UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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

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Securities and Exchange Commission

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WELCOME BY SEC CHAIRMAN CHRISTOPHER COX

CHAIRMAN COX: Good morning. It is my pleasure to welcome all of you to the Securities and Exchange Commission to welcome our distinguished panelists, our commissioners, and all who are connected by the web and by video across the country.

When the SEC was founded 75 years ago, its fundamental purposes was to restore investor confidence in our capital markets by providing investors and the markets with reliable information. Today we are continuing to build on that fundamental premise that investors have the right to know the truth and the risks about the securities that trade in our markets.

Never in this agency's history has this fundamental mission been more important and more urgent. The current credit crisis has shown the importance of transparency to a healthy marketplace and it has shown us how costly hidden risk can be.

The SEC's 21st Century Disclosure Initiative is making a rigorous and detailed examination of how we can better fulfill our mission and help investors understand the detailed financial reports and complex financial instruments of today's markets. It will not only evaluate how well we
are using our current system but also guide our planning in addressing the insufficient transparency that is at the heart of today's market problems.

The panelists today will delve deeply into these topics, but to help put today's discussion into perspective, I would like to describe some of the most important recent actions that the Commission has taken to maintain orderly markets and to protect investors, as well as some of the most significant new challenges that we will face in the days ahead.

If I could, I would like to begin by acknowledging by name every one of the SEC's nearly 4,000 staff who are fighting daily to protect investors. That is, of course, not possible. What I can do is ask every member of the SEC staff that is here with us in the auditorium today to please stand. To you and to all of our colleagues here in Washington and across the country, please accept our appreciation for your dedication, your patriotism, and your public service.

(Applause.)

CHAIRMAN COX: Above all in the current market turmoil, investors need transparency. From the moment the collapse of lending standards creating billions in worthless mortgage paper and billions more in hidden risk, market participants have had enormous difficulty discovering and pricing that risk. Illiquid instruments that were not long
ago rated triple A for credit quality were hidden in
off-balance sheet entities and elaborately structured
securities.

We have worked on a number of fronts to improve
transparency, including using our new statutory authority
under the Credit Rating Agency Reform Act to expose
weaknesses in the ratings process and to propose sturdy new
rules. We have broadened disclosure by financial
institutions, particularly with respect to hard to value
assets. We have worked closely with the Financial Accounting
Standards Board to deal with such issues as consolidation of
off-balance sheet liabilities, the application of fair value
standards to inactive markets, and the accounting treatment
of bank support for money market funds, and we have initiated
examinations of the effectiveness of broker-dealers' controls
on preventing the spread of false information. The
Commission has also required new disclosures of short
positions to the SEC, complimenting the existing requirements
for reporting of long positions.

But beyond all of these actions to increase
transparency, the SEC is first and foremost a law enforcement
government agency. During the market turmoil of the last several
months, the professional men and women of the SEC have been
working around the clock, seven days a week, to bring
accountability to the marketplace and to see to it that the
rules against fraud and unfair dealing are rigorously enforced.

In the fiscal year just ended, the SEC's enforcement division brought the second highest number of cases in the agency's history. For the second year in a row the Commission returned over $1 billion to injured investors, and the preliminary settlements in principle that have been reached with major sellers of auction rate securities will allow investors to receive over $28 billion. When they are finalized these will be by far the largest settlements in the SEC's long history.

The agency has been especially aggressive at combating fraud that has contributed to the subprime crisis and the loss of confidence in our markets. We have over 50 pending law enforcement investigations in the subprime area. Just this week, the Commission charged five California brokers with securities fraud for pushing homeowners into risky and unsustainable subprime mortgages and then fraudulently selling them the securities that were completely unsuitable for them with the proceeds.

In recent weeks the division of enforcement has undertaken a nationwide investigation of potential fraud by issuers of financial institutions and manipulation of their securities through means including abuse of short selling and the intentional spreading of false information. As part of
this aggressive law enforcement, on September 19th the Commission approved orders under the Securities and Exchange Act requiring certain hedge funds, broker-dealers, and institutional investors to provide statements under oath regarding trading and market activity in the securities and financial firms.

The sworn responses to the Commission's orders were due on Monday. The orders cover not only equities but also credit default swaps. To assist in analyzing this information, the SEC's Office of Information Technology is working with the Enforcement Division to create a common database of trading information, a database of audit trail information, and also of credit default swaps clearing data. Our Office of Economic Analysis is also supporting this effort by helping to analyze the data across markets for possible manipulative patterns in both equity securities and derivatives.

The reason for this aggressive enforcement investigation into credit default swaps is the significant opportunity that exists for manipulation in this $58 trillion market. It is a market that is completely lacking in transparency, and it is completely unregulated. This regulatory black hole for credit default swaps is one of the most significant issues that we are confronting in the current credit crisis and it requires immediate legislative
The over-the-counter market in credit default swaps has experienced explosive growth in recent years. One reason is that the total amount of credit default swaps outstanding far exceeds the total value of what the swaps are meant to insure, so when entire asset classes fall in value, the exponentially larger losses on credit default swaps can amplify the risks to the entire financial system. To put into context, this $58 trillion value of credit default swaps insure: $58 trillion is more than the gross domestic product of every nation on earth combined.

The market for credit default swaps is barely 10 years old. It has doubled in size since just two years ago. It has grown in between the gaps and the seams of the current regulatory system where neither the Commission nor any government agency can reach it. No one has regulatory authority over credit default swaps, not even to require basic disclosure. The over-the-counter credit default swaps market has drawn the world's major financial institutions and others into a tangled web of interconnections where the failure of any one institution might jeopardize the entire financial system. This is an unacceptable situation in a free market economy.

These complex interconnections pose risk to the financial system precisely because of the lack of information.
about who is exposed to whom. They have created a situation
that is ripe not only for rumor and misinformation, but for
fraud. This is of even greater concern because the
over-the-counter market for credit default swaps has given
rise to a new phenomenon. The rise or fall of prices in the
swaps market has begun to serve as a signal to the markets
about the pricing of the underlying debt and equity
securities in the regulated markets.

In recent days we have witnessed how the rise and
fall of costs of credit default swaps on the debt of a
financial institution appears to correlate with changes in
its stock price. Manipulation in this completely unregulated
and hidden space can thus drive prices in the regulated
market for securities. That is why I believe it is so
important for Congress to act now to provide regulatory
oversight of the credit default swaps market.

Credit default swaps serve important purposes.
They can't be trivialized as inherently good or evil, they
are simply contracts that have grown in a very short span of
time to such size that they matter enormously to the overall
economy. But in today's market conditions where uncertainty
is the enemy, their invisibility undermines investor
confidence. Transparency is a powerful antidote to what ails
our capital markets. When investors have clear and accurate
information about where to put their resources, money and
credit will begin to flow again. That is why all of you working here today are focused on such an important topic.

But today the Commission's only authority with respect to the over-the-counter credit default swaps market is limited to enforcing the anti-fraud laws, such as those against insider trading. In fact federal law specifically prohibits any regulation of credit default swaps, even as preventative measures against fraud. That state of affairs simply cannot remain. We have seen the costs of other regulatory gaps in the last few months.

There is no longer any excuse for failing to act. Legislation is needed to require trade and position reporting by dealers and over-the-counter credit default swaps. Public reports of OTC transactions would provide transparency and ensure better pricing. Position reporting for over-the-counter credit default swaps could be required from market participants with significant positions. This would provide regulators with the information they need to uncover manipulation and monitor for risk. Basic recordkeeping is also necessary for OTC credit default swaps transactions. It would be a valuable tool in enforcing anti-fraud requirements. Both the SEC and the CFTC should be given the authority to issue anti-fraud and anti-manipulation rules. This authority could be used to prevent fraudulent, deceptive, or manipulative acts and practices.
Because of the truly global nature of the over-the-counter market, we will have to work closely with the governments and parliaments of other major market centers. But the climate for such cooperation is good because the cross-border impacts of the current market problems are very quickly becoming obvious to all.

Notwithstanding the significant limitations on any regulator's authority over credit default swaps, the Commission is even now doing what we can under our existing statutory authorities to address concerns in this market. We are working with the Federal Reserve, the CFTC, and industry participants to create one or more central counter-parties for the credit default swaps market. This is an important step toward preventing the failure of a single market participant from having a disproportionate impact on the entire market. We are also working toward the establishment of one or more organized markets for credit default swaps, such as one or more electronic trading systems.

But under almost any circumstances, despite potential for organized and regulated credit default swaps trading, the over-the-counter market for CDS will continue to be substantial, and for that reason, the lack of regulation in the over-the-counter market will continue to be a growing cause for concern. The solution is to provide in a statute the authority to regulate these products to enhance investor
protection and ensure the operation of fair and orderly markets.

I hope that these highlights of some of the issues facing investors and the Commission in today's markets helps put today's discussion into perspective, and I hope that these are some of the issues that all of you today have uppermost in mind as you thoroughly scrub today's disclosure system and search for better ways for investors to unwind the complexity and the hidden risk in our markets. I know how committed each of you is to improving disclosure and transparency, and I thank you for it.

So now it is time for our panelists to take center stage. Thank you once again for being here today and thank you for all that you are doing on behalf of America's investors. And now if I may, I would like to introduce Dr. Bill Lutz. He is the director of our 21st Century Disclosure Initiative, and he will serve as today's moderator.

I would also like to acknowledge the presence of two of our Commissioners, Troy Paredes and Kathy Casey. As you can imagine, the press of Commission business on a day like today and a week like this week is such that Commissioners will be coming and going during this meeting, but I very much value the contribution that they will make to today's proceedings as well.

When I introduce Dr. Lutz, he in turn will
introduce John White, who is the Director of the Division of Corporation Finance, and Buddy Donohue, the Director of the Division of Investment Management, who are going to serve as the moderators for the panelists today.

Thank you once again, now it is my privilege to introduce to you Dr. Bill Lutz.

(Applause.)

OPENING REMARKS

MR. LUTZ: Thank you Chairman Cox. I would like to thank Commissioner Casey and Commissioner Paredes for joining us as well as Commissioner Aguilar, who joins us electronically from Atlanta. I thank the Commissioners for joining us given their very busy schedules, and as the Chairman said, they will give us as much time as their very busy schedules allow them.

Thanks to our panel moderators John White, Director of the Division of Corporate Finance, Buddy Donohue, Director of the Division of Investment Management, and Matt Reed, who is the Assistant Director of the 21st Century Disclosure Initiative.

I would also like to thank the law students who have joined us today in our audience from Georgetown, Johns Hopkins, Howard, George Mason, and American University. And to all of you in the audience here and to those of you joining us on our webcast and on C-SPAN, welcome.
This roundtable is part of the 21st Century Disclosure Initiative which Chairman Cox began in June of this year. It is an agency-wide effort to begin the process for the Commission to move from its current complicated forms-based disclosure system to a system of electronically filed structured data in what we are calling a company file.

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

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

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

PANEL ONE: THE MARKET'S USE OF DISCLOSURE INFORMATION AND THE SEC'S DISCLOSURE SYSTEM

MR. REED: Thank you Bill and good morning.
MR. REED: Good morning Commissioners and good morning panelists.

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

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

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

And I guess one more housekeeping measure is the restrooms are out the doors and to the left for anybody who doesn't know at this point.
I will go ahead and introduce the panelists at this time. Down at the far end is Bob Sorrentino. He is the Director of Accounting Policy and External Reporting for Xerox Corporation, and there he is responsible for the preparation and filing of various SEC reports.

Next to him is John Bajkowski. John is the Vice President and Senior Financial Analyst at the American Association of Individual Investors. He is a product manager for AAII stock screening and data program.

Paul Haaga, next to him, is the Vice Chairman of Capital Research and Management Company and the Chairman of the executive committee. He also serves in a number of other roles and capacities at Capital Research and Management.

Tim Thornton is next to him, and he is the head of Vanguard's web services group, which designs and implements both institutional and direct investor websites at Vanguard.

Glen Doggett is a Policy Analyst for the CFA Institute Centre for Financial Market Integrity, responsible for membership interest regarding disclosure proposals of regulators and standard setters.

Dave Copenhafer spent 15 years at the SEC as the Deputy Director of the Office of EDGAR Management before joining the financial firm Bowne & Company where he was the Director of EDGAR services.

Al Berkeley, next to me, is the Chairman of
pipeline trading and a former president of the NASDAQ stock
market. He is also currently chairman of the board of XBRL
US and has over 30 years of experience in the financial
industry.

And appearing by video link in our New York office
is Kara Jenny, who is the Chief Financial Officer of Bluefly
Incorporated, managing financial and accounting operations
for the online merchandiser. So welcome to all.

We have divided this first discussion into two
general topic areas and we will spend the first half an hour
or so focused on the interests of investors and the tools
they use to access data when making investment decisions.
Then we will switch over to a discussion on the filers and
try to better understand the filing process that they go
through to satisfy their SEC disclosure obligations. Then at
the end we will have a brief period for closing comments.

But before we begin all of that, Dave Copenhafer
has been kind enough to offer a brief overview of the filing
process, so Dave I will turn it to you.

MR. COPENHAFER: Thanks Matt. I am very pleased to
be a member of the panel today, and thank you for including
me. I have a very brief overview and two Powerpoint slides.
I have signed an agreement not to talk very long, so with
that, let me bring this up.

We thought it would be a good idea to set a bit of
a foundation. Almost everybody touches the disclosure process or the filing process at one point or another. It is often not -- It isn't very often that one thinks very much about how the whole work flow works, so part of the presentation today is just to give everybody a bit of an overview, a background, a little bit of a mnemonic as to who participates where and how some things get done.

Obviously at the front, when disclosure begins, registrants, funds, with outside assistance from attorneys and accountants, information gets created, gets aggregated usually in a variety of different forms and formats which leads, at some point, to a decision to, in many, many cases, about 60 to perhaps as much as 70 percent of the circumstances use the services of an intermediary, a filing agent. When you want to file with the SEC, if the document that is going to be submitted will have multiple purposes, it is not uncommon to use the services of an agent.

There are many agents large and small providing a wide range of services. Usually there is a bit of back and forth between the issuer and a filing agent, but at some point the document, as it has been prepared and as it is readied for SEC filing, reaches a stage of being final and ready for transmission to the SEC.

As many of you know, I'm sure, filing with the SEC is often not the only purpose or objective of the disclosure
process. Many documents will end up being printed and mailed and distributed to individual investors or possibly to investment banks or participants early on in a transactional process. So the need to be able to not just file with the SEC but to carry the distribution process a little further may be one factor that results in people selecting a filing agent to assist them.

Many companies also maintain very sophisticated corporate websites. They may or may not want the document that was filed with the SEC to serve some purpose on a corporate website. It is not uncommon for companies to take that final document that went to the SEC and enhance it, do some things with it that make it a little bit easier for people to use and put it up on the corporate website.

Another process that usually, if there is an agent involved -- just when a document comes to a filing agent it may still be in the process of changing, and it is an important part of closing the loop to make sure that once something is filed with the SEC that that final document comes back to the company in the exact form and format in which it was submitted to the SEC, so the reverse conversion process takes place.

Self-filing is an option. The act of filing with the SEC is really two pieces. One is document preparation and putting the document into SEC compliant format. The
second piece is putting it on the EDGAR conveyor belt, using
the technology just to get it over to the SEC. In general,
using the conveyor belt is very easy. The hard part is
getting that document ready and into SEC-compliant format.
If the document is only going to go to the SEC, if it doesn't
have to be printed or shipped off to investors, the decision
is very frequently to go ahead and self-file.

We will take a quick look at what happens after a
document is filed. It comes to the SEC, and I guess most of
you know it goes through a validation process. If it is
accepted, the next thing that happens, and usually very, very
quickly, within seconds, it is distributed to two main points
of dissemination or output.

There is a subscriber data stream called the EDGAR
dissemination subsystem, and simultaneously the document goes
to the SEC's website, so these two channels are not really
competitors, but they are certainly equals in terms of the
timing of distribution. The moment one side has it, the
other side has it.

On the dissemination subsystem side, all of those
who subscribe, who hook up to the SEC, pay something in the
neighborhood of $40,000 for a subscription. They are
permitted, if they so choose, to in fact resell to other
information companies down the line.

The SEC's website, a resource that I suspect
everybody in the room is familiar with, is to my mind something close to a national treasure. When you talk to people who have been in the business for a long time, people are still amazed that you don't have to go to the SEC public reference rooms anymore. The public reference room is in your office on your P.C. Access to everything that has been filed is just immediate, comprehensive, and complete. That central database, if you are going to court, is the holder of the document of record. I mean there is great comfort in being able to come to sec.gov and be able to know that you are assured of having the document that was filed.

On the ultimate user side, as you can imagine, a wide, wide, wide variety of users are on both sides. On the sec.gov side everybody from the issuers, to registrants, law firms, accountants, individuals, academics, students, other government agencies, a very wide range of users that have free access to the information.

The commercial side works at being a bit more sophisticated. I think you will find as you look at the process that they go through and the products that they are able to create, just exactly how much they can and do do with the system as it exists today. The extractions of financial data, even without tagging, on an automated basis approaches something close to 90 percent without any hands manipulating or extracting data, so there is a lot that can be done, and
is done, by way of preparing information for use by the private side.

With that, I will turn it back over to you.

MR. DONOHUE: I would like to start off with questions for John and Paul.

What information do investors use in making investment decisions and how has your approach been affected by the current market turmoil? John, you can go first.

MR. BAJKOWSKI: Well the individual investor, I think, versus an institutional investor is dramatically different in the type of information they use and where they get it.

Very few individuals go through a detailed fundamental model of a company. They rely on investment newsletters, websites, and TV shows. They then typically go to a website such as, say, Yahoo! Finance. 70 percent of our members use Yahoo! Finance to research a company. There, they will look at very basic factors. They will look at price/earning ratios, perhaps the price strength, and debt to equity ratios.

They are looking at very much summary information on companies. They will have an overall viewpoint on the type of companies they are looking for, but when it comes to actual detailed financial modeling, it is typically very limited. They will often be elements of the EDGAR filings,
but they won't go typically to the SEC website. They will more than often go to a company investor relations section, or in the case of, say, even Yahoo! Finance, you can look up the EDGAR filings there. You will find that they will look at the qualitative elements. They will read the management discussion, they will look at the risk factors. And that is the more, I think, diligent investor.

You will find that about 40 percent of our investors are members focused on fundamentals. About an additional 40 percent combine that with price activity. They will look at how the price is following on a stock and look at entry and exit points. Five percent rely strictly on pricing and volume activity, without ever looking at a fundamental statement.

So those are the kinds of ways the typical investor looks at their information. And it is sort of interesting when I mention, for example, in terms of mutual fund data. Most investors are really surprised that the SEC collects and maintains a database of mutual fund information. Most folks simply go to websites like Morningstar to get an update.

So the SEC is valuable in collecting it, but I think the value of that comes into passing that information on to other intermediaries.

MR. HAAGA: I represent an institutional investor in a mutual fund company, so we are sort of on two sides of
this. One is our own disclosures to the SEC, how do people look at our mutual fund prospectuses and others, but the other is how do we do research into the companies that we buy for our portfolios, and I will focus in this part on the latter.

We use all the tools John described, but in addition -- And we find them very useful, by the way, these data providers. Extremely useful, we love the formatting, and XBRL is useful as far as it has gone. Importantly, they include other information besides just what is on the SEC website, so that is all very useful.

What this market turmoil has highlighted has nothing to do with the delivery of information or the sorting of information or the service providers. It really has highlighted some of the deficiencies that have been around in certain areas in the accounting rules and disclosure rules, and we will get into those later, but there are three principle areas. One is deliverables, one is off-balance sheet accounting, and the other is fair value. Chairman Cox talked a lot about those.

Since we are on the subject of disclosure and market turmoil, and this isn't quite a disclosure item, but I wouldn't be fair to our many shareholders if I didn't mention that the one thing that we didn't know is that the rules would be changed, and those of us who own preferred stock in
Fannie and Freddie didn't know and couldn't have known that the Fed was going to come in and change the rules on those and treat them like common. So disclosure would not have helped in this market turmoil.

MR. WHITE: Thanks. I will follow up here a little bit, but maybe just a remark or so first. This is a very important initiative for the Commission, and I just wanted to mention for those of you who were not aware of it, that it was actually conceived in Corporation Finance by my predecessor, Alan Beller, I think five, six, seven years ago, and we are actually very pleased to have him here today on the second panel to talk to us about where we are today.

When Alan first came up with this idea it was called Project Alpha as we had been working on it. And as it was born more recently here, we have gotten a much better name with the 21st Century Disclosure Initiative. But we in Corporation Finance are very pleased to be at the beginning of this project and we are pleased that Alan will be here on the second panel.

With that, I guess what I would like to focus on a little bit is exactly how you use the information that is in EDGAR today, and Glenn I guess I'm going to turn to you first, and then we will go to the other investors. But we obviously have a system today, the information comes in, as Dave described. Do you go there and use what we have got, or
is it all through the secondary sources, in effect? If you could expand on that a little bit.

MR. DOGGETT: Thank you. CFA Institute represents a very global body of investment professionals, we are a member organization. So as such, it is really easy for me to say "Hey, there isn't an investor. You can't say everybody does things in the same manner," and that is really, from a disclosure and information use format, really what we like to focus on. Whether you are a fundamental investor, or a -- investor or credit analyst, your needs for information differ really depending on your outcome and what decision-making you are looking for.

For your typical fundamental investor, an SEC filing is deemed, as was mentioned earlier, the document of record. Your investment decision on a quarterly basis of whether to stay in a stock or sell out of a stock isn't driven solely around the 10-K or the 10-Q filing. You are using all the public information that is available, whether it is an 8-K disclosure of a new transaction, or the press releases for the most recent filing that is coming out, so you are really basing your information on what is the current market information. And the SEC collects that through various filings, but the quarterly filing of financial information is really what everything reconciles back to.

So we are always looking for that one core that, at
the end of the day, we can say this is what has been verified for this company and is what we can ensure is where we are going to move going forward. In a market like what we are in today, what was reported last week may not be where the market is today, so it will definitely change over time. But that is how we look at the SEC right now, is that it is sort of the endpoint. We come back to that to make sure that our models are correct and that is where we have everything going.

Now if you are a new investor, the SEC data is really using that as the starting point because you are having to build your history of your model, you don't have an ongoing track record. But for most professional investors, the SEC data is what they are using, and the filing is sort of supplementary. They are getting their information from third party data aggregators. There are some large ones out there, FactSet or Bloomberg, that take you through the process of downloading information system.

It is combining not only what is on the face of the financial statements, but also some of the other information in the supplemental disclosure notes as well as maybe information from the company's website that they have compiled into one source. So they are really using -- That is the starting point for the external databases to build their models going forward, and then coming back to the SEC
to ensure that their information has been appropriately
tagged and processed.

MR. WHITE: So are you actually going to the EDGAR
database? It sounds like you don't actually go to the EDGAR
database to get your data, you are getting it all third
party.

MR. DOGGETT: Well, you are going back to review
the filings. To say that the data is the only thing the
investors use would be incorrect. You are reading through
the management commentary, the MD&A sections. You need to
understand the quality of the information being disclosed in
the footnotes.

So the textual information around the values are
equally as important as the numerical values that you get
from the database. The process of keying the data into the
builder models, yes, you are probably going to be turning to
a data aggregator for some -- for larger investors.

Now our membership goes across small mutual fund
owners, small private equity managers, that can't afford
those third party databases. We did a survey last year when
we were looking at XBRL and found that there is a good mix
from people who solely use third party providers to people
who solely use information sources directly from the SEC.
But many other services, they are getting pricing services,
and other databases have links back in, so they are probably
not coming to sec.gov, but they are getting to the core filings to use in their reviews.

MR. WHITE: Tim, from your perspective, how do you go about this? Do you come directly to us, do you go to third parties?

MR. THORNTON: Well John, first I would just like to thank the SEC for giving Vanguard this opportunity to share our thoughts on this.

And just as a little background, Vanguard has around 9 million investors and we have 160 funds, and we file a lot of stuff with the SEC. A lot of it is a little less interesting to the individual investor, annual reports, semi-annuals, and a lot of that. And our main disclosure document is -- probably most people know as the prospectus.

And I guess I've got kind of good news and bad news here. People don't go to -- like you have heard before -- they don't go to EDGAR to look at those documents, but the elements in those documents are looked at all the time. You talk about this week, Vanguard has a rather large website, and we have about 5 million people that are registered for it, and on a normal day we are doing about 100,000 people coming in and looking at information about funds.

Primarily, again, I think you have heard, they are looking for performance data, fees, objectives. They stay at a pretty high level, but they are looking at the important
things. But in this last week, we have seen double that, so we have seen individual investors to the tune of 200,000 a day come in and look at this information. And it has slightly changed what they are looking at. They are actually looking at the actual fund holdings more. So they are looking to see if the funds held AIG, they are looking to see if the funds held certain investments.

And the only thing I would say about it is, they are not necessarily going to EDGAR, and they are not necessarily looking at the prospectus itself, too. Because what we found is, in a recent week is that we had 700,000 people come into this area, but only 10,000 looked at the actual prospectus. So what has happened is they don't use the disclosure document, but they use a lot of the elements that we have talked about also.

MR. DONOHUE: Tim, on that, can you differentiate between those people who are already invested in those funds and folks that are considering investing?

MR. THORNTON: We can, and what we see is -- we, of course, have so many shareholders. A lot of our traffic is from shareholders, but what we see is, I would say, is about three quarters of it is people who are invested, and about 25 percent of people that are not invested in the funds would be my estimate.

MR. DONOHUE: Paul, do you want to comment on how
your shop might differ?

MR. HAAGA: Yes, I want to answer John's question by saying yes, we do go directly to EDGAR. And I think when the institutional investors are talking we ought to distinguish our mutual fund prospectuses from operating company prospectuses that we do research with, and I am talking about the latter right now, Tim was talking about the former. But we do go directly into EDGAR. There are things the aggregators don't give us that are directly in EDGAR, so we do use that system. We also use all the different aggregators and service providers.

I am a little concerned that the discussion suggests that all the research is done from one's office and one doesn't actually get out on the road. We supplement that by -- We never invest in a company unless we have met with management, and if it is a company that has department stores, we go look and see if the shelves are neat. I mean we take every possible angle on that, so I think it is important.

We do it the same way Glenn talked about, we use SEC and financial data to build models and then, as external events happen that could impact those models, we change those models so we don't look -- we don't need new data, we don't look for new data, it is not available because they only file quarterly and semi-annually, but we do go back and adjust
those models. But importantly, we go out and talk to the
companies.

MR. WHITE: But John, just from your description, your group and the folks you think about don't really go to
EDGAR, if I understand it.

MR. BAJKOWSKI: I think the vast majority of them
do not. Looking at web -- We have surveys of members on a
periodic basis, and the vast majority use secondary sources.
Yahoo! Finance came up 70 percent. Morningstar, 50 percent
of our members use Morningstar, MSN Money, 35 percent. They,
I think, want to use a source that will sort of take the
information, make it comparable from company to company.

I think it is difficult often, unless you are
creating models and looking at a specific industry to go
through a financial statement to try to compare one's revenue
across the line or debt levels across the line. And I think
to the extent you are doing qualitative analysis and looking
at cross-sectional analysis and screening, many of our
members employ stock screening strategies. Well, they look
for stocks that are, say, value-oriented, have a low price to
book value. They will want to do cross-sectional analysis,
and you can't do that via an EDGAR type filing.

This is perhaps going ahead, but looking at the
IDEA platform, you have some test data up there currently,
and in there you can do comparative statements. You can take
some XML data, process it, and put it next to a company. And I had a difficult time finding two companies where the financial statement was comparable enough that it could be processed, and the typical individual investor doesn't know what XBRL is. They know what a P is, but they don't know what the underlying scheme is. They don't know that type of terminology. They rely primarily, I think, on secondary sources.

MR. WHITE: Al?

MR. BERKELEY: I was just going to make the point about the new technology being in its early stages and comparability being the key issue. And as we work towards data that is comparable, we will have a lot more people coming directly to these sources.

MR. WHITE: Bob, what about your perspective, from a company perspective?

MR. SORRENTINO: I wanted to just give you that because I wanted to make you feel better. We do use EDGAR, particularly a lot to look at disclosures of other companies. Also if we are looking at a specific transaction, we may reach out and try to find similar companies that have had those transactions, so we can see how they have accounted for it, and maybe even reach out to those individuals. And also just from an investor perspective, that is also the starting point for any new investor who tried to direct them to our
SEC filings as the starting point to learn about the company and understand the business. So from those two perspectives it is used extensively.

MR. WHITE: I was concerned that this national treasure wasn't getting used.

(Laughter.)

MR. WHITE: We will be coming back to that. So, Dave, more about the national treasure?

MR. COPENHAFER: Exactly. When I was at Bowne, the EDGAR database got used a lot. People in different offices frequently looked at filings of competitors.

There is a component of sec.gov that doesn't get talked about very often, but in fact one commenter who sent in comments prior to the panel referenced the SEC’s FTP side of sec.gov. It is a little bit difficult to use, but for many academics and for people who perhaps have some programming skill, it is very, very powerful.

We used it at Bowne on a daily basis, we could pull down information about every filing submitted in a particular day. By looking at the header information, we could tell was the filing self-filed, and then also we could tell who filed it. Did Bowne file it, did Donnelly file it, did Merrill file it? So it was terrific information on the market share, it fed marketing initiatives to look at who are the self-filers, what are the kinds of documents being
self-filed, is there an opportunity for something there? But
I'm sure on the academic side, that FTP component gets used
very heavily. Not all that easy to use, but something to
keep in mind.

MR. THORNTON: John, I would just say that you have
heard the theme, on and on -- People using EDGAR tend to be
sophisticated. They are not end investors. Because on
Vanguard's side I have seen fund managers, many people do the
sophisticated things we have heard here today, but I'm not so
sure I have ever seen my mom use it. So I think that is
really the common theme you are hearing.

MR. REED: Well we probably have time for another
question or two before we shift over to the filing processes,
but Al, can you talk -- we have heard references to data
tagging. Can you explain a little bit about what data
tagging is and also what it might hold for the future in
terms of the current market crisis?

MR. BERKELY: Yes. I am here in my role as
Chairman of XBRL US, which many of you may know is a
non-profit that we set up to create the standards for the
definitions of fields that would be used in the XBRL
implementation in the changes and improvements to EDGAR. The
process was very much a collaborative one in which we
identified for U.S. GAAP every data element that would be
acceptable in a filing, and worked with the accounting
industry, with issuers, with software companies, with the
data providers, with the intermediaries that David took us
through in his chart to get a common understanding of what
each field would mean, to lock that definition down, and to
make that compatible across the system.

There are five elements of value in data: accuracy,
completeness, timeliness, relevance, and comparability. And
the five elements of data value were very much in our mind
when we were trying to be sure that we had the ability to
define each element. Now that could be a number. Revenues
for the first quarter of 2008 would be it's own field. It
would have a definition that would be very explicit to it.
The nuances of what revenues are would have been dealt with
in the development of this taxonomy so that there may be 200
definitions of revenues depending on what industries a person
is in and how that definition applies to that circumstance.
But once you understand the definition that you are going to
use, it becomes comparable across the way.

The beauty of this system was evidenced in a pilot
that we ran at NASDAQ in 2000, 2001, 2002 in which we took 30
semiconductor companies, Pricewaterhouse voluntarily tagged
the data for us, Microsoft voluntarily did the work to get
the XBRL tags right in their spreadsheets, and we had it on
NASDAQ.com for the public to look at. It was frequently used
by end investors because it was so easy.
Let me talk just a second about the role of convenience in whether databases get used or not. Clay Christensen up at Harvard Business School has done some really good work on what the sort of Maslow hierarchy of needs equivalent is to get a new technology accepted. It has to do the function you say it is going to do, it has to do it reliably, it has to do it conveniently, and last, it has to be with a cost that you can incur.

A lot of what we are hearing and talking about now is the movement from a functionally satisfactory EDGAR, which is highly reliable but not very convenient and has large hidden costs in terms of labor for the person using it, to a new technology curve based on XML and XBRL that will become extremely convenient and very low cost. And you will see a massive expansion into people who are so-called non-users now, people who will be able to use this technology easily and conveniently, and intermediaries who will be able to add additional value to it just the way they have been adding value so far.

So having been involved in the pilot at NASDAQ and having been involved in the delivery of the 16,000 tagged items to the SEC for the XBRL implementation, I am very encouraged and I come at this with very explicit knowledge. I started my career -- I see Esther Dyson is here -- We started our careers together ordering annual reports from
companies, there was no EDGAR, and transposing those in 13 column pads, and then being delighted when EDGAR brought all that together. This next transition will be just as significant. It will be a new technology curve and it will be a transforming in the democratization of access to this data.

MR. REED: Do you have any thoughts about the current market system and how XBRL could --

MR. BERKELEY: Sure. This credit crisis, from my point of view, is based on a lack of trust, and the trust is based on a lack of information. And I was talking tonight -- excuse me, this morning, on a train coming down. One of the documents that a person was trying to analyze on a complex mortgage-backed security was 2,300 pages long, and the implications of that, as Phil Moyer at EDGAR online says, only the sales side has read these documents.

There is no way -- the data is trapped in an iceberg of paper in these current systems, and if we could just tag that data it would be instantly available. That iceberg would melt, that data would be freely available, and it would be accurate, it would be complete, it would be timely, it would be relevant, and it would be comparable, and you would get all five elements of data value out of it.

And it could transform the understanding not only of the buy side who bought these instruments, not having a
clue what the underlying facts were, it will also
revolutionize the ability of the regulatory system, the
credit rating agencies, to drill down and understand on a
comparable basis exactly what they own and what those values
are. Without understanding those details you will never
understand the value and therefore the price of what you own.

MR. DONOHUE: I would like to follow up really on
what was just mentioned and the comment Paul Haaga had made
in the very beginning about, I think, some helpful
information that might have been available relative to
derivatives and off-balance sheet items.

And I would really like to ask Glenn and John, as
you are doing -- folks that you represent, what types of
information might have been helpful if it was available in
the EDGAR system? Taking what we have learned, so far at
least, from the crises we have been through and thinking
about it, what would have been helpful, even if folks didn't
go directly to EDGAR, but rather if that information was
available in EDGAR potentially to third parties to do
something with? And so I throw that out as an opportunity
for you to help us here.

MR. BAJKOWSKI: Well I was sort of trying to go
over that myself, and I think the difficulty is most
individuals don't have -- aren't accountants, aren't
financial analysts, they are lucky if the read through the
financial notes of a financial statement. They rely really on analysts to come up with recommendations on stocks.

I mean I looked up Lehman Brothers statement the other day, and sure enough, they were rated as being more risky than Goldman Sachs. But as of July 25th, its financial strength was C++. I mean if you are relying on that, you are thinking, 'Well, okay, it is a risky investment and perhaps I should give it a lower valuation,' but there is no understanding that this is about to go bankrupt. And to the extent that you are relying on analysts and relying on statements that may be older, I think it is difficult to really have predicted this sort of overall meltdown.

But I think disclosure is a very important process and I think pushing forward and making this information available as quickly as possible is critical.

MR. DOGGETT: Yes, if you go back 18 months, the key word would have been disclosure. 2007 year end documents had very little disclosure because many of these instruments were treated as off-balance sheets, so they were sold by the company, and that's one of the things we really want to see, is bringing that information where the company has a hook into that long term operations of that instrument. Is there some recourse back to the company, understanding what is going to happen when this instrument starts to fail, what is the company responsible to pay out, to cover?
Some of the things that we look for is a broader sensitivity analysis, somebody forecasting what happens when the market does slow down. Today's market is one that couldn't be predicted, but all the models had things continuing to look upward swinging. We want to make sure that the analysis going in is presented back out, not just a one percent swing, but what is a five percent swing due to the information?

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

Right now, if the company pays for research, it is perceived as somehow tainted. There is no incentive in the broker-dealer business model these days to write any research on any but the most frequently traded stocks. So you will have 25 to 30 percent on the most liquid stocks and no analysts on thousands of stocks that are perfectly viable companies and I really recommend that to the Division of Corporate Finance to look at.
MR. DOGGETT: I just wanted to follow up that both the International Accounting Standards Board and the Financial Accounting Standards Board, we feel they have been very active in coming up with sets of disclosures that will be helpful to investors. There are many things in their recent requirements and their professional review of illiquid markets, recommendations in there we feel will have benefit as they become incorporated.

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

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

MR. SORRENTINO: Yes. John, if I get too long-winded, just stop me, okay?
But basically the process is we have multiple locations and units around the world and we collect information in a consolidation system, data warehouse of financial and non-financial information, that is all brought together. It is all subject to Sarbox controls in the locations, so when it comes in it has been -- it is supposed to be accurate, so we then consolidate it. Right now it is a manual process to take that information and put that into our SEC filing documents, but that is what we do. We generally have multiple versions of our documents, they go through a lot of different corporate reviews.

We then also reach out to our legal group, investor relations, we reach out to tax and treasury to get their input, so we have our external auditors reviewing the documents, and then also our external counsel reviewing the documents, so there are a lot of different reviews of the documents being made. So we bring it together, it then goes to our CFO, CEO for review and basically, when we have a good, near-final version, we send it out to our disclosure committee and our audit committee.

Again, another review, and kind of the process right at the end is to have a disclosure committee to make sure that we haven't missed anything of significance in our disclosures. We also have our audit committee review, same thing. Then kind of the final process is CFO, CEO sign off
as well as the legal sign off. Then from that process we also use, as Dave pointed out -- the process is very similar to what he pointed out in the Powerpoint, we use a third party provider to prepare the document for filing. That is probably where it really draws down to a manual process because we have a lot of proofing. You know, we get the document back, make sure it is accurate, make sure nothing got lost, we have some final edits, and then we do our final filing entry into the EDGAR system.

Then similar to what Dave had said too, we then use that document and post it up on our website. We also, for the annual report, we will use it as the basis for the glossy. So it has a lot of different uses after it is filed.

MR. WHITE: So, Kara, do you go through all those steps?

MS. JENNY: We do. Good morning everyone. I'm sorry I can't be there in person. It is interesting listening to Bob speak because I think we share a lot of the same process. And we are a single entity, we don't have the same consolidation or the same level of repetition and manual process in what we go through.

We do have data warehouse where we get our data, but it needs to then be conformed into and SEC-friendly format, it needs to have revenue recognition principles applied to it just to make it GAAP-friendly. We then,
through a series of Excel documents, do an aggregation, upload it into Word documents, and the same process is followed. It goes through levels of review, several levels of management, it goes to our internal counsel, it will go through another level of review, and then it will go through an external review with auditors, disclosure committee.

I think that our disclosure committee is involved more in the beginning so that we are making sure we are covering all aspects of our business and we are addressing them. And then once we have a good document, it is -- the disclosure committee meets on it. The CEO, and myself, and the president go through it, and then it is sent to our audit committee, sent to -- the board then receives from there and at that time we actually convert the document into an EDGAR-friendly version using a financial printer where we go through the same process of proofing the document back and forth.

I think the one clarification I make is we don't, for cost reasons and the size of our company, we don't print glossies, so we keep a manual, we keep in parallel a Word document we then use, in most cases, depending on what type of filing it is, to send to investors should they request the information. So it seems like we are going through a lot of the same process that Bob and his team go through, and I probably would hazard a guess that we have less people on our
team to do the same amount of work.

The one other thing I just wanted to comment on that was said earlier, and I don't want to take us back, but in terms of use of EDGAR reports, we do as a company absolutely get great information from the EDGAR system. We find it a very valuable tool, but what I am seeing, as a small company, is investors and the creditors that we use, they are not necessarily as savvy in going to EDGAR first, so if a creditor or a vendor has a question, they will still call our company. We do not have a dedicated IR team, as most companies our size do not, so it is also sort of an additional burden to get them the information because it is not their first place to go, their first place to go is still the company.

MR. WHITE: Bob?

MR. SORRENTINO: John if I could just say that -- I won't say anything about the staffing, but --

MR. WHITE: You learn how to do it better.

MR. SORRENTINO: No, but that is probably true.

But just on the XBRL, because that is kind of a new facet of reporting. We have been a voluntary filer now since we brought it in-house, to do it in-house through some software, and clearly I think it is a good tool, and I think one we are getting some better experience with.

We are still struggling. I think it seems to lend
itself very well to financial information, tabular data, at least that is our experience, and we are still trying to -- with the footnotes, and I hear what is being said if we are tagging some of that stuff it is very difficult because a lot of footnotes are not standardized, and to try to tag them, it becomes a little more difficult.

So that is my only caution on XBRL, as we go down that path, again, it seems to lend itself very well to financial data, but I am a little concerned about it from a narrative text standpoint.

MR. WHITE: Paul and Tim, do you want to -- which one of you would like to go first on your perspective?

MR. HAAGA: For mutual fund filings as issuers, our major filings are two, the shareholder reports that are filed semi-annually, and the prospectus or other SEC reports are the two main ones. Gathering the data from our accounting and our legal people is not that hard.

Probably the biggest changes are in the annual and semi-annual reports where we have a market commentator of the portfolio counselors, and that is the most effort and the other documents are mostly updating the financial information that is pretty straightforward. We do not file through a third party, we have our own off the shelf software that EDGARizes things -- I have learned to make verbs out of nouns in preparation for this -- and we are a voluntary EDGAR -- in
the voluntary EDGAR model at -- So we are also EDGARizing -- excuse me, XBRLizing things, which we do manually, mostly the risk and rewards section.

The real issue for us comes with the printing, and it is the real expense. Our SEC filings are not a burden and not a problem, it is getting the documents out to shareholders. We are required to mail to virtually all of our shareholders a copy of an annual report and semi-annual report. About two-thirds of the content of those is footnotes to financial statements, rarely if at all changed, and very rarely, if at all, read.

To give you an idea, in 2007 we mailed 70 million shareholder reports. That is not prospectuses, just shareholder reports. If you add in our prospectuses to our shareholder reports, it was 18.2 million pounds printed in 13 plants. There were 362 tractor trailer loads of paper. It is funny, I brought this up two years ago, but I would update it. We killed 161,000 trees mailing people things that -- printing and mailing to people things that didn't change very much, were repetitive, not likely to be read, and could have been up on the website. I figured out that while we are having this roundtable, my company will kill about 250 trees. In fact, two or three fell just since I started this answer to this question.

So I plead with you -- When we bring this up, one
of the -- They say, well, we have got these changed
disclosure initiatives. The summary prospectus, that is a
wonderful initiative. We are delighted, and we are all on
board with that and commend it. And secondly, we have the
initiative for XBRL to allow these things to be searched.
That is a wonderful initiative, we are very supportive of it.
The problem is while waiting to get stuff up on the
web while we do these other initiatives, I say put it up on
the web and do these other initiatives, and the trees are
very much on our side. A bunch of us contribute to a group
called Tree People, and I have had the experience of writing
a check to Tree People, a large check, so they could plant
100 or 200 trees in the Los Angeles area. And what I was
working on just before I wrote the check was viewing an
annual report that would kill about 10,000 trees, so save me
from the cognitive dissonance that I am experiencing.

Thank you.

MR. WHITE: Can you beat that one Tim?

MR. THORNTON: Well, I don't want to pile on, but
Vanguard has the same remorse prospectus issue. I just give
one of the reinforcing points. Unfortunately, we take out an
equal amount of forest because of that document disclosure.
But one of the things that is really interesting for us is
that over 1,300,000 people have asked us to stop mailing it
to them. So they sort of admitted that they would prefer to
have it online. So I think it just really reinforces how ready people are to get those disclosure documents electronically.

MR. HAAGA: To interject, yes, the real problem is that you have to opt out of receiving paper documents and not in, and so you have got inertia working against you. We have had people e-mail us and put comments on our website screaming at us to quit sending them paper, and we send them an e-mail to let them fill out a form to stop getting paper. They don't fill it out.

MR. THORNTON: We actually had 1,300,000 investors willing to do that, actually turn that form up.

But I want to go back to answering the other question, which is what is it like to file. I was speaking to a friend of mine -- I am sort of going to give my age away that she has been doing this for 20 years, and she told me it basically hasn't changed. In a way, I think that is good, right? I think that speaks to the maturity of the process and it speaks to the quality of the process, it speaks to a lot that we heard about the actual data.

But again, if it is 20 years old, it is sort of pre-electric typewriter, I mean, in a way, and I think you know that it has got a lot of these issues.

MR. WHITE: But it is a national treasure.

MR. THORNTON: It is a national treasure, it is
just not an electronic one. On some level, we -- What I kind of think is funny is we have the controls to talk about, we have these big process maps on the wall about how the inefficiencies are horrendous.

And we have 20 people who are responsible to produce these documents, but they end up in legal, and legal ends up being a publisher. We are all working in these Adobe tools, and you see lawyers and folks and they end up being the final publishers of this, the process. And again, it works well, but again, it is a process that needs some improvement.

MR. WHITE: So I think Buddy is going to ask about cost now, but I think we got the question answered. But go on, Buddy, ask it anyway.

MR. DONOHUE: Well I think Paul answered, I don't know that Tim answered it, but Kara, I would like to ask from your perspective what are the costs involved in satisfying the SEC disclosure obligations, and are those really driven by the technology and information we are requesting or are there other things that are driving your costs in terms of complying with the filing requirements?

MS. JENNY: I would say the two greatest costs we have are the external printer, and those costs, as well as internal costs and headcount costs we need to make sure we have got enough layers of review and control in the process
so that when documents come out they can be ticked and tied, they can be sure they are QAed and filed appropriately. I think the other thing to keep in mind is that it is never a fixed cost, because given a small company and the dynamic environment that we operate in, you could have a month where you file three 8-Ks, you could have a month where you file 10 8-Ks.

On average -- I have been trying to do a little bit of research on average, and assuming there is an agreement attached to it, an 8-K can cost a company our size about $1,000 to file and printing fees. So that is the base and you sort of scale it, that just gives you an idea of what the cost is, and that excludes us doing press releases to satisfy some NASDAQ requirements we have. So it is quite costly.

MR. THORNTON: And as Paul said, the cost for us is the 20 people and the system, but it is more the actual mailing. Again, our cost in there is over $10 million just to do the actual mailings.

MR. DONOHUE: Bob, your thoughts?

MR. SORRENTINO: Well it is similar to what Jenny was saying. I think probably -- We have a pretty small corporate reporting staff, and then also we have our external printing costs, the most direct costs that we have associated with. But clearly we have units throughout the world feeding us information, feeding us financial and non-financial
information, and then also the review processes. So the costs are pretty large, but I wouldn't say specifically for the filing -- the Sarbox controls and making sure we have accurate data and that it meets all the GAAP requirements as well.

But clearly one of the biggest costs that we do have is with the annual report and the glossy, so maybe we are still -- we still have a pretty sizable mailing, and it is a glossy, which is probably our most expensive, and can up to about $300,000 as part of that mailing and filing. So that is probably our biggest direct cost from a filing perspective.

MR. DONOHUE: A question.

MR. AGUILAR: May I interject a question? I'm not sure how this is all working here.

MR. WHITE: Yes, please.

MR. AGUILAR: I apologize. This is Aguilar, and I apologize for not being there. But I have found the conversation quite interesting. I really have a question about the mailing of the prospectus versus it being on the website, trying to save as many forests as we can, trying to be environmentally sensitive.

But a question as to whether the information that is required in the prospectuses -- Are you taking that information and putting it pretty much as is on your
websites, or how much are you having to manipulate it in order to make it investor friendly, and how much investor input are you having into that information? And are the regulators asking you for the kind of information investors want in the timely way they want it? I take it, at least with the Vanguard numbers, you have better than 50 percent, 9 million investors registered on your website, but 100,000 using it daily during normal times, and in weeks like the one we have had, a greater percentage.

So my question is, as we look at this 21st century, what advice would you have, at least in the mutual fund area and perhaps others, for being more responsive to the investor needs, and how do you in your environments reach out to investors to try to determine that they are getting information in an appropriate, timely way?

I know that we talked about that earlier in the panel, but I couldn't find the non-mute button on the remote, so I am a little late on that question, but if you could address that, I would appreciate that.

MR. THORNTON: That is a fabulous question. For the most part, as I said before, the prospectus, I don't know if you have seen the prospectus, but if you looked at the prospectus for something like our Index 500 fund, I think it is about 80 pages.

And what we have managed to do is ultimately
distill the important information pretty much down to a single page on a website. Now there is a lot of data behind that. There is no question there is a lot of data behind that, and if you want to go look at the individual holdings, of course you are going through some more data. But really what we have managed to do, as far as the end user, is to distill down a big subset of what is in the prospectus. And we use that in two ways.

We actually bring shareholders into Vanguard and we ask them if it is okay, we put them behind a glass window, and we watch them use the website, and we ask them questions about what they do. And we have made modifications to what we offer based on that type of feedback, and we actually have quite a few more users on the website. I mentioned the numbers, 200,000 just looking at our funds area, but the other day, three-quarters of a million folks logged on our site and looked at balances, et cetera, and we got lots of feedback about how they feel we could make it better and we use that.

So that is the two recommendations I would have, is just listen, shareholders are more than willing to tell you, and then clearly the data, what they are using. There are just so many things that are out there, but it is highly only used by investment professionals or required for legal reasons. Paul?
MR. HAAGA: Commissioner Aguilar, thank you. That is a good question. We are focusing on SEC filings and disclosures because that is the subject matter, but it is important to remember what else is out there.

We have two -- Our funds are used by advisors who don't sell directly to the public or make available directly to the public. We have two websites, one for the public and one for shareholders and one for the advisors. The advisor website has a lot of calculation tools and marketing, if you will, information. I don't like that term because I don't think they sell funds, they advise people about owning them. But it is beginning to be marketed information.

On the shareholders site, there are a lot of things that are very relevant to shareholders that are not -- can't be included in the prospectus that is put out once a year or even the shareholder reports that are twice a year, and that is updated less -- Monthly we update the top ten holdings, investment results on rolling periods, a number of things like that, and we will also include commentary.

I think if you go to any mutual fund website there will be information about whether the money funds are going to take advantage of treasury insurance and information about the current market turmoil and what they think about it, and they do come there. And one of our challenges has been people expect something to be on the website instantly, and
we can't write it carefully that quickly. But the website
has been an enormous tool and it goes way beyond the SEC
filings.

MR. THORNTON: I would just follow up there. One
of the things that recently, with the market turmoil, we
pretty much have had to put a video up every day, and there
have been Chairmen or several fund managers, and we are
having activity, over 100,000 folks a day are looking or
listening to that information.

MR. WHITE: Commissioner Aguilar, do you have more
questions?

MR. AGUILAR: No, no more questions. Thank you for
your answers though as a group. I greatly appreciate it.

MR. WHITE: Just looking at my watch here, I think
it is probably about time to go to our closing segment. What
I guess we would like to do is go down the panel, starting at
the end here with Al, but what we would like from each of
you, and when I say closing thoughts, is probably a little
bit of an expansion over what we have been talking about so
far, and maybe to look ahead a bit at what is going to be on
the second panel.

As you know, this panel was to talk about where we
are today, and the second panel is to talk about where we
might be moving. But since you guys won't be here on the
second panel, our question -- I think we would like to hear,
if you could, is give us some of your thoughts of where you
think we should be moving as well as obviously comments on
what we have talked about so far.

So Al, if we can start with you.

MR. BERKELEY: Thank you very much. I think that
it is really important that panels like this are held and in
this sort of awkward democratic process we have a balance of
all these different interests of different people, disclosure
versus privacy versus business competitiveness, that we get
it right.

I have had an opportunity to -- I have been
e-mailing Joe Grundfest and I have a bit of a preview on what
he and Alan Beller are interested in. I think it is
completely a -- and I am not going to talk about what they
are going to talk about in the next panel, but I find that it
is completely compatible with the technological innovation
that we have been working on in XBRL trials and the
implementation of the GAAP taxonomy in XBRL.

These are really important moves because it means
the SEC is moving from one older technology curve to a new
price performance curve in the delivery of information and
the democratization of access. So I think these are going to
be quite important. I am also interested in Liv Watson, who
is going to be on the next panel. I hope she will talk a
little bit about how XBRL is expanding into other areas
outside of SEC reporting.

And the reason I mention this is because these technologies take long incubation periods to become effective. You know the DARPA really developed the technology of the internet in the '60s, and it didn't really burst on the scene until the final piece called a browser fell into place in the '90s, so that was really a 30 year incubation period. XBRL has been around more than a decade, and it is a great idea and it is in its own gestation period, and I think we will find that it will be a piece of a set of technology and policy puzzles that will bring real democratization and access to data and make it extremely convenient, extremely cost effective and able to help us avoid the kind of catastrophe that we are having right now through the transparency that is in an analyzable format.

Thank you.

MR. WHITE: We are going to Dave next, and then Kara, you will be up next after Dave.

MR. COPENHAFER: Thanks John. I have some somewhat disconnected thoughts based on the discussion. As I am not an accountant, this sounds too glib to even propose. From my conversations with people and particularly looking at XBRL and the way things work today, it is clear that the whole process of footnotes within the reporting scheme presents really enormous challenges. And the question which arises,
in my mind is, is it possible to work in a way that reduces
the amount of footnote-ization.

One of the examples that was used a lot in XBRL
discussions was a component, retail sales per square foot.
Only by looking at the footnote, are you able to tell does
that footage calculation include or exclude warehouse space.
Is there a way to begin to move information out of the bottom
out of text up to the top of the document so that XBRL and
other extraction schemas actually become much more powerful?

There are a number of, I will say, easy hits that
the SEC can do. They don't go to dramatic changes or
improvements. There has been some talk about trying to make
more sense out of SEC form types. There is an awful lot that
can be done in very basic form type consolidation. There are
something like 280 to 300 different form types that are used
in EDGAR submissions. Many, many, many of those are
essentially replications that don't need to be identified as
a separate form type.

S3 is a good example. There are nine different
variants of form type S3. There is S3, S3/A for an
amendment -- post-effective amendment, automatic shelf
registration. All of those variants of form S3 could really
be removed from the form type designation, put into some sort
of a header, what rule is being followed. When you are
filing those you could really do some condensing and
Last point I will make is that we have had good descriptions of the filing process, but it is not always as complex and even chaotic as it is being described, in some instances it is even more chaotic than what we are hearing about, that documents and material that is going to go to the SEC frequently exist in many, many different forms and formats, and I worry a little bit about a process that is going to try to condense or collapse information into a block which someone sitting in a PC can slug into a box or a block that goes directly to the SEC without an intermediary. There is appeal, perhaps, in trying to do something close to that, but in practicality I think it becomes very difficult to do well and to get it right. I will stop there.

MR. WHITE: Kara?

MS. JENNY: Well I would hope, I guess, that when contemplating the features that a system and modernization would have, that the Commission would consider the needs of the small reporting companies as well as their sources and the needs of their investors, as well as their ability to bear the cost of compliance. We all are going through compliance and that is obviously adding cost to our structures that we have had to absorb.

So I would hope that anything that is proposed in the future would obviously contemplate that. And one thing
specifically is when we look at the needs of the investors is that many small companies such as myself are closely held. So to get information to as many investors is not the same as if you have a much larger investor base. So I would just hope that things like public flow and whether or not companies are closely held, things like that would be considered in overall compliance.

Another thing that when I sort of socialize this issue with my colleagues that we talked about is, I have been on both the public and private side of accounting, and there is one thing to be said about forms. It gives us a discipline and it gives us a process. So it is very easy for legal counsel, internal, external, it is easy for the accounting teams, public accountants, they are rallying around a process on getting the Q filed, and everyone can rally around a process of getting a K filed, and I think that sort of absent that process there could be the risk of things sort of falling apart.

Everybody likes that process, so while it might not be the best one and form-based reporting is certainly a little more burdensome for companies, I think that it is a clear cut process and I'm sort of just throwing out there the idea that removing total process -- you don't want to remove the whole process and it is nice that everyone at least speaks that same language and understands what needs to
happen to get something filed. So I will just leave it at that.

MR. WHITE: Thank you. Glenn?

MR. DOGGETT: Thank you. From the investor perspective, today we have heard a lot about 10-Qs and 10-Ks and the process, and it really comes down to seeing that that is a compliance process. And as these rules change of what is being delivered, I really want to bring the financial statements back to being a communication tool to the investors. The underlying information is what we use for investment decision-making, so we really want to highlight that focus in the process. It is a communication tool, and the compliance is sort of this reason why we are doing it, not a compliance process that investors get to use.

As we move forward with any changes, scalability is going to be a big issue. Just as individual investors have different needs from professional investors, as I mentioned earlier, credit analysts, equity analysts, buy side, sell side, all have different data needs, so a one size fits all way to pull out basic information and detailed information, that is what we have now in this form filing. Let's make sure we have scalability. So if I need the entire footnote disclosure I can get it, if I need a key aspect, I have access to pull that information, so customizing the information to the user.
The last point I want to make is just reinforcing the five data elements that Al mentioned, especially reliability and comparability. These are the key fundamental aspects of any data analysis is doing your comparative review against company and time. And in that respect, implementation is key, and we will watch how the SEC moves forward to ensure that investors are best served.

Thank you.

MR. WHITE: Tim?

MR. THORNTON: So I think first we would reinforce the national treasure kind of comment. I think the system itself --

MR. WHITE: That is good, we like it.

MR. THORNTON: The system itself, it has got a wealth of data, and I think we would also reinforce the desire by the SEC to get XBRL and interchange of data things. It makes a lot of sense, but especially from -- I see your perspective. When you think about it from the mutual fund perspective, when we think about these investments, we know that our end shareholders, our end shareholders, probably will use our website, they won't go to the EDGAR website, we kind of know that data.

But I am positive that that data being available will result in a lot of innovation and Googles and Yahoos and others who will use it, and our end shareholders will
benefit. I mean you can see a benefit, but it is a little
indirect. When you think about our filing process, I talked
about it has been around for 20 years, and we know we are
going to make that better. When we make that investment, we
will make the investment to use XBRL.

And I will just say that Vanguard is a very
technologically savvy company. Last year we spent over $600
million in technology, and I guess what I would consider is,
even for us, this is a big investment, it is going to take us
time to get our systems right. So I would just ask the SEC
to consider the pace at which they require that. And I guess
I would also like to wish we shouldn't kill trees, right, to
my neighbor?

MR. WHITE: Paul?

MR. HAAGA: First of all, thanks again for having
me. I am delighted to be able to participate.

Given what is going on, it is hard to just focus on
disclosure. I am glad we talked about disclosure, I am
really glad. In this initiative there are a number of really
important things here.

I do harken back to what Al said, it is all about
trust, we have been reminded of that in recent days.

Trusting the completeness of the financial instruments, trust
in the market participants, and probably most importantly,
trust in the regulators, and I think that all of those need
to be attended to and reinforced. We would like to make a submission mostly focused on accounting rules and disclosure requirements in the areas of fair value derivatives and off-balance sheet accounting and technicals, so I won't try to summarize them here, but we would like to suggest some changes.

In addition, it is important to remind us that we can rewrite the rules all we want, but the enforcement of the accounting rules is important. Just to cite one example, I think the enforcement of the off-balance sheet accounting rules was insufficient, as the banks have proven. They had liabilities for some SIVs and other things that were off their balance sheet that we didn't know about. The challenges with the current accounting rules have made the, what I would call, march towards convergence with IFRS even more questionable to us. I think all the ways in which our accounting rules have been somewhat deficient here are worse in IFRS, so I would be careful of those.

And I guess finally I would say that while disclosure is extremely important and it is in fact the basis of securities regulation, it can only go so far. We talked about what should Lehman Brothers have disclosed right before their problems arose. I think the only thing useful that they could have disclosed was to let us know that they were the next victim that the short sellers were going to take out
and shoot, and they didn't know that. So let's remember all
the other rules, and I am glad that Chairman Cox in his
opening statement about a number of initiatives, in fact I
wouldn't add any to the ones, I think he hit them all very
nicely.

So thank you for having us, thanks again for this
important initiative, and keep up the great work. I know my
friend Buddy has been staying up all night, so I appreciate
your being on the watch.

MR. WHITE: Thanks, Paul. John?

MR. BAJKOWSKI: Well first of all, I do just want
to thank the SEC for the whole electronic filing process. I
mean 20 years ago we began offering a stock database to our
membership, and we were looking at data vendors -- a vendor,
we went to visit their offices in Richmond, and they employed
a pool of analysts and secretaries that were basically
getting annual reports from companies, being mailed from
their offices, and typing them into computers. I think the
transition to EDGAR has made the data more accurate, timely,
and cheaper for the individual investor.

In fact, 20 years ago, if you wanted to get a
reasonable database, you were spending a couple thousand
dollars a year, and you were perhaps getting monthly updates.
Today you get updates that are real time, they are free to
the individual investor, they simply need computer access. I
think going forward, looking at XBRL tagging, again I think it will make the financial statement more transparent and more accessible, and even if the individual investor does not necessarily go to the SEC website to get the information, it will flow to them and it will be a valuable asset to the process.

MR. WHITE: Thanks. So Bob, you are going to get the last word here.

MR. SORRENTINO: Thank you also for the opportunity to be here today. Just from a company perspective, I think Xerox would like to help you as you go through this process, and we would like to provide whatever input we can to the process because we think it is a very important one.

And just from a user perspective, the only thoughts I will leave you with is the staffing issues and costs constraints are a problem with big companies as well as small companies, and we are asked for more and more disclosure, and I just think we should be careful as we go down that path because there is a lot of disclosure out there, and now XBRL is another avenue that we are asked to provide, that we just look at the current disclosures and maybe there are ways to summarize the information better. I think the FAS151 derivatives disclosure is a good example, bringing all the derivatives disclosures into one spot that a company has, I think that is a good option rather than expanding
And then just from a tool perspective, we like the idea of a company website or filing system. Hopefully it can be more interactive, directly interactive with the user to maybe try to eliminate some of the costs and redundancies that are there in the process today. Thanks.

MR WHITE: Thank Bob. We said you were going to get the last word, but Commissioner Aguilar, would you like to have the last word?

MR. AGUILAR: Only to thank all the speakers. This has the potential, quite frankly, of being boring. It has been anything but. So I thank you. This has been a good start for us to go away and scratch our heads so we can make things better. So that is my last word. Hope that is what you were looking for, John.

MR. WHITE: Thank you.

MR. REED: Well thank you, and I will just send us off here. Thank you all very much for your attention, and thank you to the panelists for this terrific discussion. The initiative staff will develop a proposal for the Commissioners in the next several months, and hopefully have more work from the advisory committee, and this is foundational to what we do.

So thank you all for your attention, and we will resume at 11:00 after a break.
(Whereupon, at 10:53 a.m., a brief recess was taken.)

PANEL TWO: MODERNIZING THE SEC'S DISCLOSURE SYSTEM

MR. LUTZ: Welcome back.

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

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

MR. LUTZ: We always have hidden surprises here.

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

So now I will turn it over to our panel. Joining both Buddy Donohue and John White is Jim Kaput. Jim is a special counsel to the 21st Century Disclosure Initiative.
MR. KAPUT: Thank you Bill. This is our second and final panel of the day. We expect it to run until about 12:45 p.m.

Just a couple of reminders. John, Buddy, and I will be leading this discussion for each of the panelists, and I understand Commissioner Aguilar is still with us via videotcast, so any commissioner is also welcome to ask questions as well.

As this second panel nears its close, Buddy is going to end the discussion phase and give each panelist a chance to make a final comment or closing thought, and any commissioner will have that opportunity as well.

Also, to ensure that this discussion runs smoothly, I am going to ask that panelists and commissioners who wish to be recognized signal in some way so that we can call on you, and we will try to make every effort to recognize everybody.

With that, I would like to introduce our panelists. Starting on the far end, Alan Beller is a partner at the law firm of Cleary Gottlieb Steen & Hamilton. Mr. Beller served as the Director of the Division of Corporation Finance, a predecessor to John White, one of our moderators today, and as Senior Counselor to the Commission from 2002 to 2006.

Steve Bochner, next to Alan, is a partner at Wilson
Sonsini Goodrich & Rosati with over 25 years experience practicing corporate and securities law. He served on the SEC's recent advisory committee on smaller public companies back in 2005.

Eric Roiter also joins us. He is a lecturer on law at Harvard University Law School and Boston University School of Law. He is a former Senior Vice President and General Counsel of Fidelity Management and Research.

Next to Eric is Esther Dyson. She has spent her career as an investor, an entrepreneur, and has served as a board member on a variety of start-up ventures, including her current role as Chairman of EDventure Holdings, it is a holding company for her various business endeavors.

Doug Chia is Senior Counsel and Assistant Corporate Secretary at Johnson & Johnson. He is responsible for matters of corporate governance, securities regulation, and public company disclosure.

Professor Hillary Sale joins us. She is the Chair in Corporate Finance and Law at the University of Iowa College of Law and faculty advisor to the Journal on Corporation Law.

Liv Watson is a member of the board of directors of IRIS business services and the former Vice President of Global Strategy for EDGAR Online, Inc.

And joining us by videocast is Professor Joe
Grundfest. He is a professor of law and business at Stanford Law School and Co-Chair of the Rock Center for Corporate Governance. He is a former Commissioner of the SEC, having served during the years 1985 to 1990.

As we did with the first panel, we have divided this second panel into two general areas for questions. For the first half hour or so we will focus on the perspective of investors, just as we did in the first panel, and how a modern disclosure system would improve their ability to access high quality investment information. Then we will turn to filers and consider the benefits and concerns that they would like to see addressed by a modern disclosure system.

And as we did with the first panel, we will begin with presentations. I am going to go back to Bill in a second, but Bill will first describe one company file approach to a modern disclosure system. Next, we will ask Professor Grundfest to describe a proposal for a question-based filing system that he and Alan Beller have written about. And then finally, Liv Watson will help us understand some of the different approaches to disclosure taken in other countries.

With that, Bill, if you would like to start.

MR. LUTZ: Okay. Actually, I have some Powerpoint to show you some things. I can't see if you can see the
Powerpoint or not, but -- Is it up?

So, to access disclosure information today as it is filed with the SEC, you ask yourself the question 'I want to look at the earnings per share of the XYZ Corporation for the third quarter, but I want to take and compare their EPS with everyone in their industry.' Not a very difficult question, so off we go to EDGAR land. And this is what I find when I look up the XYZ. But it asks me what form type do I want. Well, I may not be sure, so I want the 3-Q, so I hit the little button that says 'All Forms,' so I will take a look at the forms, and I get this on the site, which is a list of all the form types. It is a 61-page document. All I have to do is read through 61 pages to find the form that I want. Okay, I found my Q.

So, I am going to go look for Q, and this is what I get for the XYZ Corporation. And by the way, please note in the fine print -- you always have to read the fine print at the bottom -- that this is 1 to 25 of 52, so I have to go through 52 listings. Now please note that this assumes that I know what I am looking for. Okay, got it. Here we go, 10-Q. And if I read through it and know what I'm looking for and where to look, there I find my earnings per share. Now all I have to do is the same thing over and over and over again for every company in that industry if I want to get my comparison.
Okay, if we really want to do it better with easy access to high quality information, we are going to have to rethink the way that the SEC collects information and the way that it stores it and makes it available for access. One approach we call the company file. I stress that this is one approach. There are many approaches that need to be explored. Joe Grundfest and Alan Beller will discuss another approach.

Okay, so we have the SEC file. Please note that little green box with all the little ones and zeros, that is a website. That is that place in cyberspace where you will go to find the information, and that is where companies will file their information in a structured format.

So we are not talking about forms, we are talking about filing disclosure information in a structured format. And notice that for only one time will a company have to give its name, address, and phone number, unlike the 14 times it has to do now each year. Think of it as when you set up an online shopping account with Amazon or some other company. You give them your name, address, mailing information, credit card info once, and every time you go back, you only change it if you have to update it.

So a company file system would work the same way. There would be information -- the term that is used is 'evergreen.' That is, it only has to be re-affirmed
regularly, not reloaded every time. So during the year, a company would file regularly mandated information, as they do now, only instead of filling out forms, now they could simply do it online.

So that information is structured, which is key to this whole system, and because of that structure it becomes easily accessible. And a company file user interface will be built around the needs of the investors. So when you go to the SEC website at that time, there would be a user interface that would allow you to access and interact with the data. That does not preclude you, for example, from using a third party software, your own software, or whatever. And then we can serve the needs of the high-level subscribers, the sophisticated users, the retail person, all of them would be saved off the same data structure.

So in reinventing this, we are going to give investors, no matter what kind or type of investor, easy, quick access to the same high quality information that they have today.

That is the general overview, now the rest of the panelists will discuss other possibilities, as well as the problems inherent in this.

Thank you.

MR. KAPUT: Thank you Bill. Professor Grundfest, if you are available, you could do your presentation now.
MR. GRUNDFEST: Good morning ladies and gentleman.
Let me just confirm, can you hear me?

MR. KAPUT: Yes.

MR. GRUNDFEST: Excellent. Thank you, Jim. I just want to make sure that the technology actually works.

The questionnaire-based approach that Alan Beller and I are suggesting that the Commission consider is actually quite simple, we think, and also not very different in many ways from the company file information that has just been described.

The way the questionnaire would work would really be extraordinarily simple. You would take Regulation S-K, as it currently exists, and you would turn it into a series of questions, and by responding to these questions you automatically generate a structured database of the form that was just discussed in connection with the company file information.

The questionnaire approach, however, also allows certain advances in the nature of, for example, having pull down menus that provide even greater structure, and having check the box situations. And with regard to any one of these pull down menus, or recheck the boxes, we think there should always be a field where the registrant can provide additional information in the event that they are concerned that the specific response, which might be quite discrete,
doesn't fully capture all of the subtlety associated with their position. The ability to have these full text responses in connection with any one of these approaches we think addresses one of the concerns that attorneys have about XBRL and that the tagging in and of itself would give rise to legal liability.

So what we have is a system that in effect would put online a questionnaire, companies would respond to the questionnaire, they would have a legal obligation to update the questionnaire exactly on the same schedule that we run into today under 10-K, 10-Q, and 8-K, and this approach would very simply get rid of all forms. You would have one master questionnaire, you would have a set of update requirements, and you would be updating the questionnaire according to that schedule.

Now some of the features of this approach that we think are worth focusing on immediately are, number one, it is content neutral. You could implement this approach by simply taking all of the Regulation S-K requirements that exist today, transform them into a questionnaire, and you get exactly the same information extracted in a form that we believe is cheaper, easier, and better for the companies filing and for the user as well.

In addition, as Al Berkeley earlier suggested, the approach that we are generating would be fully XBRL
compatible. As soon as you respond to a particular question, the system would have the XBRL tags associated with that response. So the approach that we are suggesting is not at all a substitute for XBRL. It is another, and we think, simpler and more legally sensitive approach of implementing the same objectives that XBRL has in place.

Third, the approach that we suggest does not require that companies repeat themselves. If you have a look at the vast majority of 10-Ks and 10-Qs, more than 90 percent of the information is merely repetition of information that you would have seen in the last document. Who needs that?

The market responds to new information. That is what drives prices, that is what investors want. If you have got a Q and if you have to update the Q, then the only thing the general counsel has to do is amend the responses to questions where the information has changed since the last disclosure. The system would then automatically tag the changes and bring investors attention to the new information, which, as a practical matter, we know is what moves the market anyway.

In addition, the approach that we are suggesting would eliminate the duplicative disclosures that currently constitute the vast majority of the filings. And to the extent that we have these multiple, duplicative disclosures, there is only one way to describe it. It is waste, waste, waste, waste for the people that are required to file, for
the people that are required to read, and for the system that
has to handle all of this additional and totally unnecessary
information flow.

This approach, as I have already suggested, would
allow the equivalent of a company-based filing system and it
would be able to do so without any change in the statutory
structure, so the SEC would be able to use its current
regulatory authority to achieve that objective.

We do also believe that this approach will be
substantially cheaper for all the filers once it is put in
place. We do expect that there will be transition costs, but
there are transition costs whenever you run into a system
like this. But because the system that we propose would very
closely track the existing S-K disclosures, it should be very
easy to do a simple mapping of the current disclosures into
the new questionnaire, and then all you have to do is refresh
and update.

The system would also, we think, allow for much
easier and cheaper construction of databases that would allow
for comparability across companies so you would be able to
get your EPS data very, very rapidly, as well as
comparability within companies over time.

That is basically the proposal. We have got a
relatively short 10-page paper. For the students in the
audience and for others, you can get full text off the SSRN
website, www.ssrn.com, and then just search on Alan Beller's
last name or on my last name, and you should be able to find
it.

That's all.

MR. KAPUT: Thank you very much. Liv Watson is
next, and she is going to help us understand what is being
done in some other countries.

MS. WATSON: First of all, I would like to thank
Bill, Jim as well, for the opportunity to participate in this
panel.

I believe that we are at the tipping point of major
change in how individual investors and the external community
will access, analyze information, and how value-add is built
on top of this information. I am one of the founders of
XBRL, and as some of you know me, they call me the member
with the most miles. I have traveled to over 80 countries in
the world in the last few years helping them understand the
impact, the tagging of information with open global standard,
such as XBRL, will have on them as to impact.

So my goal today is trying to tell you what the
current trends around the world are for implementing XBRL and
then talk about where I see the future will take us, which is
where the tipping point of revolutionary change will set in.

I would like to start with looking at what the
current system of tagging is. You have what I called a chart
of account structured tagging system all over the world where capital markets are tagging information, and then you have kind of the Wild West of the U.S. and Canada with extension and free flow of communicating your information to the stakeholders, making it more difficult today when it is locked up in PDF files and other text formats to actually look for that information and extract that information to make analysis. So on your left side, or my left, talking about structured data, these other capital markets in the world are tagging and giving a chart of account that you have to fill in.

Now from the investor standpoint we have found that the tags that they are asking for are not necessarily all the information that the user needs, and they have to go back to the company's filing to get the recent information to make the real analysis. Now with regards to this approach to giving a TurboTax authoring to, as I would kind of refer of it, to kind of have a drop down menu, you can look to India. The Bombay National Stock Exchange has moved toward this kind of compliance solution.

However, they are not dealing with an extension of structure, but rather a form-based approach, which we are moving away from, to looking at what kind of data items to report. Now in the Wild West we still have the issue of tagging the footnotes and it lends itself very well to
structured data. But I can tell you in all essence that if we block tagged even the footnotes, it may make a huge difference and value-add to the individual investors, because we are really at the time of revolutionary change.

And it is just like at the end of the century when you asked the end user -- And my point is maybe the end user is not the right person to ask for what they want. Remember the change from candles to the light bulb? If you asked a user what he wanted or she wanted at the turn of the century, they wouldn't ask for the light bulb, they would ask for longer burning less smoking candles. So this whole notion of asking the end user what they want might not be the right approach. So I encourage the Commissioner, the Disclosure Initiative, 21st Century, to actually go beyond just to ask the user and use your imagination as you design the system.

So the current system has a lot of manual processes. As I said, they have this tagging mechanism today available, either an Excel add-in, which can kind of then be involved into what I call the Turbo analyst disclosure system, or you have a web-based, or you have an outsourced model, an internal add-on that you tag the information going out.

Currently, the SEC, Securities and Exchange Commissions around the world are not proactive in looking for this information. It is impossible to find which companies
are dishonest or basically just in huge economic risk. And
then you have the data aggregators today who add value to
this information, and the cost of data to the individual
investors for the others with deep pockets is impossible for
them to reach, so they cannot. So they do go to central
repository, they do go to the viewer, et cetera, to be able
to access this information, and of course still today, where
do you know where to find it even if you find the sec.gov
website.

So when I talk about the revolutionary change that
is about to happen -- and I'm not sure why my slides are not
showing up all the way, but they will be available -- but any
manual data processing and analysis that depends on the
routine that can be reduced to a set of rules or broken down
into a set of repeatable steps can be automated with global
information standard, such as XBRL. And once this data is
tagged and more consistent over time, I think and believe
that the revolutionary change will be the democracy of
information as it becomes machine readable.

Just at the turn of the 1997 when machines beat the
world champion in chess, consistent data is going to
revolutionary change as data becomes more consistent and
tagged. And that is when the future model is going to
change. XBRL is going to be brought further into the
organization, it is going to be tagged further in into the
organization, and automating the process, moving away from a form-based thinking to data items. The SEC is going to be able to be proactive and not go in and shoot the wounded as in the case of today.

When you look at where the economic analytical models will come is when mass collaboration sets into place and you can streamline this information into an innovated marketplace where everybody can contribute. And it is going to be a revolutionary change that none of us in this room can predict, just like when the internet first hit the marketplace.

So with that, I would like to turn it. As I said, we might not ask the user necessarily because they might not ask for the light bulb. Let the mass collaboration take place. Information such as sustainability reporting and others will take into place.

Thank you.

MR. WHITE: I just wanted to comment on behalf of the Commission staff that we are not armed and we are not preparing to shoot the wounded. Sorry, Jim.

(Laughter.)

MR. KAPUT: Thank you, John. Thank you for your enthusiasm, Liv.

Our first question is for Esther Dyson. Esther, what are the most critical elements or concerns that you
think a modern system of disclosure must consider?

MS. DYSON: First of all, by way of my own disclosure, I just want to say even though I was positioned as representing small investors and small companies, I actually worked for Forbes magazine for three years and then worked on Wall Street for five years, but I still represent the little guy who doesn't want to spend a whole lot of time pouring through SEC filings, et cetera, et cetera, et cetera.

So I think the real issue here isn't disclosure so much as it is intelligibility, and that is kind of a challenge for the SEC because you need to ensure that the important data is disclosed, ideally that is comparable, and over time you want to bring more and more of the footnotes into the structured data so that the footnotes that are the outliers that you should be paying attention to get brought in either with new data structures or whatever.

So first let me just comment on this whole issue of data. The first two presentations -- the first presentation was about the data. Let's have a structured company file. The second presentation was about a way into and out of the data. In this case, the structured questionnaire, it is really a way of generating the structured file. So they are not compatible or incompatible, they are -- They should be compatible.

You should have a structured data file, you need to
define what is in it, you need to define the elements of it and so forth and so on, and then a structured questionnaire is a fine way of creating it, but I am not sure that that should be the SEC's job. It might be the job of 18 different software companies. One would have a questionnaire, one would have forms, one would have a template. The SEC's concern should be with the structured data file and what is in it. Then you can have a whole lot of third parties, including individuals, who go directly to the data file who figure out how to make sense out of that data file.

The thing that I would ask as a small investor, or indeed as a large investor -- often the most interesting is not just in the footnotes, it is in the board of directors and the personal connections of the boards of directors with other directors or the personal connections of individuals within the company. And I don't know how to -- I don't know exactly how to make a law, and maybe it is not appropriate to have a law, but from the point of view of the investor, the interesting stuff, as Paul Haaga said, it is 'Are the shelves in the department stores tidy? Was the Chairman of the company previously a gambler or previously a lawyer or previously a shop clerk?' These are the kinds of things -- None of those are either good or bad, it is simply interesting. These are the kinds of things people want to know.
Liv talked a lot about Web 3.0, Web 4.0. There is a huge amount of information that can be made meaningful or relevant using visualizations of various kinds, whether it is the webs of interconnections of individuals, charts that show curves and discontinuities and all kinds of things. Providing data in a format that can be easily rendered is probably the most important job of the SEC. In technical terms, you want to have a whole bunch of APIs, that is application programming interfaces. Not simply a single user interface, such as the questionnaire, but software hooks that enable third parties to use their own software tools and to develop new kinds of tools to analyze the data and make it meaningful.

The notion of the Wiki that Liv raised, that is one approach. But the essence of a market is that I'm going to look at the board of directors connections, and someone else is going to look at same-store sales, and we will all have our different points of views and our different filters on the information. People who come up with interesting filters may have insights that helps to create the market.

Final point, I think the press is tremendously important with all of this. Lots of individual investors don't have time. The press may or may not have time, but it ought to have time. An active press that forces disclosure, that asks questions on behalf of investors, on behalf of
people who deal with companies, is tremendously important. So in the end I would like to create an expectation that companies should be transparent and intelligible. They will not be to most casual investors, but in the 21st Century I want to a press that can ask those questions, that can understand the answers, and that will make those answers clear to investors and people in the marketplace.

MR. DONOHUE: Eric, you bring a very interesting perspective to this panel from your years at Fidelity, and like Paul and Tim, have a perspective both from the fund as an issuer and from a rather large fund complex as an institutional investor. I would like you to take a moment and maybe talk to us about what types of information you think would have been helpful in our current environment that we are in or other environments that one could envision, and how that information could have been made more accessible by the types of regimes that folks are speaking about now.

MR. ROITER: Thank you. Well, I would like to start off by observing that the discussion that we have had so far and typically the discussion that ensues when the SEC addresses questions of disclosure invariably tilts toward the equity markets and stocks of issuers, with the benefit, if there are any silver linings, of what has happened over the last couple of months, we see the obvious interconnectivity between the fixed income markets and the equity markets. And
I observe this at Fidelity every day. We had a vast team of researchers on the equity side and we had a substantial team of researchers on the fixed income side, and they talked to each other. Often the canary in the coal mine, the earlier warning signs were discerned by the fixed income research analysts.

So I would encourage the SEC, when thinking about not only the delivery of disclosure and how to make it accessible and understandable, but also the content of disclosure, to readdress or reconsider how best to integrate fixed income and equity analysis, investment research, and decision making, because they are not only interconnected, but they do have different emphasis.

On the fixed income side, you want to know about liquidity, you want to know about leverage, you want to know about certainly the creditworthiness of the issuer, you want to know about working capital, and those are very immediate questions. You can't wait for a 10-Q to come out to make an informed judgment on some of those issues.

I would invite the SEC to reconsider Reg FD. Reg FD had a two-sided edge to it. It granted the privilege to the rating agencies to sit down and speak to issuers' management on the fixed income side. We wrote a comment letter years ago when Reg FD was first proposed and said that money market funds had to be in a position to continually
assess the minimum credit risk of money market instruments in
the money market funds, and the funds themselves were being
put at a disadvantage. They were actually made into
second-class citizens, in effect, because they didn't have
the access to company management that the credit rating
agencies did, and I applaud the work the SEC is doing now to
reconsider the role of rating agencies in that regard.

More broadly, I would say that the challenge that
the SEC has here is to balance two concerns that I think can
be reconciled, but they are competing concerns. One is that
what we have seen over the last 10 years is the development
of online search tools and other features of the web that
nobody could have predicted. And the emergence of search
engines like Google, nobody could have really predicted, and
we are at the point we are today because people with
different ideas were able to introduce those ideas into the
marketplace and we have had the benefit of an evolutionary
process.

So whatever the SEC does, I would think you would
want to create a regime in which evolution can occur
naturally and not be held back by rules that inadvertently
keep them back. On the other hand, this is the competing
factor, the SEC is rightly concerned about setting standards,
because if you had a formless universe to compete in, then
you may not get the evolution that you want. So many of us
held back waiting to see whether Blu-ray would prevail over HD. I was one of the first purchasers of a Beta VCR, and I learned to my dismay that sometimes you do need an industry to settle on a standard. And here too I think the SEC is rightly concerned about coming up with structure, but within the structure to have it be amenable and actually invite evolution.

In terms of the content, I know that is not the subject of this roundtable, but I just returned to my first point. I think a lot of what people naturally tend to discuss in forums like this, really when you stand back and look at it, is more of an equity-based discussion, and the events of the last several months have reminded us that there is a fixed-income investment world out there as well, and whatever system you design, you certainly ought to try to accommodate the needs of fixed-income investors, because at the end of the day that is extremely important not only to themselves but to the equity investors as well.

MR. KAPUT: Thank you. The next question is for Liv. You have talked about structuring and tagging data and how a more rigorous information architecture helps facilitate access to information. Can you speak specifically about how that might do that for the investor?

MS. WATSON: Sorry about that. I keep forgetting this button here. Technology at its best.
I think that what you have from the investor perspective, they want a lot of information. I also want to go back to saying news is very important, repetition risk. So the information you collect here at the Securities and Exchange Commission, even though it is valuable to the individual investor, there are other things that come into play.

And my point to that is that, yes, creating these data dictionaries for 10-Ks and 10-Qs is very important to making this disclosure information interactive and discoverable, and whoever will design the next Google search engine for analytical data sitting on the SEC's tag, the information, is going to make a revolutionary change. But the fact that the information now is not locked up in text or can be discovered and machine readable and having that mass collaboration is totally changing the way companies are going to look at or investors are going to look at the information.

So my message is to encourage as much of the information is not just sitting on the SEC website, but the SEC should also consider participating in broadening the scope of these data definitions that are being developed in the marketplace, and have a collaborative effort around these other taxonomies, data dictionaries, that this information can also be discoverable, because the SEC is taking one good,
giant step to solve the problem, but let's look at, because XBRL, in all essence, is a supply chain standard. So any constituent in the supply chain would need to participate and provide their information and tag their information if it is going to be valuable to the individual investor, or you are kind of just putting a band aid.

So encourage -- This problem is global, it is also regional to each country, but we need an infrastructure of these taxonomies if we are going to actually be having a useful solution to the individual investors, or they are still going to have to go to intermediaries to get that information unless it is developed through web services and tagged information.

So my message? Yes, it is going to make a huge enhancement to the individual investors to be able to access this information and the innovation in the marketplace is going to be built on it, but I encourage the Securities and Exchange Commission, not just in the U.S. but all over the world, to contribute to an infrastructure of these taxonomies and how they need to be available so they truly can democratize this information that is needed for the hard-earned money of individual investors to the marketplace.

MR. WHITE: I think would like to turn now to something that Chairman Cox highlighted in his remarks, which is the fact that we are very focused on helping investors
evaluate the risk associated with complex financial instruments and transactions today. So I will make this question to the whole panel, but Joe and Alan and Eric, I am thinking the three of you as being some of the first to answer. How can we move to a more modern disclosure system, a more structured system that has been described here by Bill and by Joe? How is that going to help us with this very important goal that we have and this very important focus today?

Joe, do you want to start, or Alan?

MR. GRUNDFEST: Sure, I will accept the invitation. I think we have to be realistic. What we are talking about today is technology that changes the way information gets from the registrants to the user. We are not talking about changing the nature of that information, and I think the question that you just posed goes to the second question. How do we change the nature of the information? How do we get better information about valuations? How do we improve the valuation information, which is, I think, the big issue that we are facing today.

So I really think that at a certain level, everything that we are addressing today is orthogonal to the huge problem that faces our capital markets in the moment. If we want to go to the question of what can the SEC do that it is not already doing, and it is already, I think, trying
to push just about as many buttons as it thinks it has.

What I do is suggest that we go back and revisit one of the themes that Chairman Cox presented when he opened the conference this morning, and I think that Chairman Cox has very, very properly identified the credit default swaps as a cause of great concern in the current market environment, and if there is a more opaque market, I don't know what that market is, especially if you adjust opacity for size. The notion that there has ever been anything this large and this opaque, in my view, has no historical precedent.

So the question then is what if anything can the SEC do about that situation, and what I would like to do is suggest an approach that could be perceived as extraordinarily bold, but when you are facing difficult circumstances, sometimes you do need to consider fairly bold approaches.

And I suggest the SEC grab the bull by the horns, the bull here being the credit derivative swaps market and the like. Now at first glance those of us with some familiarity with the SEC rules and regulations, which are very neatly collected in very small print in very large, thick, and heavy books, would remember that the Gramm-Leach-Bliley Amendments to the SEC -- actually quite fascinating, and I think reporters would have a great time
digging into these provisions.

I will just take the Exchange Act, Section 3(a),
which in effect prohibits the SEC -- and this is really
fascinating -- The SEC is prohibited from promulgating,
interpreting, or enforcing rules or issuing orders of general
applicability in a manner that imposes specific reporting
record keeping requirements or standards having to do with
any securities-based swap agreements and of course
non-securities-based swap agreements. So it is not only that
the SEC arguably lacks authority, there is statutory language
that can be interpreted as preventing the SEC from actually
doing anything.

Well, what do you do in this context? At one level
what I'm about to suggest sounds, I think, a little
aggressive, but if you look at it, it is something that I
think can be done, and that is pay no attention to the
Gramm-Leach-Bliley prohibitions, all right? There is a way
to work around them. In particular, I think that in
cooperation with the Fed, Treasury, CFTC, and the banking
regulators, the SEC should consider writing the rules and
regulations that the federal agencies believe should be in
place governing the OTC derivatives markets today.

The regulatory agencies can then, on a national and
international basis, approach all of the significant market
participants and ask them voluntarily to abide by these new
rules and stands that would apply to the marketplace. My prediction is that in today's capital market environment, every responsible participant in the marketplace will sign up and voluntarily agree to those standards. If one reads the statutory language carefully, there is no prohibition in the language from having the SEC work on a set of standards that market participants can voluntarily sign on to. And that is, I think, the most rapid and effective way of addressing the problems in the credit derivative market. It would allow the regulatory agencies to move forward without waiting for Congressional action, Congressional action is not going to be coming anytime soon in this space, and the markets do need some certainly, clarity, and transparency as quickly as we can provide it to them.

MR. WHITE: I guess I would point out that our last adventure in voluntary regulation in the CSE program caused some concerns. But in any event, Alan?

MR. BELLER: I am going to be slightly less bold, but before that I am going to follow in the tradition of the current political campaign and answer a question I wasn't asked.

MR. WHITE: Alan, it sounds like your mike isn't working. Maybe you should use Steve's.

MR. BELLER: Is it on?
MR. WHITE: Why don't you use Steve's.

MR. BELLER: I told Steve you had given me a dummy mike and you had me sitting out here in Siberia for a reason.

MR. WHITE: Hey, I already introduced you as the founder of this whole project.

MR. BELLER: Is that better?

MR. WHITE: Far better.

MR. BELLER: I want to go back and talk about the how again for just one minute. A couple of things that are in the questionnaire structure that Joe and I have put forward, although it hardly would be unique to it.

One, it is important -- We have talked about structure, and Bill Lutz talked about structure and disclosure. The current system is outside of the financials and maybe the notes which XBRL is targeting first is entirely a freeform system. So although you can look, you can search for the words 'termination payment' or something, you can't search for termination payments and exec comp, you can't search for liquidity rations in MD&A.

And by having a system, which can be a questionnaire with pull down menus, and it can be something else, obviously, you go to a structure which facilitates tagging and it also facilitates searching. So you have got data which is more easily examined both across companies, across industries, and across time, and that is one of the
very important advantages of moving to something of the sort you are talking about.

Secondly, this hasn't been mentioned but I think it is very important, it was mentioned on the last panel, some people want the headlines, some people want the lead paragraph, some people want all 100 pages. An electronic disclosure system of any sort which is properly set up can permit you to do a kind of layering that lets the people who want to read the headline only read the headline, it lets the people who want to read the lead paragraph only read the lead paragraph, and if people want to read the whole three pages they can read the three pages.

This makes a lot of lawyers very uneasy, because, oh, you have got the buried facts doctrine, and, oh, if we don't let investors read the whole -- if we don't make the whole three pages available, they are only going to read the headline and they are going to say they were mislead, blah, blah, blah. I don't think those kinds of concerns should limit the flexibility that we are talking about.

Finally, and this plays into some of the things that were being said about the structure and allowing third parties and collaborative efforts to play a role in figuring out how this data gets used, I don't think you should start with the foregone conclusion that all this information ought to reside on an SEC server. You might get there, but I don't
think you should start there.

You can imagine a system where all the SEC whatever we call EDGAR the second time around is called, is just a set of web addresses, for example, and the web addresses are where the data resides. The SEC needs a mechanism to verify that the data doesn’t get changed, and there are technological ways of doing that. I am not predicting a conclusion here, I am only asking you to start at a different starting point from the foregone conclusion that the data has got to be on an SEC server.

MR. WHITE: Do you have a liability scheme that went with that?

MR. BELLER: No, because I think if you can verify the data on the other server through a hash or something like that, you can have exactly the same liability scheme you have now.

MR. WHITE: So it is company information, in other words.

MR. BELLER: Yes, yes, exactly, but it doesn’t have to sit on your server.

MR. WHITE: Okay, Eric?

MR. ROITER: I wanted to return to your earlier point and speak a minute or two about credit default swaps in particular. I think the thinking that Joe has explained is very interesting. I thought he was going to get to a
different conclusion, which was after we have figured out all
the rules, let's go to Congress and get Congress to enact
legislation that would empower the agencies to adopt those
rules. I can't think of a better time to go to Congress and
ask for new authority than now. Your case is never going to
get any stronger than it is right now.

In terms of what you could do by way of disclosure,
I would say you could do something, but what we have
experienced here, I think, is larger than the disclosure of
any single issuer. What we have seen here is systemic risk
with a vengeance coming into the market.

So you would need the ability to have access to
data throughout the system in order to evaluate systemic
risk. Much of that might not even be risk of publicly
reporting issuers. So the other pieces here to be examined
are other regulatory techniques other than disclosure to
address what has happened and to try to at least reduce the
risk of something like this happening again. So you have to
consider leverage limits, capital adequacy requirements, and
consider the functional equivalents of different types of
financial institutions, and try to rationalize the capital
adequacy and leverage limits that apply.

One would think that you ought to at least move
towards convergence in terms of capital adequacy standards,
at least to the extent that different types of financial
institutions are engaged in a particular activity like credit
default swaps.

I want to return to, again, the subject of the
rating agencies. I don't think that the credit default swap
market would ever have developed to one-tenth of its size had
not the credit default swap issuers or insurers not had the
benefit of investment grade ratings.

And I think a lot of the counterparties to credit
default swaps looked at those transactions as they looked at
just buying short term debt, commercial paper, or other debt
obligations of those institutions, and if they said to
themselves 'Well AIG is a triple A credit. We buy their
commercial paper, don't we, or we buy other short term debt.
So if we are comfortable buying short term debt from a triple
A rated issuer, why should we not feel equally comfortable
being the counterparty in a credit default swap?' None of
that could have happened but for the system that has been in
place where investors basically relied on rating agencies to
make those kinds of evaluations.

MR. WHITE: Hillary, you have a comment here?

MS. SALE: I just want to make a quick comment to
sort of return us to the modern disclosure system, because I
think that disclosure by itself, obviously very important,
and somebody needs to do something about regulating the
credit default swaps -- and I actually think we will figure
that out in the near term, the Federal Reserve has stepped up
to the plate at least in the short run -- but one of the
benefits of the kind of system that we are discussing today
is that it takes disclosure and makes it more transparent.
And transparency is clearly key to having investors
have access to the information, to having the market function
more efficiently. And this kind of a system which would
allow us, assuming information is disclosed, to access it
across companies, compare it, see where the shifts are and
what the dynamics are would be extremely valuable.

MR. WHITE: Alan?

MR. BELLER: I want to go back to the credit
default swap point for just a moment, because I agree with
what Eric said about the systemic issues being, in effect,
beyond disclosure. But I also think there are some important
disclosure initiatives the Commission could pursue. I think
many of them can be pursued, frankly without rulemaking.
Management's discussion and analysis is one of the great
principles-based rules in the SEC's toolkit.
An example of that is if you look at the CFO
letters that CorpFin has put out over the last nine months.
All of them are directions to issuers to think about the
principles of MD&A in the context of particular market
developments. They could be a little less checklist-y and a
little more 'do if it is material,' and then you wouldn't see
20 pages that don't tell you very much in some cases, but it
is exactly the right approach.

And to Eric's point, what we are seeing here is the
reemergence of the importance of credit and liquidity in the
analysis of company's health. Liquidity has always been the
poor stepchild of MD&A. People write and write and write and
write about net income and it is very hard to tell whether
they are going to run out of money next Wednesday or not
because it is not terribly -- Well, actually, if they are
going to run out of money next Wednesday they probably say
it. But if there is a good chance they are going to run out
of money a year from next Wednesday it is very hard to find.

And I would have thought that by seeking more
information under the rubric of MD&A about credit
concentrations and liquidity and exposure, concentrated
exposure to particular companies or groups or companies or
industries, you would at least -- you won't deal with the
issue of the privately held funds and their risk to the
system, but you would deal at least in part with the issue of
what is the financial health of publicly traded companies.

And as I say, I think you can do a lot of that
without making a rule, so that is something I would urge the
Commission to think about.

MR. WHITE: If I may, just very briefly. I agree
with Eric, this is absolutely the right time to go to
Congress and ask for the additional regulatory authority. It is a gimme. If there is going to be a lame duck session, I think having the Administration pull together all the relevant agencies that would need authority over this currently unregulated market should be a very high priority for that session. The lack of statutory authority is a real problem in terms of getting our arms around this issue.

And then I also think that Alan's entirely correct observation that the SEC has the ability to get more information out there that could actually be beneficial in stabilizing the markets by eliminating a degree of uncertainty that currently pervades all market participants through, how shall I say, an interpretative approach, Dear CFO letter, or what have you, again, is something that you guys should look at very, very seriously.

Liv?

MS. WATSON: Yes, as I listen to the discussion around the panels here, I would like to differentiate two things.

The credit crisis and everything that we have today goes toward accounting standard setting and information standards for a 21st Century disclosure is about an open, global standard of dissemination of information and any platform is not going to solve the accounting issue. That is done by legislation, it is done by all this other -- So for
this system to be a disclosure system of the 21st Century, we need to look at a system that embraces an open information standard. No matter what kind of legislation and new accounting standard that you provide, XBRL or data tagging is about collaborative taxonomies being built between.

So for this system, the 21st Century disclosure system to have an impact on the individual investor, which this is here to protect, we need to start talking about how that infrastructure -- and it goes back to what I said in an earlier comment -- we need to look at what kind of taxonomies need to be delivered, because it is not -- This information is not going to just be available to the investment houses with deep pockets anymore.

This information will democratize. If we can build these taxonomies, this infrastructure, to be available to the marketplace. And you are going to get millions of eyes looking at this risk analysis and things like that versus a few that this current system allows.

So going back to one more point, it is to build trust, this information needs to be discoverable. XBRL as an information standard allows you to do that. The bigger problem is the SEC today is -- we are focusing on 10-Q and 10-Ks. We need to broaden the scope of these taxonomy development and what should be available, and accounting standards are going to evolve over time. But this
infrastructure needs to be in place for this 21st century
disclosure system to be successful.

MR. WHITE: Buddy, do we want to move to our next
phase here now to look at this from a filer perspective?

MR. DONOHUE: I think that is a good idea.

For Doug and Steve, we would like to focus on small
and large operating companies with the following question.
In order to provide benefits for filers and their investors,
what features should a company file system or any new system
provide, and how could a modern system reduce filing costs?
I would like to start off with the smaller issuers, and I
think, Steve, that is probably your belly work.

MR. BOCHNER: Great. Thank you very much for
having me here. And obviously any cost of reporting and
compliance is going to be disproportionately expensive for
smaller public companies, so I appreciate you looking at all
of this from the standpoint of the issuer.

I think those of us who have practiced securities
law for a while have gotten very comfortable with the forms.
The S-1s, the 14As, the 10-Qs, they kind of feel like an old
pair of jeans after you have worked with them a while, and I
think change is sometimes difficult. But this was a
construct that was designed really for a paper-based society.

And if you look at the emerging growth issuer,
after a couple of venture financings, they enter the
reporting arena not really with a company filing but with a transaction document called an S-1, typically. It is a very lengthy, expensive document. It has a business section, risk factors, MD&A, many millions of dollars to prepare.

And it really, in a sense, although the liability goes on, it is sort of prepared for a moment in time. And then four months later, let's say depending upon the issuer's fiscal year end, there is a 10-K that gets prepared. A lot of repetition, lot of the same information, some new information, and then you go on from there. 10-Qs, 8-Ks, there is a proxy statement, and then the next year there is another 10-K.

And to Esther's point, where is the most recent business section, when was it changed, have the risk factors been updated, where are they? And you can see the inefficiency of just having this linear parade of documents that you are left with, and it not only impacts the investor, it impacts the boards of directors, the disclosure committee processes, the auditors, the lawyers, even the staff review time.

So I am a fan, and I think the smaller issuer community will be a fan of moving to a company file where you can imagine rather than an S-1 or a transaction document being the first kind of coming out party for a company going public, it is a 34 Act filing, let's call it a C-1, a core
registration or a company filing. And that is the document and that is the place that has the business section, the company information. And then that is supplemented by periodic and current reports, maybe we will continue to call them 10-Qs and 8-Ks, maybe we will call them something else. Maybe they will be appended to, maybe they will be a part of the core company registration.

But now there is a place where you can go, there is one place rather than the serial list of documents where it is hard to figure out what got updated when and, frankly, where things are. I think it is tough for securities lawyers. It must really be difficult for the average investor. So this would allow all constituencies to, I think, reduce replication, improve their processes, focus on the core information rather than repetitive processes that exist today in filings that call for the same kinds of information and the same kinds of forms.

So I think once you move to that sort of a conceptual approach, the benefits are obvious, such as the cost, the trees, the tagging of when things got updated and how current something is.

MR. DONOHUE: Steve, thank you. Esther, I assume you have a question?

MS. DYSON: I just want to make a brief --

MR. DONOHUE: You are the first person to actually
follow that instruction.

MS. DYSON:  I listen to the documentation.

Just in technical terms, the way to think about this is the documents are reports. There is technical -- You have a database and then you have a report from the database in answer to a particular set of queries. So the idea here would be to have this continuing, call it a living iceberg with a lot of water inside, and then you tapped the water through a faucet, and that is the report. The report can be an S-1 filing, if you are doing a public offering, it can be a quarterly, it can be an update to something.

But the basis of all this is a consistent database that persists, that gets changed over time, that has records of what the changes were, but you don't repeat it. It is one consistent database with snapshots in time. And that would be much more useful for all kinds of things, including longitudinal things. Ideally, you could do the same query against multiple databases for different companies and compare the companies and so forth.

MR. BOCHNER:  I agree with Joe and Alan. I don't think the statutory construct needs to be tinkered with at all. In that kind of construct, the S-1 would simply become a much smaller offering document that would refer to the core company filing, and that is where you would go -- that is where the due diligence would be done, the updating that is
required would be done with that core filing. So it would be
much more approachable and, I think, much more understandable
from an investor's perspective.

MR. WHITE: If I could just ask a question, either
Alan, to you, or Steve. A number of references here, I guess
I will call it to a periodic reporting system, which is what
we have today, and then I hear the word 'continuous' come in
from Esther, I think both times she has commented. Could you
just kind of put those two together as we think about this?

From a legal standpoint.

MR. BELLER: Again, the how and the what, it seems
to me, are separate issues, and you could use a company
filing system with period disclosure, current disclosure,
continuous disclosure, or whatever.

It seems to me that where we have evolved to at the
moment is we have got this building block, the first building
block, the lowest building block is a periodic disclosure
system. And we have added onto it a more robust current
disclosure system than we had five years ago, and then you
then got on top of that companies, which for market or
business reasons put out press releases or other 8-Ks that
they are not required to put out but which for a variety of
reasons they feel it is appropriate to put out. Either they
want to talk to analysts, and the FD requires them to put
something out, or they think the market ought to know before
the next 10-Q date or whatever.

The rhythm that has developed around the periodic system is a rhythm that I think has considerable substantive importance to it and contributes to the reliability of the disclosure that the SEC gets in ways that I think we should be very careful about disregarding or discarding. You have now got procedures involving audit or auditor review. You have now got more recently procedures that have developed around disclosure committees and very serious senior executive attention to periodic disclosure documents. You have got CEO and CFO certifications.

And to move to a system that stops relying on that as the base of disclosure and moves to something -- disclosure whatever is material whenever it happens, I understand the appeal of that, but I think it raises serious issues of reliability that I would go to only with some concern. And I think you get most of the benefits of the new disclosure system without doing that.

MR. BOCHNER: John, I don't think we -- I think we can start with the core filing and basically keep the current processes, the CEO/CFO certifications, the 404 audits, and so on, just the same way they are today. And I would not be an advocate of, for example, every time you file an 8-K or have a material impairment, let's say, you have to go into the core filing and update everything. I think the costs of
doing that, particularly for smaller issuers, would be prohibitive, and frankly, could dwarf the cost experience we had with the 404 experience.

So I don't think, initially, I don't think you need to change that. I wouldn't impose any additional duty to update, I don't think you need to change the liability scheme, and I would keep those existing processes, but just move the construct to, rather than this serial parade of forms, to a core filing that gets updated -- those sections of that core filing get updated the same we are today with the same kind of processes.

MR. DONOHUE: Doug, you have been quite patient over there. What are your thoughts?

MR. CHIA: First of all, I would thank the Commission and the staff for inviting me to be here. I want to kind of follow up on what Alan and Steve were talking about in terms of moving to doing away with the paper-based filing and coming up with something that is more of an evergreen type of approach. Some people have used continuous, some people have used the term evergreen.

I think as much as we have good intentions to moving to a system that is completely electronic yet keeping the same kind of timing and rhythm around the 10-Ks, 10-Qs, 8-Ks, et cetera, despite that, once you move there, the pressure is going to be on to move to an evergreen filing
system, because at some point someone is going to say 10-Q, 10-K, 8-K, all these 40 day, 65 day filing periods and deadlines, what is that based on? It is based on an antiquated paper-based system, where in an electronic age, there is no reason that companies can't make real time disclosure.

And the SEC seems to have been moving towards the concept of real time disclosure in recent years, especially with the amendments to Form 8-K, the four business day, sometimes two business day filing requirements. Someone, probably the end users, probably the investors, are going to say 'We have to push the companies to push things out faster and keep things up to day on a minute by the minute basis.' So whenever someone thinks that something is material, get it up on your website, there is no reason you can't do that.

So as much as we want to go at this deliberately, I caution that once you go down that road you might be on a slippery slope to that, and I think you are going to see -- I don't want to rain on anyone's parade here, but I think in the process of trying to get this through you are going to see a lot of resistance from the issuer community because they are already thinking about that, and unless you relax the liability standards for the evergreen disclosure, people are going to be extremely hesitant to move in that direction and say 'What, you mean within two days I have to get
everything up on my website and I am completely liable for
it?'

So I think -- I am just cautioning on moving in
that direction, and this is where you are going to see a lot
of resistance from the issuer community, especially the large
issuer community that can't turn on a dime and has a lot of
operating subs and all kinds of stuff go on in those
operating subs and it takes a while for those issues to
bubble up to the top, and then it takes time for the
disclosure committee to meet, for the CFO and the CEO to get
comfortable to sign off on certifications, et cetera. Again,
liability.

MR. DONOHUE: Doug, very good concerns there.

MR. GRUNDFEST: If I might, I agree with everything
that has just been said. I think the vision of a real time
disclosure system is -- in concept it sounds wonderful, in
practice it is hellaciously difficult to implement, therefore
I think it is important that we move forward in a way that
preserves a periodic reporting requirement that reasonably
balances the legitimate interests of the reporting community
with the interest of the investor community. You can't be
running these things real time. It is simply, I think,
impossible for the issuers to do.

MR. DONOHUE: Thank you. Esther, before we move to
you, Hillary, any thoughts?
MS. SALE: I will just add to what Joe Grundfest just said, which is that, first of all, we have a statutory scheme and it would be best not to have to go to Congress and ask to change it.

But in addition to that, I think it is really important that the SEC control the technology and not let the technology control the SEC. I think any one of us who teaches on a daily basis and has experienced this sort of introduction of the internet constantly into the classroom or laptops in the classroom understand how those choices get made before we think about what it will do to the educational environment, and I think the same thing is really important here.

The SEC has to be clear upfront that it is in charge of the technology and where it is going to use it and access it, and that is one way of responding to the issuers, because I think that the point that Doug just made is a really important one. The issuers will be nervous if they think the technology is going to control the reporting instead of the reverse.

MR. CHIA: I think the original point that I was asked to address, I want to be able to address in terms of what are large companies going to be looking for out of this new system, whatever it is.

I think it is important that whatever we come up
with, it is something that people want to use. Right now you
have an EDGAR system that people ignore because it is not
user-friendly, people don't use it. Companies have their own
internal reporting systems that they use on a day to day
basis to manage their own information and look at their own
information. They don't use EDGAR. EDGAR is something that
you are forced to comply with a couple times a year and it is
a complete burden, if you will. And once you file on EDGAR,
you go back to the system that you have at home, whether it
be a Word document or an Excel spreadsheet or something like
Hyperian or something like that.

I think you have got to create something that
countries are going to want to use as their own internal
database mechanisms, and in order to do that I think you
should, in a sense, follow behavior. Go look at what
countries are using internally to manage their own
information. Go look at Bloomberg and Thompson and these
countries that create the experience for the end user. I
think all these service providers should be involved in the
design process because, in some sense, they have already
invented the wheel and they have got things on the market
that are market tested and people use. They have Bloomberg
screens that people have up on their stations in the
countries, and in the investor side, that people have gotten
very comfortable with.
And I think that is a real good place to start looking in terms of what do people want and what do they want to look like. Let's look at how they actually repackage the EDGAR information today and learn from that.

MR. DONOHUE: Esther?

MS. DYSON: I just want to clarify that word 'continuous.' The database itself is continuous, but the -- from the point of view of the filing company, the periodic report is tremendously important. What is interesting is not what your sales were last week. What is interesting is when you sit around and you look at those sales and you think 'Well, what is the likelihood of returns, how have my liabilities increased?' And that stuff takes time to think about.

The periodic report actually forces that thinking to take place. I have sat in many board meetings where you sit around and you say 'Well, what do these data mean? How should we modulate what we say? Should we increase our reserves for bad payments? Has our inventory gone up?' stuff like that. That stuff is not continuous and it is not real time. It is precisely the product of being forced to come out with a statement and think about what is it that these numbers actually mean. So I am very much in favor of periodic reports off of a continuous database.

MR. DONOHUE: I would like to actually ask, Eric, a
very quick response from you on this because we are getting
towards the end of our time. But when you were at Fidelity,
you lived under a real time, constant updating of
registration statements for -- I don't even want to hazard a
guess on the number of registrants that you were responsible
for. Any insight for the folks on the panel about how that
worked?

MR. ROITER: Thank you. I should know that by now.
It is quite different in the mutual fund industry,
at least at Fidelity, compared to an operating company. Yes,
Fidelity has I think now about 365 mutual funds. And if you
think of each of those funds as separate corporations, that
is a very daunting exercise to update all of that disclosure.

But in fact these are 365 ways to deliver
investment management services to clients, and so you have to
step back and think how can we standardize and systematize
the disclosure that we have to make knowing that we are
providing investment management services through 365 or so
vehicles. So it is a different approach. There is a lot of
commonality, obviously, across funds. Yes, there is more
commonality within, say, domestic equity funds than, say,
money market funds.

So the challenge has been always to find ways to
scale the disclosure requirement, and there is a dedicated
team, very expert individuals, who come to work every day and
disclosure. And a standardized language library was created with a lot of internal controls around it so that you had a base -- it is a lot like the company file proposal of Joe and Alan. So you didn't have to start from square one every time you had to do an updated prospectus.

Can I say a couple of points though that I think might apply to operating companies and to mutual fund disclosure when you go the company file system, which I think has the dual virtue of being simple and elegant, and I think it is a great proposal.

The SEC historically has had a couple of things that it was able to do through paper-based disclosure, and I just have a question -- or an observation about how that would live in a company file universe. One has always been prominence. How do you achieve prominence, or do you think now that prominence is not necessarily such an important objective to have in disclosure?

The other is kind of related to that. It is, I would say, competition for the real estate that is the paper document. And you see this sort of priority creep. Everything is important, so everything has to go on the first page or second page of a mutual fund prospectus, because placement as well as prominence has had a significant role to play in how the disclosure rules themselves have over the years been crafted. So I am sure the technology is readily
adaptable to deal with those issues of prominence and prioritization.

But that takes me to kind of a third observation, and that is that the SEC has always thought that -- making an investment decision, so it is an IPO, or if it is a mutual fund, you are purchasing the securities of the continuous offering of mutual funds. There is a requisite critical mass of information that the SEC believes is important for the investor to have.

So if you go to a company file, you are going to have that information populating certain fields, but you will have other information that is populating other fields. And if you have sort of a neutral universe of fields, then I imagine you would probably want a mutual fund investor, for example, to say 'Well, I am making an investment decision, I am thinking of buying these shares of a particular fund. I will hit one keystroke that will take me to all the elements of data and information the SEC has decided are important for my investment decision,' so you will sort of magically construct, with one keystroke, the prospectus for a mutual fund.

It does call into question, in my mind, the summary prospectus. So if everything is online and you are populating a series of fields, what difference does it make that you have something called a summary prospectus, and that
gives certain advantages over delivering a full statutory prospectus. It gets down to do you have to deliver paper, because everything we are talking about has this implicit premise that if we do this, then we don't have to have the paper delivery that Paul Haaga spoke so eloquently about.

Now if that is the premise, that is fine with me. There are some legal issues to address, I acknowledge that, so I am sure that the SEC will take that into account, because you would be defeating the very purpose of the virtual world that you would be creating online if you still required issuers, both corporate and mutual funds, to deliver paper documents.

MR. DONOHUE: Eric, thank you, and Liv, we will get to you for your closing comments. I would like now to move towards closing comments, but before we go there, Commission Aguilar, I just want to offer you an opportunity if you had any thoughts or observations or questions.

MR. AGUILAR: Thank you Buddy. It has been really interesting. This panel has certainly matched the first panel for making things very intriguing and interesting, and I thank all of them.

I haven't asked many questions because I have been in the thoughtful mode from Professor Grundfest's idea about volunteer regulation and what perhaps can be done there to expedite things while legislation is considered. But I think
to John White's point, our recent experience with that wasn't stellar.

I query however whether there is room there in that area, and I still am thinking about Alan Beller's thoughts about the SEC perhaps being a link to websites, and I guess query there whether we would lose some necessary controls over what is disclosed so that if there was a hiccup, we don't get a phone call that says 'We accidentally hit the delete button and now all that is all gone so we don't know what was in it.' So things about what controls we could have over that kind of technology are important thoughts.

And I certainly appreciate Doug Chia's love of EDGAR, or not. Certainly it is a frustrating system to use, but it is one that we are continually improving.

So I guess I say this to let you know I have been listening very carefully to what has been provided, and the questions that I have maybe have been embedded in some of my statements. But I think there will be a lot to follow up on with respect to the thoughts and ideas that our commentators have so thoughtfully provided, and I know that this is just the beginning of many further discussions, and I want to thank again the panelists.

But I really don't have any questions ready for prime time. I probably will follow up in due course to try to explore some of these good ideas that have been provided
by our commentators. So thank you, Buddy.

MR. DONOHUE: Thank you. Liv, any closing comments you would like to make?

MS. WATSON: Yes, I do. Four comments. One of the things we talked about is continuous real time reporting to a 21st century disclosure system. Before we can even talk or dream in that direction, we need a framework for continuous auditing and assurances.

One other thing is that I wanted to leave everybody with a thought. I don't think that we have a choice but to provide interactive tag data to the marketplace for this 21st century disclosure system. All the major -- China, India, Japan, South Africa, Israel, South Korea, just coming back from Latin America, are all like projects of interactive data in the capital marketplace where some capital marketplaces have gone as far as to tagging historical data to be able to provide analytics and look at trends and analysis. So I don't think the question is can we even afford not to think in an interactive data format.

The other thing I wanted to say to the Commissioners and to the Securities and Exchange Commission, we heard over the panel here is that one size does not fit all, and rendering of this information might be something from the SEC website to make it comparable might be something you want to rethink as any comparable data needs some
massaging.

And the fourth is, thank you everybody for having me here and allowing me to share my thoughts to this panel and I want to thank you all for that.

MR. DONOHUE: Professor Grundfest, I think we will get to you just after Hillary has an opportunity to talk if that is fine.

MS. SALE: Thank you, and I want to thank you all for including me today in this discussion and the project. I find it very interesting. I wanted to say a couple of things in closing.

I think it is very important, and we have talked about it here today, that as you go forward you think about the current cycle of reporting as your organizing principle, and then think about where the technology fits into the cycle and how to build them together so that translating the technology into what is a reporting cycle, for the important reasons that Esther mentioned in terms of people coming to the table, sitting down, and rethinking what they are reporting.

It is also important just for all those people who produce what are currently forms. It is an organizing principle for them and it makes sense that they need time in between to rethink and then employ the technology. I think the technology and the concepts of it, whatever system you
choose, will have tremendous benefits to the marketplace. When we think about all the people who take information currently and attempt to digest it, from the analysts to the media, they slice it and dice it and then they report it, it is extremely valuable for those who are trying to figure out what to do with our investments or trying to analyze system risk in the marketplace.

And this kind of approach where people can pick up cross-company comparisons with ease will be a much more effective way of allowing those people who are supposed to be taking the information and translating it and making it available, this will be a much more effective way of achieving that.

And then finally I just want to say that really goes to the transparency point which is one of the biggest missions of the SEC, to take information and make it transparent, and transparency builds trust, and we need trust in our markets right now.

MR. DONOHUE: Thank you. Professor Grundfest.

MR. GRUNDFEST: Yes, so let me just recapitulate the two main points that I would like to share with the group.

First, with regard to the big problem that we have facing our capital markets today and the extent to which that the credit derivative products are related to it, my
suggestion would, as I have suggested, be to grab the bull by
the horns, have the SEC and the other cognizant regulatory
agencies cooperate, get out there with standards that would
not be temporarily voluntarily adopted by the industry,
follow that up as quickly as possible with legislation that
would clearly give the agencies the authority to put these
rules in place, and that would then make the voluntary
mandatory.

Given the reality of today's world, I think that
these regulations would be viewed as 'voluntary.' Anybody
would know that if they didn't comply with these 'voluntary'
standards, given the reality of what we see today, would have
hell to pay sooner or later, hopefully sooner. So I do think
the situation is very easily distinguished from the unhappy
experience of the voluntary regulations surrounding the CSEs,
which is a whole separate conversation to be had.

And then with regards to the topic of the SEC's
disclosure system, I heard far more agreement and consensus
then disagreement. I think it is fair to say that there is
universal agreement that we need to get to a structured
database, and it should in one sense or another be tagged.
And to the extent that there was dispute, it was really
around the edges, small details, which is how do we get to
the structured database, where does the structured database
reside, what is the cheapest and most efficient way of
getting from here to there?

But I think we should all take comfort in the fact that there is a fairly broad consensus about where that is and that the world we have today is not where we should be. So let's figure out the fastest, cheapest, and best way of getting from here to there. It is worth doing and it is worth doing well.

MR. DONOHUE: Thank you for those thoughts. Doug?

MR. CHIA: I guess first of all, for the record, I don't love EDGAR. I liked it a lot when it first came out, but --

MR. DONOHUE: That is a relief. EDGAR's feelings are hurt, you realize.

MR. CHIA: I realize that and I will have a delicate conversation with him later, but --

MR. AGUILAR: Doug, just so you know, you were quite clear the first time around.

MR. CHIA: I'm sorry. Well, EDGAR, like a lot of national treasures out there, at some point need to be moved into the Smithsonian, so I think now is the time to do that.

A couple points here. When we are creating the new system, be sure to get issuers involved. We are the ones that have to produce all this wonderful disclosure, and in order for it to be quality disclosure, it has got to be something that we can embrace upfront and really play a part
in shaping.

Second, take your time. There is no real rush here. Whatever we do, let's test it, let's tweak it like you would any product or movie or movie trailer. Put it in front of focus groups, have lots of different groups, including the American Association of Retired Persons use this. You have all different kinds of people who are relying on this, so let's be very deliberate about it. Create something that companies are going to want to use, like I said before. If everybody wants to use something, people will feel ownership into it and will come up with ways of making it better, as opposed to if you come out with something that people really don't like, they're not going to have much of a stake in seeing it continuously improve.

And I think the last point I would like to make is, educate the public before you roll this out so they know what this is, what is coming, and what it is going to do for them. Learn from the lessons of eProxy. eProxy came out last year and retail investor participation in the voting process went down dramatically, and a lot of people -- that happened because they didn't know what was coming, and when they got something in the mail they had no idea what to with it.

And so I think from that, since I am coming to Washington from New Jersey, I have a burning desire to say whatever we come up with, let's make sure that it not only
works for Wall Street, but also works for Main Street.

MR. DONOHUE: Esther, can you top that?

MS. DYSON: I won't even try.

First of all, let me incorporate by reference

thanks to everybody I should be thanking.

And to come to this really sort of high level,

there is this tension between disclosure and regulation. The

ultimate theory, and a very American theory, is if you
disclose everything, the market will regulate itself

because that data will deter investors, and all you really

need to do is require disclosure. The problem is that then

you start saying, well what exactly is it you need to
disclose, and if you forget to ask for something, then people
can ignore it until it bites them at the very end.

But I think in general you want to have very

structured data. You want to have particular data

definitions, data requirements so that, as we have said many
times, that data is comparable across companies, it is

comparable period to period. But you want to make sure you

leave it open enough and you always have that final question

in the questionnaire, is there anything you want to tell us

that we will be asking you about later, or something along

those lines. What is it that is not in these required
disclosures that you really ought to disclose. How you do it

is the challenge. From that point of view -- Let me leave
that as my first point, and then just two more.

The second point, make the technology lightweight, don't make it too complicated. Make it so that you can -- each company can maintain its data, and easily generate the reports that will be compatible with everyone else's reports. So keep that as the common ground, but keep that fairly lightweight.

And the third point is, now let the market do its work. Now let third parties come in, let there be third party tagging systems that don't create those liabilities so that you have a large and robust -- everything from Yahoo! Finance to third parties to blogs to the press to self-styled investor types who can do the tagging, who can do the data sets, who can do the visualizations.

And then finally, create this assumption that if you can't understand something, don't invest in it.

MR. DONOHUE: Thank you. Eric?

MR. ROITER: Let me join everyone else in thanking the staff and the Commission for hosting the roundtable. It has been a privilege to take part in it. I don't want to repeat everything that others have said, although I am broadly in agreement with what others have said.

I would repeat, however, the suggestion that you think of what the SEC is doing as something that will compliment what the private sector is doing, or conversely,
the private sector should be complimenting what the SEC should do. And the SEC shouldn't feel that its mission should be to occupy the entire field or to replicate what is being done in the private sector.

It is very difficult, probably impossible, to talk about how disclosure is made available and is delivered without intruding on the questions of what is disclosure, what is the content of disclosure. We saw ourselves this morning get into a discussion about credit default swaps, but I would like to suggest that as the SEC is thinking delivery questions and accessibility questions, that you involve economists, and in particular capital market economists because one important aspect, maybe the most important aspect of disclosure is to get to pricing efficiency. So if you have the right disclosure, then the markets should be sufficiently pricing the securities that are in the market, and that should have a lot to say about the way you design a disclosure delivery system.

There is a lot of economic discussion about the role of retail investors in helping achieve pricing efficiency, and you actually have two schools of thought. One is that the markets efficiently price if the content is there and retail investors really don't assist in the pricing efficiency process, but there is another school of thought, and I was reading a paper on my way here yesterday that takes
some evidence to show that individual investors indeed contribute towards pricing efficiency, and I think that has to inform the Commission's decisions about the delivery of disclosure.

The other point I would make is that when we do think of individual investors we need to keep in mind that the paramount objective should be a prudent allocation of their assets across different asset classes, keeping with their financial objectives. And there is a tendency, when we talk about disclosure, to think in terms of knowing everything there is to know about a particular issuer and comparing that particular issuer to other particular issuers or to the industry in which it competes. But we have just seen, again, a reminder that the most important thing for individual investors is to think in broad terms of being well-allocated across different asset classes.

And I know it is not the subject of this particular roundtable, but sometimes I think we can lose sight of the priorities of factors for individual investors, and as much as we all want to make convenient and accessible disclosure about particular issuers for retail investors, I think we are all well served if we keep in mind that at the end of the day, it is how investors allocate their investments across the universe of asset classes.

MR. DONOHUE: Eric, thank you, a good reminder for
all of us. Steve?

MR. BOCHNER: Thank you, and also thanks for having me here. I have enjoyed it, learned a lot, and feel honored to participate.

You invited a number of different constituencies here, investors, academics, lawyers, regulators, and we didn't rehearse this before we came up here, and I think one of the most heartening things you can take away from this is just the concurrence that a movement to a new system is the right thing to do.

There is a lot of details to get worked out and issues to get worked out, but I think the reason there is so much concurrence about the idea of shifting from the paper-based system we have got today, this linear system, to an internet-based system is that we have the opportunity, if we get it right, to do something which sometimes is rare in regulation, which is to reduce costs for the issuer community and at the same time improve investor protection. So I encourage you to take advantage of that and thanks again for having me.

MR. DONOHUE: Thank you Steve. And Alan, I understand you started this, so we will let you finish it.

MR. BELLER: Does this one work? I think it does. You are referring to the infamous Project Alpha?

Thank you --
MR. DONOHUE: Actually, your mike isn't working, I hate to tell you.

MR. BELLER: Thank you for having me here this morning. I think most of what I would say as concluding remarks has already been said, so I will I think restrict myself to saying three things quickly that have mostly been touched on.

One is that by changing the delivery system and going to a company file, or whatever you want to call it, you could do it with exactly the disclosure rules you have now, and we have talked about, at least with respect to periodicity and so forth, and there are some advantages to that.

But this is also an opportunity to look at the rules, and you don't get this broad an opportunity very often, and so I would say as part of this project the Commission ought to look at some substance as well as how it is going to be delivered. There is some very low-hanging fruit just in terms of consistency. 8-K says things differently from S-K and so on and so forth. That is pretty easy, but it would nonetheless be a real improvement for the people who have to write this stuff, and frankly, for the people who have to read it.

The harder question, which we have been tip-toeing around today, and it is not really the subject of this
roundtable, but it is how do you get more transparent, high
quality, material information investors? And I think it is
worth looking at S-K and the other disclosure rules with that
question in mind, and how to do it more efficiently.

The final thought I wanted to express is -- and Liv
has said this, we live increasingly in global markets. Our
market cap is some 30 some odd percent of the global market
cap now, seven years ago it was 40 some odd percent, ten
years from now it will be, I'm pretty sure, less than it is
today. And so I don't think you need to come up with an
international electronic delivery system, but I think it is
important to be mindful of what is going on globally in
designing this system. I leave you with that.

MR. DONOHUE: I want to thank all of the panelists.
I think it has been an excellent panel. I would like to turn
it over now to Bill Lutz for some concluding comments.

CLOSING REMARKS

MR. LUTZ: And so our little play ends. One is
never wrong to paraphrase Shakespeare, especially if one is a
former English professor.

But this really isn't the end of the play, it is
not even the end of Act I. We have quite a ways to go yet,
as I am sure the panelists made clear to you, but the longest
journey begins with the first step and we have begun that
journey, and it is our intention to complete it and complete
it successfully.

I would like to thank everyone who participated, especially Commissioner Aguilar joining us from Atlanta. Thanks to the moderators, our panelists, and special thanks to the members of the initiative team who worked so hard to bring this together. Hudson Hollister, Paul Knight, Linda Sterling, Howard Kaplan, Matt Caruth, and not least of which, Jim Kaput and Matt Reed, not just for serving as moderators, but for all the other work they have done on the initiative so far. I am very lucky to have so many people make me look good when I can do so little.

And I would like to remind all of you that you can get more information on the SEC website. There is a special spot for the initiative, and we post information regularly. And secondly, until October 22nd we will be accepting written comments from the public on any aspect of the initiative or any aspect we have talked about today, and I encourage you to submit those written comments. We will indeed read them and incorporate them into our report.

So one final note, for the law students who are here, we have volunteered a Q & A session for them. That will be held in the multipurpose room. You go out the folding doors, turn right towards the Pepsi machine, and hang a left. There will be people directing you in case you are unsure.
Thank you once again for attending.

(Whereupon, at 12:59 p.m., the roundtable was concluded.)

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