The Past SEC Chairmen Roundtable
December 20, 2005

CHRISTOPHER COX: Hello and welcome to our second in a series of roundtables we're hosting here at the Securities and Exchange Commission. We're doing this for a live audience here at the auditorium at Station Place. We have also got a webcast and we may end up being broadcasted in other forms later on.

As with our first roundtable a month ago, a transcript of today's debate will also be published by the SEC Historical Society. The Society, which I am going to make a plug for just now, is a not-for-profit organization that is separate and independent from the SEC, but does a great deal to support the work, the tradition and the history of the Securities and Exchange Commission. I recommend to anyone that's watching this presentation that you visit this splendid portal on the web through which the Society shares with the public its mission of preserving the history of the Securities and Exchange Commission. You can find it at www.sechistorical.org.

Today we are bringing together seven past Chairmen of the Securities and Exchange Commission, with the exception of Arthur Levitt who regrets very much that he can not be with us today. This represents all living former Chairmen and, if I include myself, it represents 8 of the 9 living Chairmen of the Securities & Exchange Commission.

It's a wonderful opportunity of course. As Chairman, I want to avail myself of the wisdom of my predecessors and to call on them for much needed advice. But today we'll all have the benefit of this public airing of their views on both past and present matters.

Each of our 7 panelists faced his own unique challenges during his Chairmanship and contributed to the development of our national and our international regime of investor protection.

The dean among us, Brad Cook, was Chairman in exceptionally challenging circumstances. As he assumed the reins here at the agency, President Nixon had just severed the dollar's link to gold that cut the connection between U.S securities and the monetary anchors. Stocks found themselves, if not cast adrift, at least floating like the dollar in which they were denominated. And perhaps for that reason along with many others the Dow went from nearly 1,000 in 1973 to 577 in 1974. We had to endure a severe recession.

The Commission was a different place back then. As Chairman Cook has said, the SEC's interest back then in some of the issues that are now constantly before us was essentially zero. Issues such as eliminating fixed commission rates grip the investment world. Today, Chairman Cook is Chairman of the Board of Empower IT Inc. and Learnwright Incorporated, both at Maryland.

Rod Hills was Chairman from 1975 to 1977 and he did much work on a problem that still bedevils the present Commission: how to price derivatives. Rod famously brought in for meetings with the staff the economists Fischer Black and Myron Scholes, whose autonomous formula for guesstimating the value of these instruments has haunted students ever since. Chairman Hills has called the relationship that Black and Scholes had with the lawyers here an interesting clash of personalities. That's in all likelihood an understatement of what really happened. Chairman Hills is now a partner at Hills & Stern LLP.

Harold Williams immediately followed Rod and was Chairman until 1981. He zeroed in on issues that are very relevant today, paying particular attention to boards of directors and to accountants. Chairman Williams also spoke out about the need for the

Commission to exercise regulatory self-restraint. He is now at Skadden, Arps and President Emeritus of the J. Paul Getty Trust.

After Harold, we forge ahead to the years between 1987 and 1989 when David Ruder was Chairman. David is the first among us to have dealt with our electronic filing system EDGAR. David also came in just a few months after Ivan Boesky agreed to pay $100 million in fines; that was November 14, 1986. It is still one of the largest civil fines the United States Government has ever imposed upon an individual. As if that weren't enough of a welcome, a mere 10 weeks after David came in, the Dow dropped 503 points or 22% in one day, and it didn't stop there. David was also confronted with Michael Millken and Drexel's payment of some $600 million in penalties and disgorgements. He is now leading a hopefully more peaceful life as a professor at Northwestern.

Richard Breeden, our next speaker, was Chairman from 1989 to 1993. His commitment to public service was such that he took a demotion from his level 4 position as Assistant to the President in the White House to assume his level 3 position here at the SEC as Chairman. Today he doesn't have that problem because he pays himself at Richard C. Breeden & Co. He earned the reputation as Chairman as a leader who is not afraid to break the crockery if it needs to be done and I hope that you observe this rule today, Richard.

Next up is Harvey Pitt and if David Ruder had to deal with Millkens and Drexels of his days, Harvey was presented with the Enron's and WorldComs of ours. As if that weren't enough, he also dealt valiantly, I might add, with the market disruptions stemming from the 9/11 attacks. The fact that things went as well as they did has a lot to do with Harvey's leadership of the Commission's response. Today he is chief executive of the global business consulting firm, Kalorama Partners, which brings us to my immediate predecessor, Bill Donaldson.

Like Harvey, Bill also had to deal with the fallout of the excesses of the 1990's. But he was well prepared to stand in the line of fire because earlier in life he had been a United States Marine. Among his many accomplishments here and legacies was the establishment of the Office of Risk Assessment which today is helping us anticipate problems in the market place before investors lose their money. Bill also moved us into this magnificent building and into this wonderful auditorium which is our venue for today.

So what I would like to do after this brief set of introductions is to just move from one end to the other, we can do it in either order you prefer, and start out with just 3 minutes, if you can give us 3 minutes, to kick off with discussion and put anything on the table that you like. And after we do our opening statements, I am going to stay out of this, to the degree that I can, to make sure that we are pitting Chairman one against each other for maximum heat and light. And we'd like you to be as entertaining and controversial as you care to be. But in all seriousness, we really value your expertise and the wisdom and the background of experience that you bring to this. So beyond our mere entertainment we really look forward to learning a great deal from this session. So let me go back to square one here and introduce our panelists once again, beginning with our dean, Brad Cook.

G. BRADFORD COOK: Thank you Chris. Looking at this magnificent building and this auditorium, if I were Dorothy, I would say this is not Kansas, but quite a change from 500 North Capitol. I came to the Commission originally in 1971 as General Counsel hired by Bill Casey. Working for Bill as General Counsel and as Director of the Division of Market Regulation was no easy task.

Bill was extremely demanding. He ran the Commission with an iron hand and he made the General Counsel position co-equal almost with other Commissioners. When he was interviewing me, here in Washington, before I came back in summer of '71, he convinced me that being General Counsel was a better job in the Commission, other than a Commissioner, the only better job of course being the Chairman. His explanation for that was that the Commissioners didn't have a staff but the General Counsel did. I think, in the way he ran the Commission, he was absolutely correct. Of the problems I faced, both as General Counsel and as the Director of the Division and then as Chairman, the primary one, I would say from a political point of view, was the fixed rate issue. Before I came here, we were moving towards negotiating rates. But the Justice Department was putting a terrific amount of pressure on the Commission, arguing in a various cases that we didn't have jurisdiction over rates. And Harvey, who was then the General Counsel of the Division of Market Regulation, crafted some interesting proposals when you are dealing with institutional membership, which was actually related directly to the fixed commission rate issue. Harvey convinced Phil Loomis who was then in the hospital and a Commissioner, a former General Counsel that we could bring a 19(b) proceeding and Phil Loomis said he didn't think that would work but that was not the original intent. But Harvey crafted and pushed it through. So this is quite an accomplishment. But I will yield the rest of my time, if I have it, Mr. Chairman, to more robust Commissioners.

CHRISTOPHER COX: Well then, take us to Rod Hills.

RODERICK M. HILLS: Chris, you asked me to go back over 30 years. When Harvey and I were here, Harvey was the General Counsel of the Commission. We were facing the accounting scandal, in many respects, comparable to the one that Harvey and Bill saw later with Enron. We had to adopt a new structure for the ordering of books. We required internal controls for the first time and we were able to persuade the New York Stock Exchange to require independent audit for the first time. And if you think about it, those were the three bulwarks of Sarbanes-Oxley, internal audit now being portal four.

But if you think about that scope, you then look back to the creation of the Commission in '34 and now soon over 70 years. I would suggest to you that the future of your term may very well be usefully spent looking at what I would consider the obsolescence of the financial statements that we now have. Financial statements were created in the bricks and mortar days when everything was tangible, and are not terribly useful today when lot of assets are intangible and even the tangible assets are assets that people would like to bring closer to the market value. The Public Company Accounting Oversight Board seems tenderly but I think firmly to begin change in the nature of the audit, using section 404 and the new auditing standards. Many people think an audit has become a commodity over the years with not as much intrinsic value as we would like to see. I would say that a great challenge for you in the immediate years is to take a look at the financial statements and ask whether it really makes sense for auditors to attest to the precision of a number when numbers are a judgment made by management based upon assumptions and estimates, and where the non-financial indicators of value may be far more important to a financial statement than the precision that we fought endlessly and fruitlessly for over the years. The notion of trying to change the attestation requirements of the auditor, to inject more non-financial indicators of value, and to look for a financial statement that understands at least the ambiguity of the numbers that we have relied upon so long, would be a great testament to the time we are here.

CHRISTOPHER COX: Harold Williams.

HAROLD M. WILLIAMS: As I look back at my term and what's been happening in recent years, and what's happening today, it's the more things change, the more they are the same. I inherited the challenge of something that was called Rule 390, the mandate to develop a national market system, because I was concerned about fragmentation in the market, the ability to oversee the integrity of the market place and the pricing mechanism among the finest capital markets of the world.

I still worry about fragmentation and the efficiency of pricing mechanism, but in a somewhat different world than I looked at, at that time. I used to report rather extensively on the responsibility of Boards of Directors. It was my view then and still is that the Chief Executive should not be the general of the board and should be only a management member of the board. Things have come a long way since then, in part attributed to Sarbanes-Oxley.

We took a look at executive compensation and found there were too many things we couldn't value. We had so many other things on our plate that I didn't want to make a major project out of that. I am delighted to see the Commission moving in that direction. I think the adequate disclosure of executive compensation is vital. The treatment of executive compensation is one major shortcoming of corporate boards today and we need to look at it in that context.

We urged the accounting profession to do a better job at self-regulation. They helped with a scheme which they told probably would fail, but they were entitled to some time to work it through, and indeed it failed. We put it a rule in the proxy material calling for a disclosure of non-audit services. My successor took that out. At that time, Arthur Andersen already was deriving more than half of its revenue from non-audit services. That was an indicator of things to come. We tinkered with the impact of inflation, which I think is a forerunner to what Rod was talking about and I strongly endorse the fact that today's financial statements are inadequate. I dreamt of the day that we could get rid of quarterly earnings per share. I realized that probably was an impossible thing to do. It is one of the worst drivers of inappropriate performance in the financial world today.

I pushed for cash flow as a better measure, and I still think it is, rather than the earnings per share. We decided that we should try to complete Chairman Douglas's mandate when he left the Commission to finish integrating the '33 and '34 Acts. We urged the leadership of the Investment Company Institute to become self-regulators rather than a trade association. Obviously I failed and obviously they failed. Today, looking at the trend in recent years, I'm concerned that we're heading for a train wreck.

I think this direction will take us to another WorldCom. I think we have a collision but at a question of how one defines adequacy of due diligence under the kind of pressure that we will be seeing today. Without a safe harbor, there will be a collision with the bankers who want to move quickly and the need of securities firms to do their appropriate due diligence. It's a major area of concern. I applaud what the Commission is doing, as I said earlier, in executive compensation. I like what they're doing on Sarbanes-Oxley 404. I think it appropriate to ease up some on the 80% of issuers who are at 5% of market cap. I worry about e-proxy. The paper proxy fraud is not easy to do yet I worry about electronic fraud -- I can't translate that particularly but it is something that concerns me. The policy that facilitates contest of elections, I think is a right policy, but I'm worried about all the internal consequences

CHRISTOPHER COX: You got us started with some good issues. David, go ahead.

DAVID S. RUDER: I had barely found the bathroom in my office when the market crashed. On October 16th 1987, I drafted a list of topics that I was going to cover when I was Chairman. I found that list a year and a half later still in my desk drawer. I spent my time worrying about the markets. I just want to spend a minute with a word of caution about something I think the Commission ought to look at.

During the market crash of '87, the volume of shares on the New York Stock Exchange expanded from 200 million shares to 102 billion, a six fold increase. The entire market structure wasn't capable of dealing with that kind of exhilarated trading in a down market.

Today we are in a very different trading environment. I'm teaching a course in market structure. As one of the few people I think who has read the NMS, I learned in that the transactions are going off in milliseconds. 30 milliseconds is enough for a round trip trade. People are making what we used to call program trades, computer trades without a human intervention. All I could think of is what would happen if we had a terrific down day in the markets, and we had to deal with a question of the possible clogging of our new electronic markets. I know the Commission is looking at it but I certainly think it ought to take a stronger look at whether the systems capacities are. Are they going to be able to meet the kinds of emergencies that I was faced with? We had after that some concern between the SEC and the CFTC on who should regulate derivatives trading. I advanced the fact that the SEC ought to regulate the trading. Congress handed to me my head on a platter, and I decided that cooperation was the best, which has worked.

The new iteration of that right now I think has to do with hedge fund regulation. As I look at what's going on in the hedge fund area, I'm concerned that there is opposition to the hedge fund regulation. I personally would be looking not only at appropriate disclosures and fiduciary duties, but I would be inclined to do something that neither Arthur Levitt nor Alan Greenspan want to do and, that is take a look at the third party risk situation and the hedge fund large positions, whether leverage or not.

We have also, as former Chairmen, joined in a letter to the Commission supporting the role of the independent chair and independent directors in the mutual fund area. I continue to think that it is exceptionally important for mutual fund independent directors to have a strong role in representing shareholder interests. The attacks on that group saying they don't do very much are really misplaced. I think that independent directors are gradually becoming more independent, more forceful and I just urge the Commission to support them in any way they can and to resist some calls which seem to be coming out for the elimination of the role of independent directors in overseeing the fee structure of the mutual funds. The directors are extremely important and need to be supported.

My interests on the accounting area -- I've been involved in the international accounting standard setting area for the last few years. I think the Commission needs to be very careful about how it deals with international accounting issues. It needs to cooperate internationally and yet to find a way to make sure that there's sufficient convergence of international and national standards so that our investors are protected when foreign companies come to file their financial statements with us. Thank you.

CHRISTOPHER COX: Richard.

RICHARD C. BREEDEN: Thank you Mr. Chairman. All went down memory lane so I'll give a few from the four years I was Chairman, although I'd much rather we might focus ourselves on a more recent century. The rules we passed in my day had to be framed to deal with the dinosaurs that were still roaming the earth and you obviously are in a different age. Proxy reform is one of the most important things we dealt with and certainly highly controversial. I'm w sad that the last time the Commission has successfully addressed the proxy rules was during my tenure and that's 13 years ago.

Bill, certainly during his time, tried to look at some of the voting standards. What always happens when you open up the issue of the proxy rules, which is a white hot environment of controversy, becomes off course when you say the word proxy and you begin to discuss it and suggest any form of change. I don't mean this purely in the Walt Disney sense although it does apply to them. But you are tampering with the keys to the kingdom in the corporate world and rest assured that whether it is 1992 or 2004 or 2006 or any other year when proxy reform is taken up at the Commission, it will elicit and generate a great deal controversy from those who want to see the status quo remain unchanged. The jets keep flying, and I don't mean the football team. Be it labor unions or pension funds or others with a different agenda - it's a topic that when the Commission begins to debate it, it has to have a great deal of fortitude and have a determination to see things through, not raise it lightly. If there is something that needs to be done, if there is something broken, then be prepared to see the job through to get it done.

I think that the disclosures standards for executive compensation, Mr. Chairman, are as good a job as we did and by the time we were finished in 1992, every last thing people were paying themselves got disclosed. We thought that was a classic mission of the SEC and I believe it is still a classic mission of the SEC. to let the market work to govern compensation. I don't think any government body can try and regulate what people are paid. These are very complex decisions that need to be left in market setting but it isn't appropriate to have public companies paying compensation that is not well understood. Often times, as the Disney case in Delaware indicates, it is sometimes not even well understood on the board of directors itself, much less in the public domain. Ironically, if there is good public disclosure, the analysts in the private world will do a good job of making sure the board realizes what it's awarding, because sometimes these packages get blown past boards of directors without adequate consideration. Given the developments that have occurred since '92, particularly in the severance area, particularly in pensions, deferred compensation, and retirement plans of increasing complexity and creativity, I think it is high time to revisit the disclosure standards. As a Chairman, I would urge you to think twice before you sign off on the not too many columns idea; lot of columns is a good thing. Everybody in the country is pretty good these days working with spread sheets. You want to give the data in a way that it is disaggregated, so people can really understand what's being done; if they want to summarize it all in the column labeled total, that's fine too. The missions of the SEC are so many, we couldn't scratch the surface in our allotted time or many more multiples of that. But to me the Commission's work comes down over and over again to transparency and enforcement.

This is not an agency about building highways. This is not an agency about transfer payments. This is not an agency that's about many of the other things that preoccupy government. This is a unique agency and the enforcement rule is absolutely critical to it. I differ a little bit different from Harold, I think that electronic proxies has a potential for really being terrific benefit in the marketplace to shareholders, if done right.

In the enforcement area, I know there has been a lot of controversy here in the last couple of years over the issue of corporate funds. I got Congress to pass the law giving us authority other than judicial remedies of disgorgement, but to give explicit fining authority, and I haven't changed my views since then about the importance of deterrence in the corporate community. While I agree that there can be times when cases may have the effect of disadvantaging shareholders through a fine that may hurt shareholders, the whole reason for doing it as with every other area of law prohibiting pollution and prohibiting tax fraud and prohibiting lot of other things is to create a deterrence so that problems get dealt with sooner and quicker when they are smaller and can be solved better rather than waiting until you have an Enron and WorldCom.

I think this is a terribly important issue for the Commission to resolve in its own mind, to come to a decision and to have that be clear. It is a very difficult thing to try and straddle defense and I hope you come out on the side of good strong enforcement, because that's what this agency is all about.

CHRISTOPHER COX: Thank you, Chairman Harvey Pitt.

HARVEY L. PITT: Thank you Chairman Cox. I think this is a fabulous idea and I'm pleased to be here. I also just reflecting on the fact that I was fortunate enough to serve on the staff under three Chairmen who are here, all of whom I thought were a marvelous inspiration. So again it's a pleasure to be here. I think current events are looked at from a prism of prior service. My prior service wasn't all that long ago. I see a couple of critical issues, the first and this may, to some extent, deviate a little bit from what Chairman Breeden was just saying. I think that one of the Commission's major mandates in addition to investor protection, which of course is quite critical, is also to facilitate the efficiency and growth of our capital markets. That is an essential obligation that the Commission has and I think that it has to enter into everything the Commission does. With respect to its enforcement programs, I'm delighted to see that the enforcement program is in excellent hands. I think as much emphasis that can be placed on real time enforcement is absolutely critical. I think the Commission's major mission in its enforcement actions is to stop frauds that are ongoing or to prevent the dissipation of ill-gotten gains before they are disseminated and wasted away. I think the staff is doing an excellent job on that. I think obviously there is always more that can be done, but I think enforcement is definitely a very critical role.

I think the changes in the disclosure system which we had looked at and some of which have been implemented both while I was here and certainly afterwards, are very critical and I'm really quite pleased to see Chairman Cox's emphasis on this. I think our disclosure system is somewhat operating backwards. Sophisticated investors seek out the kinds of information that basic SEC filings don't provide and so there is a disconnect between what people with real economic clout get and what the large masses of people who are dependent on the SEC's disclosure rules are getting. I think the movement toward greater use of the Internet will be a fabulous accomplishment and that the Commission should be supported in all of that.

A major area which we didn't get to go to but is reflective of one of my concerns, perhaps stemming from my prior service as General Counsel, is the Commission adherence to process. I think the one who seeks to compel compliance to the rule of law must also follow the rule of law and I think in the Commission's processes it's absolutely essential that the Commission make greater use of public comment and the ability of people to provide insights into where Commission efforts and approaches may be mistaken. I think that informal rule making, which has always been a hallmark of the agency, is very critical and very useful, but it cannot take the place of actual rule making. You cannot have rules being made informally without going through the processes that are so necessary, I think, to good and constructive regulatory enactments. The problems that we have with the audit profession are quite significant and I know a number of the former Chairmen have already addressed this. My big concern is that we are focused, as I think Rod Hills suggested, on some of the wrong issues and to me the most critical issue which has gotten less attention than I think it deserves is the quality of audits -- the quality controls that are practiced in the firms. This is not so much strictly an enforcement aspect of the problem, which is of course a real aspect of it but that's after the fact. The key is to really come up with a better system of performing audits so that what the public gets can be relied upon. I think we're still a long way from the quality of audit work that we need.

And the last element that I would like to address briefly is the whole area of market structure which David Ruder referred to as well. I think that the critical obligations for the Commission are to encourage competition and encourage innovation and I think that there are ways to do that without necessarily writing lengthy prescriptive rules on every single issue. I think sometimes those are critical and sometimes they are not and obviously people can differ when that may be the test. But I think that the Commission needs to do more to encourage competition and to encourage innovation and our markets will continue to be the best in the world. I thank you, Chairman Cox, for the opportunity to participate.

CHRISTOPHER COX: Thank you very much. Chairman Bill Donaldson

WILLIAM H. DONALDSON: Thank you. My tenure here is so much from the recent past that I don't think I have to remind all of you about some of the things we faced during our period. I think it goes without saying and I don't need to diminish the 1987 market crash as being incidental or anything like that but, when Harvey took over and later me as Chairman, I think we were faced with a condition in this country that was not seen since 1929 and I think we found a degree of investor disillusionment with the SEC that needed immediate attention.

Obviously, Sarbanes-Oxley came out of that disappointment. It was a political body. It was reflecting the mood of the population and perhaps came forth with some rules that might have been moderated a bit, had more thought been given to them, but I characterize the period we're in right now as a period of unfinished business. And let me just tick off some of the things that I think remain on the books. First of all, I want to tip my hat to the enforcement division, which performed extraordinarily during my tenure with a great deal of conflict, if you will, from other units in this country that felt the enforcement over the securities markets was there. And I think the enforcement division, aside from the number of dollars that were brought in the finance, use the Sarbanes Oxley Act powers that it gave to us, and did so in a very careful and measured way even though there was -- I won't even call it competition out there -- but some disciplining efforts on part of others.

The investment management division faced a tremendous challenge, first with late trading and market timing, but also in the whole business of adjusting the regulatory structure and governance structure. I think that we still have a way to go there but I think all the pieces are in place and it won't surprise you to hear me say that I think the independent chairman is an absolutely necessary final piece, if you will, to preside over the some 12 or 13 rules that were brought forth during my tenure.

We are on the brink now of what has been a yeoman job on the part of the Market Regulation division and we're really on the cusp of what seems to me to be an exploding environment. The public ownership of two major markets, as well as the consolidation of markets at Europe, as well as the acquisition of other than equity trading capabilities, brings forth a whole series of regulatory decisions to be made most particularly in the governance area but also in the technology area. I think we have got to be very careful as we compete overseas so that we don't destroy what we have here and that's very high on my list. I think the risk assessment office has brought forth what I think is absolutely the most important thing that this Commission can do; this will probably be controversial, for some of my colleagues may not. I think the idea that this agency needs to first of all use its resources more efficiently as the spread of what we are regulating grows. We need to have ways of anticipating, as you have heard me, the cows coming home, over the hill and around the corner. But I think that the anticipatory capabilities that need to be built into this organization are absolutely important; we just can't arrive at the scene of the accident after it has happened. I hope risk assessment is inborn and inbred and here forever.

One of the most important things is the next step in corporate governance. I think we are going through the period of attempting to define what goes on inside the boardroom. Compensation is an important part of that. The worst thing in the world we can do is to attempt to control or regulate compensation, but I think the disclosure has to be a lot better than it is. I think all of our papers could take a little work done on them before committees of unsophisticated or not sophisticated financial people, trying to make the words that we put down on paper meaningful instead of just making our papers larger and larger.

I am going to stop there because I think we are all going on too long and I would look to talk about some of the things that are going on here and getting into disagreements or agreements that we might have. So thanks.

CHRISTOPHER COX: Thank you very much. Having ended the opening piece of this, we will now enter into something which looks more like the dinner table at my house, where people interrupt each other all the time. That's just fine. I heard a lot of things and took a lot of notes of what people are saying.

One of the most provocative things that I think I heard was from Harold Williams and Rod Hills that today's financial statements are inadequate, and I'd like to hear what others have to say about this. We have, as Rod mentions, other issues these days in our economy, and other ways of valuing companies and so on.

A great deal of what we do here at the SEC is focused on the four basic financial statements that companies produce and making sure that the processes that produce those are just so. Are we on the wrong track?

RICHARD C. BREEDEN: Yes I would disagree a little bit with Rod, although, I think it's a fascinating subject.   There's no question that the standard setting that we utilize in the accounting world has evolved and needs to evolve more. Rod has participated in a number of different studies, as has David and his standards at setting activities. And I don't think that our standards setting mechanism today is working all that well. If you send the 600 accounting professors into the woods in Norwalk and don't have any mechanism for holding them accountable, you will get 800 page accounting standards that take years and years to write.

I know when I was at the Commission, I was very concerned about the volume of things that were being dragged off balance sheet by very creative investment bankers in the streets, who spent a decade getting paid very significant fees to hide things off the balance sheet from investors. And I'll be perfectly happy to see a set of rules that push them all back, so that people can see.   Enron was a spectacular case of a major company able to drag a very substantial portion off the balance sheet. We still need to learn from that lesson the 3% equity standard to justify. Saying this special purpose vehicle doesn't need to be reported on the parent's books were ludicrous at the time. Tightening it up and making a 5% instead of 3% would be equally ludicrous. I think it benefits from a greater look but having said that, there are lots of problems and there always are. I wouldn't want to agree with the proposition that financial statements today are not very useful and very insightful, if people actually comply with the process and if there are good audits and if all the standards and protections are followed, with all the good works that the PCAOB has been doing to try and enhance quality. While improvements can always be made, I know, from actively participating in investments sites, as many of us do, that there is a ton of good information out there. Financial statements aren't irrelevant;I just wouldn't overstate that proposition. There is lot of things you can always improve but the situation is not as broken as perhaps I interpreted the question to Mr. Chairman.

HARVEY L. PITT: Maybe I misunderstood what was being said but first of all, I don't think anyone was suggesting that we do away with our financial statements. I think the suggestion was with the relevance of financial statements as they exist today are questionable. I think that has to be true. All of our disclosure documents today have lost their original purpose. The original purpose of disclosure was to inform. Today the purpose of disclosure is to create an argument to avoid liability down the road. And so you get financial statements that are encumbered with all sorts of footnote details and the like for the unsophisticated investor. We do still do have to worry about unsophisticated investors as well sophisticated investors. People have to wade through a morass of garbage to finally get to the few nuggets that are contained there.

When I was Chairman, I had been sent by somebody an annual report, one of the first done for the SEC from 1936. AI remember it because the first thing which struck me was it was only six pages, which meant that it actually had a real chance of getting read. The second thing which struck me was that the financials were only two pages. I think we have to figure it out what's really relevant to people and then we have to figure out how to present it to people, so that when they get a financial statement, there's really a hope that they'll actually take a look at it and then be able to make an investment judgment. The system we have now is producing things that are making lawyers, accountants and printers rich. But they are not necessarily making investors rich.

RICHARD C. BREEDEN: I could not disagree more, Harvey.

HARVEY L. PITT: Why doesn't that surprise me?

RICHARD C. BREEDEN: People can go to the store and buy "Accounting Financial Statement for Dummies," if they want. But the purpose of SEC for writing rules here is not to produce comic books of financial statements. And fine, retail investors have an important place in the market place. Let somebody produce summaries for them and they can buy them. That is fine. But for the Commission to be dummying down the accounting standards, which I hope was not what I heard you saying, in the interest of making it a six-page report again, I don't think serves the interest of the market. We live in the electronic age; we have computing power at the disposal of every third grader in this country. That was undreamt of literally when the financial statement you were reading was prepared. And so giving people detail and letting them decide for themselves what's relevant, rather than having the Commission as a rule making body decide, well these things are important.

HARVEY L. PITT: Richard let me just make one thing clear. That was absolutely not what I was saying, although I appreciate the argumentative technique. What I was saying quite clearly, I think, was that the use of electronic information processing is wonderful because you can have hyperlinks and layer information, and that's what I think the Commission has started on.

So the issue isn't depriving of people of information, the issue is getting people to use the information that's out there. And if you look at it, this is not an attack on the Commission or an attack on anyone. It is the system as a whole. It's produced so much information in such unreadable format that it really doesn't do the job it was intended to do. That was my point. I think we can do an incredibly better job than we have done over the years.

DAVID S. RUDER: Well, your Chairman has already started the next PRL initiative and as did Chairman Donaldson and I think that we're looking in the future. I just want to say one thing to you, Richard, and that is that I find you riding both sides of this. You say, don't dumb down the financial statements, and on the other hand you say, get somebody to write standards that aren't complicated.

In the past we had then a very serious group of independent people at the Financial Accounting Standards Board and the International Accounting Standards Board doing their best to write standards that can be understood. The Commission has gotten into the act and indicated that it wants something between pure principles based accounting and check the box rule accounting. And that's where this whole international system is going but once you start asking for change in the accounting regulations, you're going to deal with a lot of business reaction.

In Europe, one of the things that is very much of concern is an apparent attempt to engage in fair value accounting, that is to require not only financial instruments but other assets be regularly valued at their current market value. Once you start down that road, you're into an enormous amount of controversy. When these bodies begin to take the off-balance sheet problems of lease accounting, which we all know about, you're going to see additional problems raised. Another area is performance indicators, which are being dealt with.

RODERICK M. HILLS: The matter was phrased, and I'd love to borrow from the Economist magazine, simply recognizes what I believe most analysts in the street recognize, and that is, as an economist said at the brittle illusion of the accounting exactitude which tends to collapse and trades of economics strain, that's what we're dealing with. Trying to make people understand the basic ambiguity of numbers that come out of judgments, judgments made by management, judgments that are not – I bought the table for 100 bucks, its 3 years old, it is for 70 bucks. But I've got to make an estimate and assumption as to the value. And the accountant is really relying upon the character of management as well as the quality of management capacity to make those judgments. , Richard I quite agree, I'd like the financial statement to understand there's a range of values and I would like them to concentrate on the process by which these values were created.

And I would like also to have the Commission simply encourage the debate. I don't think the Commission should set standards but we really need the debate to understand what we're talking about. The brittle illusion of an accountant executive and that's what we're seeking. And I was really calling only for the Commission to begin the debate to encourage what's already there. The Chairman of the ISAB and the Chairman of the Financial Accounting Standards Board, I think, would agree with everything that David Ruder said, and I would too.

WILLIAM H. DONALDSON: I think the problem here is getting people to understand the decisions that are made by the accountants and getting people to understand the trade-off here and maybe a way towards this is statements that have different sorts of approvals by the auditing profession, which would basically say these are audit numbers, these are range numbers, these are how we arrived at. I think there are even bigger problems for the accounting profession. Accounting firms is a disaster waiting to happen. The liability that these firms are facing right now is such that this -- as I hear it out there, there is just a complete stand-off between trying to work with companies and the fear of viability. What should be the role of the SEC? We have a powerful new force in the PCAOB, which has an ability to really look at the way they're going about their business but shouldn't the SEC be front and center? This is a national problem. Gathering together people to discuss how we present financial statements and to discuss how we guard against forefronts almost where overnight 1 could disappear or 2 could disappear> Any thoughts on that? Maybe we should stay out of it

HAROLD M. WILLIAMS: Well. I take a different place. I think financial statements today are about as dumbed-down as you can get in terms of really being useful indicators of values that are inherent in the company or inherent their earnings. I think it's as much a process problem as anything else. Rulemaking, as someone's indicated, goes on forever, and when it comes out, it is several hundred pages long. I think the PCAOB is pointing that out, the number of audits which they have found to be deficient. And as a footnote, I think the PCAOB is maybe at a crossroad at this point in regards to the responsibility of the Commission, in appointing a new Chair and a new Chief Accountant. I think the PCAOB is doing outstanding work and I hope that it will continue its efforts. The reason I pushed for a footnote to financial statements for accounting for inflation, was the reality that if one values the assets of a company, they were being appreciated at their true value. Companies were paying dividends out of capital. It was just a simple example of what I thought are the problems of just sticking with historic costs and dealing with the artificiality that are part of financial statements today. And the exactitude is rather pointed out of quarterly earnings per share and even annual earnings per share. Somehow we've got to move in the direction of a more realistic approach to value and to measuring performance. It's not easy. I believe it will involve supplemental schedules. There will be some game playing with it but that's where I think the orders have to come in. PCAOB now is taking issue with auditors and on amortization of items, and the question of how many years should an item be amortized. Should that be rulemaking by the PCAOB, or should that be more a matter of some kind of better standard I don't know.

But there's a lot of work that needs doing in this area and I would take the stand is as bogged down or deterred because of the complexities of doing something to improve the process and improve the results.

RICHARD C. BREEDEN: Mr. Chairman, I think we're talking about two parallel subjects. I think several people have alluded to a very important point, which is the important contribution PCAOB has made already and can make to the strength of the system. I certainly would hope to see in the future Chairman as close as we can get to the caliber of Bill McDonough, who's had a great standard and did a great job, getting PCAOB launched, and I certainly heartily congratulate everybody who's involved in convincing him. I think he did the country a great service. I think anything that can be done to maintain both that tradition of quality and to keep the SEC and PCAOB as closely cooperating and communicating and working together, hopefully 10 years from now, 20 years from now. We won't wake up some day and have an SEC/CFTC kind of situation, but the two agencies. There's a real chance that 2 and 2 could equal 5 if we do it right and that the two groups can really help and inspire one another.

I differ to all the standard setters in the room who obviously know better than I, how to do this thing. I was just frustrated when I was Chairman that I would point FASB to a problem like growing use of off-balancing, saying, can't you figure out how to fix it? They would say, okay, we'll begin the 10-year project.

Somehow, we have to have a system which is a little more responsive, and when the Commission itself sees a problem, can try and get them to compress their work to get answers a little more quickly, maybe Rod's approach. I certainly think that there are number of interesting issues in the rulemaking and the Commission has a great leadership role in calling for public dialogue, which I think was what Rod was saying was good.

I think in this area, there is though a danger and a tendency. People love to talk about how to write rules and what kind of rules we ought to have, and should they be structured a little bit this way or a little bit that way.

I just remember Andy Fastow. He wouldn't have cared what the standard was. Whether it was written by a Connecticut norm or a Zurich norm, or whatever the norms over there are, there are certain number of people out there who don't care because they plan to lie anyway and so they don't care what your rule is. It's equally important that we, in this highly technical area of accounting, particularly given the very pronounced difficulties that some of the accounting problems that we had in the past, although I think they've gotten much, much better, remember the critical role of enforcement in dealing with people who simply don't follow the laws. The last WorldCom public published balance sheet prior to the announcement of the fraud showed assets of $105 billion, and when we're all done restating things, turned out to be $22. We ought to be able to get closer to a world in which major companies can't report 80% of the assets they reported non-existent and their auditors sign off on that and so that is in partly a function of the standards, but also the indispensable role of the enforcement process in looking at company by company.

DAVID S. RUDER: I would just like to agree with you that enforcement is a very important part of mechanism and the enforcement role of the Commission is all important. I would like to disagree with Harvey a little bit about the rule making approach towards policy. I think the Commission needs the flexibility to make its policy through its enforcement mechanism, through its investigative reports, through its no action letters, through its Staff Accounting Bulletin, through all kinds of things that it does to tell the public, the accounting firms and the corporations and Wall Street that they're out there looking at what's going on and that there is some kind of broad structure that they want to have then know and that the Commission is going to come out and enforce these informal standards, which we have agreed have not been promulgated with the kind of care at the rule making process that utilizes.

HARVEY L. PITT: Well, I don't know that we are all that far apart, David. I take as an example, SAB 101, because it highlights in part the problem that Richard was talking about with the FASB, which is very, very frustrating when I was Chairman. They take forever and they don't produce anything that here you have a simple issue about like Revenue Recognition and it's impossible to get anything out of the FASB. I don't know how long they've been in existence. I think it's since 1975. So it's over 30 years now, and we still don't have a policy on it. The Commission staff puts out a Staff Accounting Bulletin 101, which is the equivalent of what the FASB should have done, had it been actually practicing. But instead of anybody having an opportunity to comment on it, it just gets dumped on the world. That to me is a misuse to the Commission's processes, because it didn't go through the formal rule making and the addition of an extra couple of months, would not have delayed this much longer but it would have produced something, a lot more sensible than what the Commission came out with and that's the kind of thing that I rail against the same thing with no action letters. I think no-action letters are fabulous, the Commission and its early history, was commended for using the no-action process, it is wonderful. But you have some no-action letters and I will tell you it would not take me long to produce at least a dozen or two dozen of them right now, that in effect, reflect rule making and statutory legislation by members of the staff and the problem is that some of those issues are very, very difficult as they require very fine judgments and without getting any input of comment from people who are affected by it, you wind up with a product that has to be suspect. I think it undermines the integrity of the important things that the Commission does do formally. That's why I find that that's a critical problem with the way some of these informal advice approaches have been utilized.

DAVID S. RUDER: Well, Congress has caused the commission to look at capital formation, when it adopts its rules, but it has not taken any action to cause the Commission to engage in the whole administrative process in all of its other activities. I am just a little astounded that you pick out a few things to attack, that you don't like when you and yourself wrote all kinds of things while you were at the Commission, which were policy making.

UNIDENTIFIED SPEAKER: I can't take any blame. I did not say SAB 99.

UNIDENTIFIED SPEAKER: It is not often that I can be the peacemaker in the middle, and so, David, I certainly think you are absolutely right, that flexibility in case by case application is critical in lot of these things and the corollary of flexibility is also responsiveness. When we do have a rule writing system that can grind incredibly slowly, there does have to be a mechanism that can move more quickly. I think Harvey is also understanding, I would let you talk about SAB 99 later, but understanding the exceptions that you point out to is rule that certainly transparency in policy making and there are some accounting bulletins and there are some positions in the staff on court issues or market reg issues that are staff interpretations but that really do rise to the level of becoming general rules and when the Commission sees and it may have been a staff position that was taken because an applicant really needed an interpreted relief originally and staff was helping the process by giving that like where over the time when that coalesces into something that becomes and important part of many, many applications, the Commission really ought to have considered going back to the rule making route and making the whole system a little more transparent.

CHRISTOPHER COX: Just a mere injection about our time here, we got started about 10 minutes late and so we are going to go 10 minutes past the half hour and we are pretty near close to that right now. I just want to put an issue out before this group of former Chairmen, because you have experience that extends across the planet. We have global issues to deal with right now at the SEC as never before and I am sure that my successor as Chairman is going to have that issue, even bigger. Looking at all the campus out here, who does a lot of our international liaison, we don't have enough Commissioners to send them all over the world, all places we really should be, but as our markets increasingly are going to be competitive entities that are going to have a global reach, that's inevitable as the issues themselves are global in nature. How can the SEC ensure that our investor protection mission continues to be met, if for example, a mutual fund that I can buy as an individual investor can contain all sorts of international issues that aren't listed in United States and aren't subjected to our standards. How do we avoid, not only the proverbial rates to the bottom but also a situation in which there are perhaps no standards at all.

DAVID S. RUDER: You, I am sure, subscribed to the concept of home country regulation, which has been underlying at securities markets for a long time. And that is when securities are traded in the United States. Our markets regulate them. But when securities are regulated abroad, are sold abroad that, that's going to be the responsibility of the foreign countries and I subscribe to that. I don't think that the Commission ought to be trying to extend its reach to the foreign countries. I do agree that you need to do something to worry about fraud if it exits overseas. And you do need to worry about market structure, and how that's going to affect us. But I would be insular in the sense of trying to protect our citizens in our own market.

RODERICK M. HILLS: I see one thing that the SEC can do in conjunction with the PCAOB is demand a quality and a standard from the accounting professional worldwide that we do not have today. At least we can push for a greater quality in accounting and a greater independence of the accountants. That would begin the path towards a better global system.

RICHARD C. BREEDEN: I think that the issue of the fragmentation of the accounting firms internationally is worth taking a look at. It's not an easy question to solve. There are a lot of extra-territorial issues, and frankly, the Commission can only go so far and can't regulate the entire world. But I think is terribly important and I think all of us in our tenure, certainly David and I are very, very active in this area. The Commission has a great leadership role to apply. Back in my time, I remembered going to work with the SEC of a major European country or the analogy of the SEC, and I had 8 employees. And so, they in theory had all the issues but we had the resources to think through the issues and develop techniques and, they would necessarily want to do exactly what we did. And the EC has come a long way in the majority of their regulatory coordination mechanisms.

But the Commission has always had an ability, and I hope under your tenure, and well into the future, it will remain the case. The Commission is committed internationalist. David is right that if somebody wants to sell stock in a retail offering to a retired school teacher, in theory they should have to do under the standards applicable in the U.S. market, in my judgment.

But at the same time we have so much to offer to the international community in sharing the knowledge and experience of the SEC, and I really do think that's an important role. You'll get dinged in the press once in a while and from members of the Congress, but you ought to be able to handle that about international travel. But it is really important for the SEC to be a committed part of the international organizations, and to not to be bashful. When I started going to my first international meetings, insider trading was not only legal in many of the countries that we were working with, it was a national sport. And over time, the view that we had in this market that it represents corruption that will undercut market participation -- the world came to our direction on that issue, and I think all markets are better for it.

So, we have an important seat at the table, but we can't control everything. We should be out there planning a leadership role and expressing our views on how to deliver quality for investors.

HARVEY L. PITT: I agree with what Richard was just saying. I think there are two sort of diametric aspects of the problem, and one is the notion that we can't allow the high standards we believe in to be eroded. That I think is very critical. But by the same token, we can't believe that we have the only answers to global problems. And that unfortunately is sometimes a problem of the geo-centers, in which we fall in to. We don't have to have our solution if there is an equivalent solution and one that we have worked on with others.

But by the same token, I think that we have done a lot over the past number of years to expand the credibility of the U.S. system particularly after Enron and WorldCom. I think Sarbanes-Oxley, which was initially criticized overseas, has started to become the fact of standards. I think people are looking at what we have done in this country, and I think the Commission has a real chance of exporting our views, our standards working in the global community. Not treating other countries as subordinates, but treating them as equal players in the global arena. I think if you do that, our views are going to prevail. In my experience, when I was here, I found them very hungry for our assistance, for our views, for our help, our ideas and so on. And I think that's a wonderful way in which the Commission can explore its standards.

CHRISTOPHER COX: Brad, it's up to you, but I am not putting you on a spot. I think what we ought to do at this point is just a quick summation to make sure we didn't leave any issues out and just go right down the panel again as we did at the opening, and then we will leave it to me for concluding comment.

G. BRADFORD COOK: I have been perfectly quiet because many of the issues that has been discussed here today were not issues in the 1971 to '73 period. The Commission has grown in size and the budget is 27 times increased since 1973. One issue that I would like to approach, I'll take some our reserve time in my opening remarks, is the compensation issue. I think we all agree that strong independent board of directors and compensation committees are really the key, but the other contravening issue here is say think that a few job or jobs is our paid. He had made the company turn around and he has being rewarded in equity again. I can't recall the exact numbers but they are very significant. And I think that in the compensation, you hear about the bad cases but you are not hearing enough about the good cases.

RODERICK M. HILLS: Except for a brief comment by Harold and Bill, we have not talked about board compensation for the paradox, and theoretically management is chosen by directors that in fact over the past 50 - 60 years, most directors are chosen by management. The Commission does a great deal by asking a question, can the board be independent if it is chosen by management and why can't the nominating committee be told time and again by this Commission that the only true independence is the selection of directors that is independently done. And it doesn't mean, you want to put directors on the chief executive officer doesn't want on the board, but the notion that independent that selection process is a major process that this Commission did.

HAROLD M. WILLIAMS: I endorse what Rod just said. I think there is a lot of work yet to be done on independency. The whole issue of independence is one thing that we have to keep working at. I would urge both Senator Sarbanes and Congressman Oxley leading the Congress. I hope that the SEC will be stronger supporters against any effort to water down what's been accomplished with SOX.

I think 404 is a really plus. I think people are beginning to see it. Things are making a real difference in corporate management. I think it's making a real difference with all these firms. And the cost will come down but my judgment across are worth it. I am strong supporter of the e-proxy; I am just concerned that we watch out for if they were to misuse the Internet as in previous years and in many other places, and that sort of a discipline and the protection has to be there. Finally in executive compensation, I would urge very strongly that some focus be given to parachutes and change the control provisions. In many respects I think they can turn out to be the most egregious of executive compensation issues, putting an incentive on management to sell their company because the reward they get out of change of control as a result of it.

DAVID S. RUDER: I would just like to agree with all of you about the role and importance of independent directors and to emphasize a need for the Commission to support those independent directors at all levels and particularly in the mutual fund area. I did also want to emphasize my agreement with Bill Donaldson that the Commission is going to need to watch the operation of the securities markets after the privatization and then public stock trading in New York Stock Exchange, stocks with continued international trading in securities, continual improvement in the way stocks are traded in terms of timing so that this matter which -- I know it is Chairman Levitt -- if he was here he would tell you about his interest in that area but I think there has to be a continued emphasis of the Commission because the importance of having efficient capital markets in this country is as, as important protection of investors.

RICHARD C. BREEDEN: Thank you, I agree with many of the things that have been said. I guess I would like to just get back with some note, what an extraordinary institution you have the privilege of learning with your fellow Commissioners. It is fascinating listening to all the issues that we and touched on it, transparency and enforcement and corporate proxy rules and independence.

And so the same issues do recur over the years so maybe we have a useful perspective on it but I think the thing that makes me most optimistic is that whatever the these challenges were in the past, the Commission rose to the occasion and met them and helped provide an intellectual force in diagnosing problems and coming up with systems that will work in this wonderful complex markets that we have and fostering innovation and competition that had been mentioned by several speakers is a critical ongoing role. There is always a tendency to reach out and want to solve a problem with regulation but you also have to remember that if the country has gotten through more than 200 years without a given regulation it probably can get through another year or two while you think about it and hopefully try and reach a high level of consensus on what ought to be done.

I think though that the Commission as an institution, larger in size and more budget, you have the resources, and you have the talented people to help think through problems. I hope the Commission will never be bashful in its future iteration of not thinking that it has all the answers, give investors the information and let them decide. Let competitors in the market experiment, don’t always feel that you have to have a prescriptive rule that settles everything because people out there in our country are really smarter than you think and if you let them make the decisions good things will happen as long as make sure people are giving them good information to make those decisions. So I am optimistic about what this Commission under your leadership and this Commission under the next Chairman and the next Chairman and the next Chairman will accomplish as you always have done and I know that I speak for all of us and you can count on our support as you go forward in meeting those challenges.

HARVEY L. PITT: I find myself agreeing even with Richard but I think in listening to this there are sort of 2 or 3 critical areas. One is the functioning of boards of directors -- I think a number of us have hit on this; I am appalled by what we see and what we have seen in the press but not just with some of the more tangible issues but also some of the intangible issues. Mainly what are boards doing when they get wind of potential problems with companies and I think we see boards sitting there and letting government figure out what they did wrong, why it was wrong and how it has to be fixed. I think the Commission has a real opportunity to energize the private sector and get the boards of directors to do the kinds of things that they should be doing.

A second area I think is a real problem is the area of accountants and there is a sort of a dual problem -- and Bill sort of mentioned it but we didn't pick up on it with any great depth and that is that the accounting profession right now is not only over-concentrated, it is also facing an excess of liability that could put any one or all of the four of major firms out of business. This is an enormous problem because what it has inspired is accounting by fear of right of litigation so we are seeing accounting firms taking positions that don't necessarily benefit investors in all cases but certainly designed to minimize their liability. The whole diligence issue between the accounting firms and the investment bankers with the accounting firms refusing to share information with the brokerage firms is absolutely silly, in my view but it is a function of a liability system that is out of whack.

The converse of that however is that because quality controls need to be improved. There is a clear interplay between improving the liability posture and not diminishing or even lowering the quality and so the real task here is to improve quality while we come up with a more sensible liability aspect.

The third area that I think is one that you alluded to, Chairman Cox, and it is absolutely critical to the changing global environment, the securities trading, because as they are traded 24/7/365 and as more and more countries have different requirements and have different rules and as we have the technological skill to trade in markets you now all sorts of distances away, the ability of an agency like SEC even with its outstanding enforcement staff to trace frauds that being perpetrated from abroad or that are being inflicted abroad is going to diminish in some senses. What that means is that there is an absolutely critical need for an cooperative environment because without cooperative regulation and cooperative enforcement what most countries are going to find is that frauds will be perpetrated over the Internet or from outside their own territorial borders and they are going to have a very difficult time for checking the investors and preserving the integrity of their capital markets. I think this a very critical area for the commission to focus on.

WILLIAM H. DONALDSON: I would like to take a slightly different tack and give you a charge, Mr. Chairman in areas that we haven't had time to talk about. We gotten down into some specifics in the accounting area; there are a number of other areas. I would like to address the organizational structure of the SEC. I believe that it is time to take a new look at the way the place is organized; I think we are going to face a tremendous challenge as we become involved throughout the world. We are going to have limited resources; we have to get better ways of getting at some of these problems. I think internally in the group the crossfertilization that can come as we move out of the traditional silos.

I think we will go a long way to bringing all the expertise here together around problems, I think we can go a long way towards anticipating a risk; that sounds like a broken record on this. I think we are still too reactive, I think there is a lot going out there in the world that we don't know about and I think somehow we have got to gain access to the people that are doing this out there who want to help us understand what's going on particularly in the markets and as the markets conglomerate there is going to be more and more of that.

We talked a lot about disclosure. I think we need to do more with our focus groups. I think we need to do more of disclosure through the eyes of people who are not lawyers and who are overwhelmed by the data, the data instead of being hallucinating is hindering and I think that the important stuff that I believe is what you picked up on and several other staff which is our continuing need to get a lot closer to the regulators in other countries and to have programs with interchange and so forth because we are going to really need them as we go forward and however we have done a pretty good job up to date I think is should be a much higher priority into this now. Thank you.

CHRISTOPHER COX: Well that is a perfect segway into what I am going to say in my very brief conclusion. First of all I want to thank everybody for staying with us in the entire time; it has been an actually quite quick elapsing of 90 minutes. From my standpoint, is very useful but I want to tell you how much I need your advice and value it and of how appreciative that I am that today in this public setting you were willing to provide it and I appreciate your willing to do so. Also on an ongoing basis as does everybody who works for the Securities and Exchange Commission and we are very, very proud to be associated with all of you.

The last time I sat in the middle of this many Chairmen was when I was carrying the Homeland Security Committee before it was made permanent was a select committee and I had among my 50 members eight cChairmen of standing committees of the House of Representatives and the difference between this and that is that all those Chairmen who are going to have to give up jurisdiction in order for them to be a permanent Homeland Security Committee were interested in doing everything they could to stymie my efforts and prevent the committee from doing its work whereas everyone here -- all of these chairmen are absolutely committed to this Commission and to its success indeed through your intellectual contribution, your energies and your life's work. You have built the Securities and Exchange Commission and made it what it is so we are very grateful to you. This is an opportunity to publicly express our appreciation once more. Thank you for what you have done and what you continue to do for our country. Thank you and that will adjourn our proceedings.