes would have on individual officer and director filers pursuant to section 16 of the Exchange Act, in light of the fact that individual officer and director filers could delegate authority to file on their behalf to any related companies, law firms, or filing agents? Why or why not?

We respectfully submit to the Commission that there are excessive inherent risks in the proposed system. The core issue lies in the broad permissions granted to delegates to submit any filings. These permissions could potentially allow delegates to file documents beyond their intended scope, such as Section 16 reports for individual officers and directors. This excessive access raises significant concerns about the accuracy and authenticity of filings. There is a real risk that delegates, armed with expansive filing capabilities, might submit false or misleading information, either inadvertently or maliciously. This situation could lead to compliance issues and undermine the integrity of the information that investors rely upon, ultimately affecting the trust and stability of the market.

By limiting delegated agents' access to only certain forms, the system reduces the potential for misinformation and fraud, thereby safeguarding investors' trust and interests. Secondly, this targeted approach promotes fair, orderly, and efficient markets. By ensuring that filings are accurate and authorized, the risk of market disruptions due to unauthorized or incorrect information is minimized, maintaining market stability. Finally, the implementation of such precise control mechanisms facilitates capital formation. A more secure and trustworthy filing process boosts investor confidence, encouraging greater participation and investment, particularly beneficial for small businesses and startups. These measures, collectively, not only fortify the security and integrity of the financial markets but also underscore the Commission's commitment to maintaining a fair and robust financial ecosystem.

### **2. Material United States Cyber Risk**

The absence of route-specific authorization logic in EDGAR Next, where issuers cannot limit delegated filing agents to submit only certain types of forms. As proposed, if an agent is granted the authority to submit routine forms, this authorization could potentially extend to more sensitive filings, such as Form 10-K. This scenario of overextended authority is a major concern.

#### ***a) Overextended Authority***

When agents possess broader access than necessary, it significantly increases the risk of unauthorized or inaccurate filings. For instance, an agent primarily responsible for routine, less critical filings might not have the requisite expertise or understanding of the complexities involved in more sensitive forms like the Form 10-K. Yet, without route-specific controls, they have the capacity to submit these forms, leading to potential errors or omissions that could have serious ramifications for the company.

Moreover, this overextension of authority opens up avenues for misuse, whether intentional or accidental. In a situation where an agent's credentials are compromised, the lack of restrictions on the types of forms they can submit amplifies the potential damage. Malicious actors could exploit this access to submit incorrect or misleading information, which could severely impact the company's financial standing and market reputation.

This broad access not only poses a threat to the accuracy and integrity of the filings but also undermines the confidence of investors and regulators in the company's reporting processes. To mitigate these risks, implementing route-specific authorization is essential. It would ensure

that agents are only able to submit forms within their scope of expertise and responsibility, thereby safeguarding against the risks associated with unauthorized or inaccurate filings.

**b) *Targeted Exploitation***

With the capability to access and submit all types of forms, an agent's role becomes critically sensitive. In today's interconnected digital world, the threat posed by foreign cyberterrorists<sup>31</sup> or bad actors cannot be overlooked. The current framework inadvertently opens vulnerabilities that could be exploited by these malicious entities.

This vulnerability<sup>32</sup> is further exacerbated in the event of a system compromise. If a bad actor gains access to an agent's system, the broad scope of their authorization becomes a significant liability. Such actors could exploit this access to submit false information, manipulate

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<sup>31</sup> Foreign cyberterrorists, seeking to disrupt or manipulate the financial markets for various motives, could target filing agents precisely because of their extensive access privileges. If they succeed in compromising an agent's system, the consequences could be far-reaching. Such actors could use their unauthorized access to submit false or misleading information, not just to defraud a company but potentially to destabilize financial markets or sectors.

<sup>32</sup> A more secure machine-to-machine interface would significantly contribute to investor protection by ensuring that the data and filings they rely upon are accurate and have not been tampered with. By reducing the risk of unauthorized alterations, particularly subtle yet impactful changes like earnings numbers, investors can have greater confidence in the information provided by issuers. This trust is fundamental to investor decisions and market participation. Furthermore, such an interface would uphold the integrity of the market. It would do so by streamlining the verification process, reducing the necessity for extensive manual labor that is prone to human error and inefficiencies. With a more robust and secure system, the Commission's staff can focus on more critical aspects of market oversight, rather than expending resources on routine verifications. This efficiency aids in maintaining a fair and orderly market, as it ensures that filings are processed and reviewed with greater accuracy and speed. In essence, enhancing the security of the machine-to-machine interface aligns closely with the Commission's goals of protecting investors, maintaining fair and orderly markets, and ensuring the efficiency of the capital formation process. It represents a forward-thinking approach that not only addresses current challenges but also anticipates future needs in an increasingly digitalized capital market.

financial statements,<sup>33</sup> or engage in other fraudulent activities. These actions can lead to serious legal and financial repercussions<sup>34</sup> for the issuers involved and erode investor trust in the market.

Limiting the scope of access for agents not only minimizes the likelihood of internal mistakes but also crucially reduces the vulnerability of the system to external intrusions. In the current setup, if an agent's credentials or API keys are compromised, it leaves the door open for attackers to submit any form on behalf of the issuer. We respectfully submit to the Commission that such an attack vector could lead to material unauthorized filings and the dissemination of false or misleading information. By narrowing the access range, route-specific authorization significantly shrinks the attack surface, providing a stronger safeguard against both internal mishaps and the looming threat of external cyber intrusions, thus bolstering the overall security framework of the financial reporting process.

We respectfully submit to the Commission that route-specific authorization logic not only aligns with but actively promotes staff objectives by enhancing the security and integrity of the

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<sup>33</sup> We acknowledge the Commission's efforts to manually review and prevent unauthorized or malicious submissions, such as limiting machine-to-machine access to EDGAR operating hours and allowing human oversight for fraud detection. However, it's important to highlight that even minor alterations in critical data, like earnings numbers, can have significant repercussions against analyst estimates. Such changes, although they might seem trivial, can be challenging to identify without extensive manual labor. This process often involves time-consuming verifications with busy executives, which might not always be feasible or efficient. Moreover, given the validity of machine-to-machine access credentials, distinguishing between legitimate and fraudulent submissions becomes increasingly complex. A more secure machine-to-machine interface would not only mitigate these risks but also lessen the burden on Commission staff to manually process and verify submissions. Enhancing the security of this interface would streamline the review process, reducing the need for labor-intensive verifications. This improved system would foster greater trust in the integrity and reliability of the submission process, aligning with the Commission's goal of maintaining a fair and efficient market, and protecting investor interests.

<sup>34</sup> The impact of such actions extends beyond just the financial domain; it could also erode trust in the security of the market's infrastructure, which is crucial in a global economy increasingly reliant on digital processes. This concern underscores the need for route-specific authorization as a critical safeguard. By limiting the types of forms that agents can access and submit, the system inherently reduces the potential damage that could be inflicted by foreign cyberterrorists or other bad actors. While the primary objective of route-specific controls is to enhance accuracy and prevent internal errors, they also serve as a vital defense mechanism against cyber threats.

market. It ensures that the information investors rely on is accurate and that the market operates efficiently and fairly. This approach also helps in mitigating legal and compliance risks, further solidifying the market's foundation and contributing to a healthier financial ecosystem. We respectfully submit to the Commission that staff may be better able to continue upholding their commitment to investor protections and efficient markets by incorporating this level of detailed access control.

***c) Incentivized Threat Actors***

Ms. Countryman, the urgent need for a secure machine-to-machine EDGAR authentication is more than a technical necessity; it's a cornerstone in maintaining the trust and integrity of the American financial markets.

The EDGAR system, as it stands, is a critical repository for corporate filings and financial data, serving as a lighthouse for investors navigating the tumultuous seas of the stock market. However, the recent high-profile breaches into this system have not only exposed its vulnerabilities but have also sent shockwaves through the investing community. The infiltration of EDGAR by hackers, leading to the theft of MNPI and subsequent insider trading, represents a direct threat to the sanctity of our great capital market.

At the heart of the Commission's mission is the protection of investors and the maintenance of fair, orderly, and efficient markets. Yet, when the very system that's supposed to safeguard the integrity of market information becomes compromised, it shakes the foundation of investor confidence. Imagine the plight of the average American investor, who relies on the accuracy and timeliness of the information in EDGAR to make sound investment decisions. The realization that this information could be preemptively accessed, materially altered, or otherwise misused by cybercriminals is deeply unsettling.

Ms. Countryman, every American who has ever put their hard-earned money into the market, trusting in the transparency and integrity of the system, deserves the peace of mind that comes with a fortified EDGAR machine-to-machine authentication system. This is not just about compliance or operational efficiency; it's about preserving faith in a system that underpins the financial wellbeing of all investors.

We are extremely concerned about the increasing international threat of cyberattacks targeting filing firms to uncover MNPI, as per Section V.C. These attacks, perpetrated by diverse groups of threat actors, illustrate the growing sophistication and globalization of cybercrime, particularly in the realm of financial markets, as per Section II.B.1. We respectfully submit to the Commission that the security of EDGAR and its data systems is a matter of national security. In

accordance, we respectfully submit that EDGAR Next's machine-to-machine authentication system should make explicit references to NIST standards throughout its documented security design choices, which we did not see in the proposed rule.

### **3. Considerations and Question 24**

**The Overview of EDGAR APIs lists certain technical standards for the planned APIs. Are there any considerations we should take into account when determining what technical standards should be used for the planned APIs?**

The proposed system of broad authorization without route-specific controls poses significant challenges that align directly with the core objectives of the Commission. Firstly, this lack of specificity in authorization can lead to compliance issues for firms. The possibility of unauthorized or incorrect filings made by agents, whether unintentional or otherwise, can result in firms inadvertently breaching regulations. This not only exposes them to legal and financial penalties but also compromises the regulatory framework designed to protect market integrity and investor interests.

Secondly, and perhaps more critically, when the risk of misinformation and unauthorized access is high, it significantly undermines investor confidence in the market. Investors depend on the accuracy and authenticity of filings for making informed investment decisions. Any hint of compromise in the reliability of this information can lead to a loss of trust in the market's integrity. This erosion of trust is detrimental not just to individual investors but to the overall health and stability of the financial markets.

Therefore, addressing these issues with a more controlled, route-specific authorization approach is not just a matter of regulatory compliance or operational efficiency; it's a fundamental step towards upholding the integrity of the market and protecting investor interests. By ensuring that agents have access only to the forms they are authorized to handle, the risk of misinformation and compliance breaches is significantly reduced. This approach not only aligns with but actively supports the Commission's mission to maintain fair, orderly, and efficient markets, and most importantly, to protect investors, the cornerstone of a robust international financial system.

We respectfully present to the Commission that there should be submission endpoints specific to major forms offered to filers. Specific routes for each filing enable the Commission to check for route-specific endpoint authorization. That way, an issuer that authorizes another filer to submit automated insider transaction reports does not have to worry about the agent submitting a Form 10-K. This would mitigate systemic risk across EDGAR Next, as integrated



filers would not need to extend too much trust to each other. We respectfully submit to the Commission that explicit form filing authorizations could drastically reduce the risk of public misinformation if accounts get compromised, even within a secure machine-to-machine access and key rotation environment.

Moreover, allowing the delegation of only certain forms fosters competition and innovation in the corporate filings industry. We respectfully submit that the Commission can foster smaller specialized reporting roles by setting lower authorizing power of attorney requirements for less sensitive functions like Form 144, minor offering documents, or routine insider management.

Ms. Countryman, we would be happy to lightly consult with the staff developing the innovative EDGAR Next reporting platform as to the technical implementation of route-specific authorizations and API documentation thereof without consideration.

### **B. Accession Numbers**

We respectfully submit to the Commission that the groundbreaking new accession numbers endpoint will transform the landscape of share allocation accounting for new issues in the lead-up to registered offerings. This cutting-edge machine-to-machine communication interface will let agents harness the power of authoritative Commission confirmation numbers, offering a streamlined and more efficient way for businesses to plan for and configure securities allocations during the critical phase between filing an offering document and its subsequent effectiveness, as applicable.

The endpoint is invaluable for the pre-allocation of stock pools for anything from private placements to shelf registrations, a task that demands both precision and speed in the often chaotic and time-sensitive window around a public offering. By introducing this machine-to-machine communication interface, we respectfully suggest that Commission not only streamlines a historically complex process but also paves the way for more transparent and efficient investment transactions. This innovation marks a significant step forward in the integration of traditional financial practices with the rapidly evolving technology of the digital age, promising to revolutionize how companies approach the capital market.

#### **1. Facilitating SBAC**

The ability to check accession number status using the new machine-to-machine endpoint is a game-changer, especially for small businesses seeking new capital. This innovative interface will

revolutionize the way businesses raise equity funding, particularly in terms of offering efficiency and accessibility.

One of the most significant aspects of this endpoint is the dynamic communication of accession number statuses, a feature that greatly simplifies and automates the process of offering securities. This automation is crucial for small businesses, as it reduces the complexity and resource demands typically associated with regulatory compliance and capital raising efforts. We respectfully submit to the Commission that companies waiting to be ideated will live at the hand of fast and accurate machine-to-machine communications of (i) confirmations of pending submissions, (ii) prior transmission effectiveness checks, and (iii) expiration notices of shelf registration statements.

Furthermore, the proposed inclusion of an accession numbers retrieval endpoint is a testament to the foresight and expertise of the staff developers. This feature allows businesses to continually monitor the progress and status of their filings, ensuring they remain up-to-date and compliant with regulatory requirements. It also enables backend systems to automatically restrict certain interface functionalities, such as disabling actions related to a shelf registration statement upon its expiration.

This level of automation and efficiency is not just a technological advancement; it's a strategic enabler for small businesses. It lowers the barriers to entry in the capital markets, making it materially easier for these businesses to acquire the necessary funding for growth and development. The Commission's commitment to facilitating easier, more accessible, and efficient filing interfaces through this machine-to-machine interface is a significant step towards democratizing investment opportunities and fostering a more inclusive financial ecosystem. The impact of such an initiative cannot be overstated, as it opens new horizons for small businesses and contributes to the overall dynamism and resilience of our economy. Incredible work on this feature in particular, Ms. Countryman.

## **2. Clarify Different Treatment of Certain Values**

The standardized treatment of accession numbers has a material impact on our present beta systems. We respectfully request that the Commission document, perhaps through a public API documentation website, when an accession sequence number's ending monotonically-increasing "count of submitted filings from that CIK" is not reset to zero at the start of every calendar year. We would be happy to lightly consult with staff developers without consideration if this bug is due to any kind of database infrastructure.

## C. Submission Data Formats

Ms. Countryman, we are extremely concerned about security implications of the proposed Submission API. Moreover, we respectfully submit to the Commission that the proposed Submission API does not (i) adequately foster competition, (ii) support efficient capital formation, or (iii) protect investors through transparent backend code with clear function.

### 1. Intentions and Question 41

Are there any issues specific to certain types of filers that should be considered with regard to the EDGAR Next changes? For example, asset-backed securities (“ABS”) issuers, usually the depositor in an ABS transaction, often create one or more serial companies each year, each of which is a separate legal entity with its own CIK, even though each generally has the same contact information as the ABS issuer. Should new serial companies have their account administrator information automatically copied from the ABS issuer’s account administrator information, so those account administrators could access the dashboards for those serial companies? Likewise, should other information be automatically inherited by new serial companies from the ABS issuer, such as the ABS issuer’s contact information, users, and technical administrators (if any)? If so, in order to ensure that the ABS issuer has account administrator information and other information that could be copied to the new serial company, would there be any issues associated with requiring ABS issuers to have transitioned to individual account credentials before the ABS issuer can create new serial companies? To what extent are these concerns already addressed by the delegation function, given that delegation would allow filers to delegate the authority to file to another EDGAR account?

Note 100 says that 71,000 citizens actively use EDGAR, most of whom we assume are hardworking Americans who happen to work somewhere public. The modernization of EDGAR presents a significant opportunity to simplify the reporting process for these Americans who already have so much grit and determination to create shareholder value in their jobs, through explicit material similar interests with the investing public.

We respectfully submit to the Commission that success in one’s career should not lead to newfound burdens—outside of a competitive and demanding workplace—like difficulties filing

## EDGAR Next Machine-to-Machine Authentication

insider trading and ownership reporting reports. As stated in Section II.B.1.a, these duties are so material that they almost always solicit (in-house) legal counsel in firms with sufficient monies.

The design and functionality of the EDGAR Next dashboard need to be intuitive and user-friendly, ensuring that individuals, with very simple<sup>35</sup> filing requirements, but no extensive financial or legal support, can easily navigate and fulfill their reporting obligations. Simplicity in the interface, clarity in instructions, and streamlined processes are key to making this system accessible to these filers.

The option to have financial services firms handle their reporting obligations through automated systems can alleviate the burden of manual submissions.<sup>36</sup> This automation ensures accuracy in filings, reduces the likelihood of human error, and helps in meeting critical deadlines, especially for time-sensitive reports. Moreover, firms acting for the benefit of investors have the benefit of handling of bulk machine-to-machine filings more efficiently and accurately. They can manage large amounts of investor filings seamlessly, providing a valuable service to clients who may lack the expertise or resources to do so themselves. We respectfully submit to the Commission that these routine investor reports would be much better handled by trading and markets institutions than through the presently inefficient and expensive system of having issuers hire lawyers to deal with compliance, and cordially endorse a transitional study. By facilitating easier and more reliable ways for financial services firms to assist individuals in their reporting duties, such a system aligns with the broader goals of market integrity and investor protection.

It is our understanding that the chief aim of EDGAR submissions is to facilitate the transparent communication of relevant information to the investing public. If this is the case, then EDGAR Next should make it easy for parties related to the issuer to submit relevant information on their behalf. Specifically, it is our understanding that most modern issuers use a filing agent associated with their accounting firm. This allows them to report timely financial statements and major disclosures in the standardized XML format, and generally promotes efficiency among filers.

However, Ms. Countryman, small businesses do not have the same access to professional service firms offering filing agent services. They often leverage a simplified issuance and

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<sup>35</sup> We respectfully submit to the Commission that particular focus might be most beneficial to Americans when placed on the reporting of Rule 144, section 16, or Schedule 13 obligations.

<sup>36</sup> We respectfully submit to the Commission that this ease of use, and thereby theoretical increase in overall compliance rates, would necessitate the careful consideration of Section II.B.

disclosure strategy where they turn to private databases to disseminate relevant investor information only as they see fit. That means that smaller issuers require a much more limited set of functionalities in EDGAR Next.

We understand that the Commission and its talented development staff manage complex filing undertakings for certain financial intermediaries and issuers that warrant nuanced XML submission formatting, which the Commission has artfully crafted and documented. However, we respectfully believe that only certain filings require XML due to the non-standardized structure of the information contained in them, per the need for MIME documents. It follows that standardized filings with a limited number of fields such as Form D, section 16 forms, and Form 144 do not warrant XML encoding for machine-to-machine submission.

We respectfully submit to the Commission that these common forms generate a significant need for machine-to-machine reporting. Consider Schedule 13 report automation, which currently requires the burdensome web-simulation methods familiar to staff developers. The data reported in this form is based only on database values and ought to be easily streamlined through machine-to-machine communication for efficient and transparent real-time reporting. Subsequently, it would be much easier to communicate that data through the industry standard of request parameters.

## **2. Path Parameters Enable SBAC**

Again, we commend the creative, resourceful, and collaborative staff developers for this forward-thinking and innovative approach. The integration of APIs represents a significant leap forward in terms of secure, efficient, and automated machine-to-machine communication with EDGAR, aligning perfectly with the evolving needs of a digitally advanced financial ecosystem.

The proposed APIs are not just a step towards modernization; they are a transformative move towards a more streamlined, transparent, and user-friendly system. This development will greatly enhance the efficiency of the filing process, reducing the time and effort required for submissions. It will also improve the accuracy and reliability of the data submitted, as automated processes are less prone to human error.

Furthermore, the introduction of APIs for submission status and operational status checks is a commendable addition.<sup>37</sup> This feature will provide real-time insights into the filing process,

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<sup>37</sup> While the proposed API implementation is indeed a robust solution, continuous exploration of emerging technologies could further advance the Commission's mission. For instance, the good Commission may want to briefly consider any benefits which may come from the integration of

offering filers immediate feedback and assurance about their submissions. It reflects a deep understanding of the filers' needs for timely information and transparency in their interactions with EDGAR.

**a) *New Submission Means and Question 40***

In connection with the EDGAR Next changes, we intend to provide APIs as described above to make EDGAR submissions and to check EDGAR submission status and operational status. Are there alternatives that would better accomplish the objectives of secure, efficient, and automated machine-to-machine communication with EDGAR? If so, please describe.

We respectfully submit to the Commission that there should be certain simplified endpoints which accept path parameters rather than raw XML. This would simplify the machine-to-machine reporting of important market information for all issuers. It would also drastically streamline the technical inclusion of route-specific authorizations.

Despite the vast efficiencies that the detail-oriented XML framework brought to the industry over the past 27 years through standardized reporting, we respectfully submit to the Commission that the markup language is not friendly to developers, international locale standards, or efficient machine-to-machine code. Modern APIs use path parameters, eliminating the need to compile variables into a file before submission.

**b) *Anecdotal Evidence and Proposed Economic Analysis***

In the realm of technology, especially in the development and integration of machine-to-machine systems, practical experience often highlights aspects that may not be fully captured in the rule's preliminary economic analyses. For instance, the shift towards using path parameters in lieu of raw XML is a testament to the industry's pursuit of robustness and user-friendliness in systems design. While XML has been a mainstay, our experience indicates that it can be unwieldy and prone to syntax errors. In contrast, path parameters offer a more streamlined and error-resistant approach, leading to a more efficient development process and a marked reduction in filing errors.

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some blockchain technology for enhanced security and traceability, or the utilization of artificial intelligence for predictive analysis and automated troubleshooting outside of the D.C. workday.

Further, the varied nature of data formats in different filings underscores the need for flexibility in data submission. Traditional XML structures, with their rigidity, often fall short in adapting to these varied needs. Path parameters, on the other hand, provide the necessary leeway for customization, accommodating a wider array of data formats. This adaptability is not just a matter of convenience; it is a critical factor in ensuring the accuracy and reliability of data submissions across diverse contexts.

Security and data validation, paramount concerns in any technological implementation, also see significant improvement with path parameters. The structured nature of these parameters facilitates more effective validation of data types and content, reducing the risk of malicious data injections—a vulnerability that may be more prevalent in extensive XML files.

In terms of data handling, our experience aligns with the broader consensus in the tech sector: path parameters are faster and more efficient for querying specific information compared to parsing through large XML files. This efficiency is not a trivial matter in the fast-paced, time-sensitive realm of financial transactions, where delays can have substantial economic impacts.

The learning curve and implementation ease are also critical factors often overlooked in economic analyses. Path parameters are considerably easier for developers to grasp and use effectively, in contrast to the complexities associated with XML. This ease of use is crucial not just for attracting and retaining technical talent but also for ensuring rapid compliance and adaptation to new systems.

Lastly, the aspect of error handling and debugging, while seemingly technical, has profound implications in operational efficiency. Path parameters simplify the identification and resolution of issues, a process often mired in complexity when dealing with XML files.

### ***c) Implementation Considerations***

In our suggestion to use path parameters for certain non-document filings, we would like to acknowledge our limited understanding of the intricate processes the Commission employs to interface XML data into the public EDGAR release recordkeeping database. We recognize that the internal workings of such a sophisticated and secure system might involve complexities that are beyond our expertise.

However, based on our perspective and understanding of modern data systems, we believe that updating the acceptance systems to align with the proposed changes should not pose an undue burden. This belief stems from the advancements in data processing and system

integration technologies that have significantly streamlined the adaptation of new formats and protocols in existing systems.

We understand that such updates involve careful planning, testing, and implementation to ensure system integrity and reliability. Our intention is not to oversimplify the task but to express confidence in the Commission's capability to adapt and evolve its systems in response to technological advancements and changing market needs.

Our suggestion comes with the utmost respect for the Commission's technical expertise and operational challenges. It is offered in the spirit of constructive dialogue, aiming to contribute to the continuous improvement of the EDGAR Next for the benefit of all stakeholders involved. We trust that the Commission's experienced team will evaluate the feasibility of these updates with their customary diligence and expertise.

### **3. Data Integrity and Security Considerations**

We respectfully submit to the Commission that XML data is materially more difficult to store, process, and amend in comparison to modern data encoding techniques.<sup>38</sup> These complexities lead to vast infrastructures built around XML preparation, processing, and lifetime management. We are certainly not as adept or knowledgeable about the practices of filing firms as the Commission, and we do not claim to have extensive experience preparing or processing XML filings. As proposed in the previous section, we respectfully believe the Commission should consider the benefits of parameterized API endpoints specific to form types, in an effort to more adequately maintain fair, orderly, and efficient markets through more prompt, accurate, and efficient Commission processing of ingested machine-to-machine reporting data; protect investors through more frequent, accessible, and transparent<sup>39</sup> retrieval abilities; and facilitate

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<sup>38</sup> We respectfully submit to the knowledgeable and considerate staff that it is materially easier to store key-value pairs for certain simple non-document filing data values including, but not limited to: full name, street address, other related persons, relationship statuses, offering type, states of solicitation, amount of securities subject to registration (or exemption therefrom), certain information about the transaction being reported, amount of securities offered, date securities were first (intended to be) offered, issuer jurisdiction, entity type, and formation date.

<sup>39</sup> With all due respect and acknowledgment of the staff's intricate, well-intentioned, and highly-considerate efforts to protect investors and maintain orderly/efficient markets, we humbly submit to the Commission that raw XML filings and even the generally published investor EDGAR access machine-to-machine communication data do not presently provide adequate disclosure of material insider activities, corporate actions, or large holder notices. We have anecdotal evidence



capital formation by means of lower ongoing compliance costs, thereby decreasing WACC and increasing SBAC.

Ms. Countryman, it is our understanding that large, complicated, and entrenched XML draft filings are shared on big filer agent repositories in bulk. This centralization of repository data at certain large filing agents represents a material threat to American capital markets pursuant to attack vectors such as those exemplified in Lemma II.B.1.b.i. We respectfully submit to the Commission that there exists a material risk to American companies from the threat of targeted cyberattacks by foreign bad actors because of the vast efficiencies of scale in processing complex XML data that have led to the present filing agent oligopoly.

We respectfully submit to the Commission that implementing path parameters into form-specific Submission API endpoints, with filing-specific logic encoded in each route, could potentially decentralize the filing services market, thereby theoretically making it effectively impossible for a foreign bad actor to attain significant amounts of MNPI without notice by staff. Ms. Countryman, a small number of filing-agent MNPI honeypots provide significant adverse incentives to attack their repository of unpublished filings for exploit in the capital market.

We respectfully submit that the Commission ought further consider the implications of the practices as to how they could materially increase investor protections. These practices, when thoughtfully implemented, have the potential to significantly bolster the integrity and efficiency of our financial markets.

Firstly, by mitigating the risk of adversaries attaining vast amounts of MNPI, these measures could protect investors from the fallout of illicit trading activities. The scenario where NMS stocks are traded based on information presumed to be known only to company insiders is a critical concern. Enhancing the security and confidentiality of sensitive information not only

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from investor advocacy groups that certain materials accessed through EDGAR are (i) materially insufficiently encoded to allow for their use without excessive data processing burdens, (ii) difficult to find in a wide range of circumstances, or (iii) sufficiently delayed as to prevent the appropriate investor reaction which might have been taken should the data contained in certain filings have been published on a more prompt basis by means of machine-to-machine communication. We respectfully submit that we shouldn't see marketers selling expensive subscription platforms to subscribe to insider trading reports, when such information is available through EDGAR and may theoretically be accessible at no cost to investors with simple potential modifications to the system's acceptance and dissemination of data through more standardized modern technological data encoding schemes.

safeguards individual investments but also upholds the broader principle of fair play in the market.

Secondly, promoting the maintenance of fair, orderly, and efficient markets through the prompt, collectively-scheduled releases of issuer data, communicated securely, is crucial. This practice ensures that all market participants have equal access to vital information, thereby maintaining a level playing field. The timely and structured dissemination of information aids in preventing market distortions and supports informed investment decisions.

Lastly, facilitating capital formation by potentially decreasing the costs associated with certain accounting and filing functions required to comply with Federal securities laws is a significant consideration. Reducing these costs directly impacts SBAC. By streamlining compliance processes and lowering financial barriers, small businesses and startups—key drivers of innovation and economic growth—gain better access to capital markets. This not only aids individual businesses but also contributes to the overall vitality and dynamism of the economy.

We understand that there are presently trade reporting facilities to counteract these risks on a retroactive basis. But investor losses do not get reversed when bad actors face lawsuits, if they ever even make it to court. We respectfully suggest to the Commission that there may be significantly larger amounts of investor principal to save through the secure, thorough, and diligent decentralization of the filing agent market than may ever be levied in complex virtual MNPI data leak fines, which have the added potential to decrease investment confidence in our great financial system.

## **IV. Beta Environment**

### **A. Our Time Constraints**

We learned about this proposed rule less than a week ago and have not been able to adequately organize any material efforts to test the EDGAR Next Proposing Beta environment. Furthermore, during the preparation of this document in haste, we were not able to review the many comment letters cited throughout the proposed rule, which likely led us to bring up some points that other commenters have already surfaced with the Commission. We apologize and truly hope that any repetitive or redundant concerns raised did not impose an undue staff burden.

#### **1. SBREFA Major Rule**

We respectfully submit to the knowledgeable Commission that the implications and standards proposed and ultimately adopted in EDGAR Next warrant OMB classification as a major rule under the Small Business Regulatory Enforcement Fairness Act. We have not had the time to gather empirical studies, industry reports, or academic research highlighting the importance of the relationship between regulatory simplification and business growth by means of SBAC.

### **B. Extensive Staff Testing**

We are certain the astute, insightful, and shrewd staff passed on the proposed release's beta environment to the Cyber Unit under the Division of Enforcement. We do not presently believe that our own limited efforts in the coming months will stack up with the Commission's own extensive cybersecurity penetration testing, red teaming, or vulnerability scan risk assessments, in part because we do not have the talented, insightful staff developers that build the EDGAR Next dashboard authentication system on our internal team. Therefore, we will defer our internal audit of the proposition's beta security measures to the skilled Commission.

## **V. Relevant Syndicate Information**

### **A. True Marketplace Utility**

We built Block Transfer as a response to significant problems in American securities markets. Drawing from our extensive experience in capital markets, we respectfully propose to the Commission that the inclusion of excessive intermediaries in traditional securities transactions, regardless of their perceived investor simplicity,<sup>40</sup> generates significant costs which inflate costs for issuers to sell securities, regulators to oversee the market, and investors (by means of material hidden broker fees limiting all portfolios). We believe these viewpoints align with the forward-looking staff, based on publicly available information about the present or recent perspectives of the Commission's dedicated, talented, and experienced team members and past contributors.

Ms. Countryman, we respectfully submit that there are severe conflicts of interest among legacy intermediaries and the investors they serve, stemming from a long and greedy history of strategic decisions made behind closed doors at powerful banks, brokers, and other custodians. We further submit that the root cause of these conflicts of interest lies in the for-profit structure of all market participants currently known to our team and materially involved in capital markets infrastructure. However, it doesn't have to be this way.

Our understanding is that the first stockbrokers operated without consideration, for the sake of mitigating counterparty risk in the trading of stock in the Dutch East India Company. We respectfully submit to the Commission that this risk-mitigation ideology stands in stark contrast to the infamous pact which led to the first major national securities exchange—effectively a fee price-fixing agreement between the largest brokers at the time. We respectfully submit to the Commission that, after diligent contemplation, a nonprofit utility syndicate structure designed for the benefit of issuers, regulators, and investors promotes investor protections, the maintenance of fair, orderly, and efficient markets, and capital formation more effectively than our old markets.

### **B. Our Organizational Structure**

We currently have a lean team of experienced retail investor advocates with development skills. The corporate structure of this team was briefly outlined in Section II.B.F. Notably, in this structure, all team members receive an identical base salary. This is due to the absence of explicit

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<sup>40</sup> For instance, the transfer of stock.

managers, directive job titles, or authoritative supervisors (including myself). We have implemented thorough procedures to sustain this structure as we continue to expand.<sup>41</sup>

Of relevance, Ms. Countryman, is that we have established a nondiscriminatory voluntary committee known as the “bonus committee.” This committee is responsible for reviewing the work of all team members over the preceding year. Team members are encouraged to submit their desired annual bonus requests, taking into account the Syndicate’s comprehensive annual financials. We transparently post on our blog the two most pertinent details related to investor protections and operational efficiency. Following a comprehensive review, deliberation, and consideration of available resources, the committee provides annual bonus offers that team members can either accept or counter with a final bonus bid, which the committee can choose to accept or decline. This approach allows the Syndicate to reward top performers based on merit, ensuring fairness.

Also of relevance is that the Syndicate is structured as a Delaware S Corporation, and I am the sole legal owner. Initial funding primarily came from income generated by a prior family fund, as detailed in Section I.B. This structure affords us a competitive advantage by exempting us from corporate income taxes. This results in significant cost savings that we can pass on to our issuers in the form of lower service fees. Our aim is to promote (i) capital formation to maintain investments, (ii) the maintenance of efficient markets with advanced functionalities at minimal or no cost, and (iii) investor protections through the allocation of funds to sophisticated blockchain research and development, which would otherwise be remitted to the Federal government.

### **C. International Fundraising Impact**

Upon the consideration of \$7,000,000,000 after taxes, I will donate my shares in the Syndicate to Procyon. Procyon is presently an unincorporated nonprofit organization that will operate independently of Block Transfer.<sup>42</sup> Procyon’s vision is to become the first modern nonprofit broker in America. Its systems will employ transparent blockchain securities custody, utilizing the register of Block Transfer clients through their master securityholder files via book entry.

Ms. Countryman, Procyon will extend access to American securities to individuals in developing regions who have historically been excluded from financial markets and quality

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<sup>41</sup> These procedures include extensive anti-discrimination and workplace fairness policies.

<sup>42</sup> Block Transfer will share neither team members nor infrastructure with Procyon.

equity investments. Through a set of features that are challenging to implement due to existing regulatory constraints without a third-party custodian, Procyon will harness the power of TAD3 to facilitate transactions in traditional equities, bonds, and (crypto)currencies within a decentralized financial system. This system will incentivize independent money managers, make investing accessible to everyone, open up global opportunities for active trading, and contribute to the transformation of existing banking systems.

### **1. EDGAR Next Reach**

EDGAR serves as a benchmark for transparency and regulatory compliance in the global financial markets. Its impact is not confined to American shores; rather, it sets a precedent that many countries follow in framing their own securities laws and regulatory structures. This phenomenon is a testament to the Commission's role as a global leader in financial regulation. This alignment helps create a level playing field for all market participants and bolsters international investor confidence, which is crucial for the healthy functioning of capital markets.

### **2. Transparency Standard**

The functionality we establish in EDGAR Next's reporting and submission standards will no doubt be leveraged as an international model for financial disclosures, if not the definitive securities disclosure regime in these foreign countries.

The bottom line is we are living in a global economy, and in an era of Big Data. We must keep pace with the sophisticated technology and data produced and used by financial market participants worldwide. This means carefully assessing when and how best to bring structured data into the disclosure process, how to maximize its reliability, and how to incorporate broadly accessible financial identifiers that complement and enhance the usability of the data

— Commissioner Allison Herren Lee

Therefore, we respectfully submit to the commission that it's our responsibility as financial innovators, especially in this era of Big Data and technology worldwide, with trillions at stake, to execute a proper secure machine-to-machine authentication system through a Federally sponsored enrollment, management, and oversight platform. We believe the Commission may uncover material benefit in considering the impact that technical data

transparency leadership could have on international trade, capital markets, and foreign investments, given our leading monetary position in global affairs.

### **3. Unique Ability to Enforce Rules**

The Holding Foreign Companies Accountable Act addresses concerns about the transparency of financial reporting by foreign companies listed on U.S. exchanges. For over 15 years, numerous Chinese companies listed in the U.S., including those from Hong Kong, resisted full compliance with American financial reporting standards, citing regulatory hurdles.

In the face of resistance, Congress took decisive action to protect the interests of American investors and uphold the integrity of its capital markets. Congress recognized that the challenges posed by companies unwilling to align with U.S. financial reporting standards needed to be addressed to safeguard the interests of investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Congress sent a clear message by compelling foreign companies to adhere to American financial reporting standards or face restricted access to U.S. capital markets: the United States stands as a champion for investor protection, market integrity, and the promotion of capital formation. Might we respectfully submit to the Commission that the United States demonstrates its unwavering commitment to these principles and its role as a global leader in financial regulation with continued innovative leadership in data security and machine-to-machine Federal authentication systems.

### **D. Closing Remarks**

We respectfully submit to the Commission that our mission, which is to build real savings and retirements for the masses, aligns with investor protections, the maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation. However, it's essential to recognize that the implications of Block Transfer/Procyon extend beyond national borders, given the inherently international nature of capital markets, regardless of the currency involved. That's why we have dedicated ourselves to ensuring the international interoperability and security of EDGAR Next throughout this comment letter. We respectfully urge both the Commission and Congress to consider the importance of international financial standardization in enabling billions of diverse citizens worldwide to invest in the most advanced, developed, and liquid capital markets found in the United States of America.

## EDGAR Next Machine-to-Machine Authentication

We would like to express our deep appreciation for the wisdom derived from crowd feedback, a method we understand the Commission is well acquainted with. The value of collective insight cannot be overstated, particularly in our ever-evolving financial landscape. The investor community, which we closely interact with, has shown an increasing concern for the self-custody of their assets. This emphasis on personal asset management is a testament to their growing sophistication and desire for direct control over their investments.

By reducing intermediaries in financial transactions, investors see a more streamlined process, leading to enhanced efficiency and potentially greater returns. This trend also aligns with the broader call for a simplified overall market infrastructure, making the financial landscape more accessible and understandable for all participants.

To further these objectives, we propose the integration of machine-to-machine authentication into the Federal Login.gov platform. This advancement would not only bolster security measures but also streamline processes, making them more efficient and user-friendly. The integration of such technology aligns seamlessly with the Commission's mission:

- **Protect Investors:** Machine-to-machine authentication enhances security by minimizing the risk of unauthorized access and data breaches. This advanced level of security is crucial in protecting investors' sensitive financial information and investment choices, thereby upholding investor confidence in the market.
- **Maintain Fair, Orderly, and Efficient Markets:** By streamlining the authentication and data access process, machine-to-machine technology can reduce the time and complexity involved in market operations. This efficiency contributes to a more orderly market, where transactions and information exchanges occur seamlessly and without disruptions.
- **Facilitate Capital Formation:** Improved security and efficiency in market operations can boost investor confidence, encouraging more participation in the capital markets. When investors feel secure and find the market accessible and easy to navigate, they are more likely to invest, thereby facilitating SBAC.

In good faith,



John Wooten

Chief Compliance Officer

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