



## U.S. Securities and Exchange Commission

### Speech by SEC Chairman: 'The SEC Agenda for 2008'

#### Remarks to the 'SEC Speaks in 2008' Program of the Practising Law Institute

by

**Chairman Christopher Cox**

*U.S. Securities and Exchange Commission*

Ronald Reagan Building and International Trade Center  
Washington, D.C.  
February 8, 2008

Thank you, John [White, Director, SEC Division of Corporation Finance], for that very kind introduction. And thank you, Linda [Thomsen, Director, SEC Division of Enforcement], for kicking off this exceptional program once again.

I don't know how your morning was, but even before arriving at this outstanding opportunity for continuing education credit, I've had a bit of an education today. Each day, I drive four teenage boys to Gonzaga College High School — and I learn a lot along the way. This is a Jesuit school, where they teach Latin. But I'm discovering that even though Latin is an ancient language, it's changed a lot since I studied it. For example, did you know that *Domino vobiscum* means "the pizza guy is here?" Or that *sic semper tyrannis* means "your dinosaur is ill?" Perhaps the most relevant for all of us here in law enforcement this morning is what the classically-trained securities swindlers must be saying to themselves when they get caught: *Et tu, pluribus unum?* — which loosely translated means, "the U.S. government stabbed me in the back."

This gathering of the faithful for SEC Speaks is, of course, very special, because we're celebrating the 75th anniversary of the 1933 Act — and the informal kickoff of the agency's own 75th anniversary, which commences in earnest next January. Tonight, at our alumni annual dinner, I will have the opportunity to reflect on all that the SEC has accomplished over that long period, and to join in recognizing Mary Schapiro as this year's winner of the William O. Douglas Award. But even this morning, a 75th anniversary calls for some tradition. At SEC Speaks some years back, David Martin, who was then Director of the Division of Corporation Finance, asked each member of the staff to stand and be recognized. We've carried on that tradition ever

since. So just as I've had the honor of doing each year, I'd like to thank every one of our professional staff here this morning for your hard work, and for your dedication to America's investors. Please stand and take a bow.

And to the many SEC alumni here, let me say that to my mind there is no better confirmation that the agency is a great place to work than your constant participation in our shared efforts. Thank you, too, for all that you do.

In this 74th anniversary year of the agency's life, I'll begin my fourth year as Chairman. And while some things about the SEC will forever endure, other things have been changing with amazing speed right before my eyes. Without a doubt, the most striking change of the last few years is that it is no longer possible for the SEC to do its work in the United States without a truly global strategy. That's because what goes on in other markets and jurisdictions is now intimately bound up with what happens here. And in turn, what we do with our regulatory authority impacts the rest of the world.

In Amsterdam this week, I joined representatives of two dozen countries to sort through the latest data and the many unanswered questions from the subprime turmoil. As Co-Chair of the International Organization of Securities Commissions' Subprime Task Force and its Credit Rating Agency Task Force, I have been leading an analysis of how the domestic securitization of U.S. mortgages, and the rules governing U.S.-based rating agencies such as Moody's, Standard & Poor's, and Fitch, affected risk management by banks and institutional investors half a world away.

Earlier this week, our Enforcement Division settled a high-profile insider trading case that accused a tipper in Hong Kong of threatening the integrity of markets here in the U.S. by enabling illegal profits from trades in the securities of Dow Jones.

A week ago today, Charlie McCreevy, the European Union Commissioner for the Internal Market, and I took the most recent step in exploring mutual recognition of high-quality securities standards.

Two weeks ago, as Chairman of the international Monitoring Group overseeing worldwide auditing standard setting, I hosted a gathering of representatives from the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the World Bank, the International Association of Insurance Supervisors, the European Commission, and the Financial Stability Forum, focused on implementing reforms in audits under both International Financial Reporting Standards and U.S. Generally Accepted Accounting Principles.

In Vancouver recently, I met with representatives from more than 100 nations who are developing a new computer language for financial information that may soon be used in every major market on earth.

In a little over a month, here in Washington, the SEC will host securities

regulators from over 80 countries who are working with us to better integrate our enforcement, supervisory, and regulatory systems.

And a few days later, I'll represent the SEC at the Financial Stability Forum meetings in New York focused on, among other topics, the risks that the financial weakness of U.S. monoline insurers could pose to global markets.

The subprime crisis and its fallout are showing that while U.S. securities regulation may be the most robust in the world, it is not a guarantor against systemic failures in other parts of the financial system that we don't regulate. Yet those failures, too, can have enormous consequences for investors. The crisis is also making plain that those failures are of concern to investors worldwide.

As the SEC embarks upon an exceptionally ambitious agenda for 2008, we are intensely aware that all three elements of our tripartite mission — to protect investors, maintain fair and orderly markets, and promote capital formation — go hand in hand, and that each is of global economic importance.

Each December and January for the last several years have been devoted to strategic planning in our Divisions and Offices. Through that process, and in consultation with the Commissioners, the staff have laid out detailed agendas for public roundtables, rulemakings, enforcement priorities, inspection and compliance initiatives, technology investments, and internal management initiatives. This year's agenda is going to be especially crowded because, in addition to several new initiatives, a number of major rulemakings and organizational reforms that have been progressing for many months will come to fruition.

There is no better time and place to lay out the SEC's 2008 agenda than here at SEC Speaks. So in fifteen minutes, let me offer a cook's tour of the more than two dozen top priorities for the agency in the coming year.

First and foremost, the SEC is a law enforcement agency, and so it's with Enforcement that I'll begin.

Over the past year, the SEC has distributed more than \$2 billion in penalties and disgorgements to injured investors — and more than \$3.5 billion since 2005. This year, we intend to significantly exceed last year's mark, and return the bulk of the remaining \$5 billion we've collected from fraudsters and securities law violators to the investors they cheated. To see to it this happens, we've just announced the creation of the Office of Collections and Distributions, which is headed by an exceptionally talented team of financial experts and managers led by Richard D'Anna and Lynn Powalsky. Their job will be to build on what the agency has learned in the first few years of our experience using the Fair Funds authority of Sarbanes-Oxley, and truly professionalize these distributions back to investors. By mid-2008, this new Office and its dedicated staff will be contiguously located in dedicated space in the Headquarters office, and they will be up and running with their full complement of 34 professional staff. Another of their important tasks will be

centralizing the collection functions of the agency — and by doing that, they'll free up valuable enforcement resources in each of the SEC's 12 offices.

As you know, we've just celebrated the Chinese New Year, which inaugurated the Year of the Rat. But at the SEC, 2008 will be the year of the Phoenix. That's the name of our updated software system that will track every disgorgement, penalty, and other monies owed to the SEC and to investors. The new Phoenix system will carefully track these claims and funds from the beginning of the process until the last dollar is returned to its rightful owner. Ever since the Sarbanes-Oxley Act vastly expanded the SEC's responsibilities in this area over five years ago, the agency has needed such a system. This year, for the first time, we will have it.

Another significant 2008 initiative is designed to confront the problem of suspected insider trading, securities fraud, and market manipulation by hedge funds and other large, non-public investors. This kind of activity remains a significant threat to market integrity. In 2008, a special enforcement working group, headed up by Bruce Karpati, will integrate the skills of a number of professionals to tackle this problem. Any hedge fund or other large investor who thinks they'll get away with dishonest and unfair dealing in our markets will face the concentrated resources of a relentless SEC.

To deal with the global threat of Internet fraud and the special enforcement challenges it presents, the Division's Office of Internet Enforcement, under the leadership of John Stark, will continue to focus a spotlight on this shadowy technological underworld. This group's message to cybercriminals is clear: we'll find you, wherever in the world you are, and make you pay for what you're doing to innocent and unsuspecting investors.

The subprime crisis and its still-unpredictable consequences present immediate problems for both the United States and global markets. We've already launched an initiative in this area to investigate possible fraud or breaches of fiduciary duty involving collateralized debt obligations. Among the issues confronting us this year will be determining whether bank holding companies and securities firms made proper disclosure in their filings and public statements of what they knew about their CDO portfolios and their valuations. We'll determine whether brokers carefully followed suitability requirements when they sold complex debt-related derivatives that shortly afterward went bad. And in this area, as elsewhere, we'll be investigating whether unscrupulous insiders used non-public information to bail out of these securities or to sell them short, in violation of the securities laws. Our subprime working group, led by Cheryl Scarborough, is well underway with these investigations.

Each year, hundreds of thousands of ordinary investors are victimized by unscrupulous manipulators who prey upon the OTC markets in what we call microcap fraud. These financial sharks are betting that because of such mammoth responsibilities as the subprime mess, the federal government won't have the resources or the inclination to go after them. They've bet

wrong. In 2008, our microcap fraud group in the Enforcement Division will set new standards for the efficient use of resources in tracking down shell company manipulators, pump-and-dump artists, and Internet spam fraudsters. John Polise, who leads this group, has an exceptionally able team who will be developing innovative ways to cover the very broad waterfront in this area.

Ensuring the integrity of the municipal securities market is another priority for our enforcement program in 2008. The reason for this priority is simple: the size of the municipal market is enormous, with \$2.5 trillion of securities outstanding. That's roughly the GDP of China. And more than two-thirds of that amount is held, directly or indirectly, by individual investors. Our municipal fraud working group, headed up by Mark Zehner, will be firmly focused in 2008 on ferreting out fraud in the municipal bond market and punishing its perpetrators.

Yet another Enforcement initiative is designed to let every professional in the Division be more efficient and more successful in uncovering evidence of fraud, and in winning the agency's cases. For the first time ever, in 2008, every Enforcement attorney and staff member will have access via our Intranet to the entire inventory of agency cases, and the knowledge base that goes with them. This remarkable new law enforcement system, called "The Hub," has just been rolled out nationally in every one of the agency's regional offices and at headquarters. It will allow Division management to allocate professional talent to best fit the needs of each case, and it will permit us finally to realize the dream of a truly national enforcement program that seamlessly integrates all of the SEC's resources.

This coming year will also see the inauguration of a major initiative to knit together the agency's resources in another area: the identification of market risks and dangerous illegal practices before they metastasize into truly lethal consequences for investors. This year, the Office of Risk Assessment — an important addition to the Commission's structure under the leadership of former Chairman Bill Donaldson — will be significantly expanded to provide resources and analytical support to the Divisions of Enforcement, Trading and Markets, Investment Management, and Corporation Finance, as well as the Office of the Chief Accountant and the Office of Compliance Inspections and Examinations. Our 2008 management plan will more than double the professional staff devoted to the vital function of looking around the corners and over the horizon, so that the SEC's efforts will not always be focused on the money that got away, and the lessons of the last major scandal. With the brainpower of nine men and women and the latest quantitative and analytical surveillance tools, the significantly expanded Office of Risk Assessment will help direct agency resources to where they can do the most preventative good.

Another high-profile collaborative effort that will bring together the resources and talents of multiple Divisions and Offices during 2008 is our agency-wide Subprime Task Force. I've already described the significant initiative being taken by Enforcement through its Subprime Working Group. But of course the events that gave rise to the current market turmoil involve far more than

enforcement issues.

In particular, through our Consolidated Supervised Entity program for the largest investment banks, the SEC is focused on the central questions of the quality of risk controls and liquidity at the level of the holding company for these systemically important firms. Under this program, the Division of Trading and Markets monitors both the regulated broker-dealer and the holding company's unregulated affiliated entities at Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch, and Morgan Stanley. Beyond its overarching responsibilities for supervision of these firms, the Division of Trading and Markets also has lead responsibility for executing the agency's new regulatory authority under the Credit Rating Agency Reform Act. Of course, the role of the credit rating agencies in the subprime developments is also of central importance. For all of these reasons, our agency-wide Subprime Task Force is chaired by Erik Sirri, the Director of the Division of Trading and Markets.

One important aspect of evaluating liquidity for an investment bank's holding company, including its unregulated affiliates, is the strength of the firm's internal risk management systems. The Division of Trading and Markets is particularly focused on this through the CSE program. In addition, the Office of Compliance Inspections and Examinations, through its broker-dealer examination program, is collaborating with Trading and Markets on the oversight of brokerage firms and investment banks.

There are also significant accounting questions in the subprime area, such as when off-balance sheet CDO-related liabilities will be forced back on to a sponsor's balance sheet. For these reasons, the Office of the Chief Accountant is also a key member of the Task Force.

The adequacy of public company disclosure surrounding these issues is a key focus for the Division of Corporation Finance, and so they too are important participants. We've had to rely heavily on the expertise of the Division of Investment Management as well on questions including the impact on money market funds, and the Office of the General Counsel is consulted on a daily basis on close questions of law in each of these areas. Each of the heads of these Divisions and Offices is therefore also a member of the SEC's Subprime Task Force, which is truly an ambitious organizational response to the entire spectrum of subprime issues.

2008 will be a big year for rulemaking as well.

The Division of Trading and Markets, under the leadership of Tom McGowan and Mike Macchiaroli, will lead the way with proposals for new, more detailed rules under the new Credit Rating Agency Reform Act that respond directly to the shortcomings we have seen through the subprime experience. Among the proposals that the Commission may consider in the spring are rules that would require credit rating agencies to make disclosures surrounding past ratings in a format that would improve the comparability of track records and promote competitive assessments of the accuracy of past ratings. In

addition, the Division may propose rules aimed at enhancing investor understanding of important differences between ratings for municipal and corporate debt and for structured debt instruments.

I have also asked the Division to present proposed rules to the Commission that begin to address the significant shortcomings that we've identified in the municipal market. The recent financial stress on monoline insurers has heightened the importance of timely and rigorous disclosure that investors can understand. We have had ample illustration already of what happens when investors fail to look past an AAA rating to do independent analysis themselves — a problem that was exacerbated when important information was not supplied to the market in real time.

One of the shortcomings we have seen in the municipal market is the difficulty that investors often experience trying to get their hands on the disclosure documents for municipal securities. To deal with this problem, next month the Commission will consider amendments to Rule 15c2-12 that will authorize the Municipal Securities Rulemaking Board to create a "muni-EDGAR," modeled on the SEC's own EDGAR system that gives investors access to all filings by public companies. This would be a free, one-stop electronic database, accessible to all investors via the Internet, that would contain official statements, annual financials, and material event notices filed in connection with a municipal security.

Another problem we've seen in the municipal market is the inadequacy of pricing information for floating-rate municipal bonds, such as auction rate securities. Later this year, the Division of Trading and Markets will recommend to the Commission a rule aimed at improving the pricing transparency for these securities.

Under the direction of David Shillman and Martha Haines, the Division is currently working on additional 2008 municipal rulemaking initiatives as well that will address other deficiencies in municipal disclosure and accounting.

The Division of Trading and Markets is also tackling two major issues in market regulation that have arisen as a result of the demutualization of exchanges: the new imperative for SRO rules implementing responses to exchange competition to take immediate effect; and the competitive importance of market data revenues to the business model of today's exchanges. For many years, although the Exchange Act by its terms requires the SEC to publish SRO rule filings for comment — and if the rule is to be approved, to do so within 35 days — the Division has routinely requested that the exchange agree to extend these deadlines while the rule was weighed and considered within the agency. The result was that it could take years before exchange rule filings were finally approved.

This regulatory model is obviously incompatible with the current exigencies of competitive exchanges, in which a competitor operating under a different regulatory regime might be free to pirate a new proposal while it is under review by the SEC for an extended period. For several months, Trading and

Markets has been focused on redesigning the rule approval process to make it more efficient. And during the first half of 2008, the Division will propose to the Commission a new rule of internal procedure that will codify the new approach. This streamlining of the SRO rule approval process will be an important contribution to keeping U.S. exchanges competitive.

During the last year, the Division of Trading and Markets and each of the Commissioners have been intently focused on the novel and important questions of the pricing of market data. Market data permits the essential price discovery upon which a well ordered market depends. Internet and media companies petitioned the Commission to consider their point of view on these issues, and in that connection as well as others, the Commission and its staff have carefully weighed the available evidence. The result of that analysis, which was deliberately thorough because the Commission's first decisions in this area will be precedent setting, will be reflected in an upcoming vote by the Commission.

Yet another important issue that will be resolved through rulemaking in 2008 is the kind of disclosure that investors are entitled to at the time of sale when they buy mutual funds. For several years now, the SEC has been studying how to improve the information that customers get at the point of sale about fees, expenses, and conflicts of interest. I have asked the Division of Trading and Markets, under Erik Sirri's leadership, to prepare a rule for Commission consideration that takes full advantage of the latest Internet technology to get investors the very best information on these subjects in a form they can readily understand. You should expect the Commission to consider this rule proposal by summer.

2008 will also be the year in which, after many years of debate, frustration, and litigation, the confusing thicket of intertwining broker-dealer and investment adviser regulation will be cut down to size. At my direction, the long-awaited RAND study of the marketing, sale, and delivery of financial products and services to investors was accelerated — and the completed work product was delivered to the agency in December.

It is hardly the fault of modern investors that, seven decades ago, the Congress didn't foresee the evolution of discount brokerage, electronic information, 401(k)s, and full-service financial institutions. But while the statutes are old and don't quite fit today's markets and investor needs, the SEC's exemptive authority is broad — and through a combination of rulemaking and working with Congress, we can revitalize the essential purposes of these laws. I have tasked the Directors of the Divisions of Trading and Markets and Investment Management to work together to reconcile these seemingly ancient statues with today's marketplace realities. Beginning this spring, the Commission will consider the comments we've received on our interim final principal trading rule that rationalizes the two very different regulatory regimes governing broker-dealers and investment advisers in a way that benefits both investors and markets. And shortly afterward, the Commission will consider approving an agency-wide work plan that lays out a definitive roadmap for future action.



Beyond this important collaboration with Trading and Markets, the Division of Investment Management is taking the lead on another 2008 rulemaking designed to improve disclosure for mutual fund investors. Last fall, thanks to the leadership of Susan Nash, the Commission proposed rules to authorize a "summary prospectus" for mutual funds — a short, investor-friendly document that discloses a mutual fund's investment objectives, as well as all of the information about fees, risks, performance, and other vital subjects that customers need to understand to make a sound investment decision. Using the Internet, investors could drill down from the summary prospectus to more detailed information, depending on their interests and needs. This month marks the end of the comment period on this proposal, and I anticipate that the Division of Investment Management will present a final rule to the Commission by the summer that responds to the public's comments and suggestions — and makes Internet delivery of the mutual fund summary prospectus a reality.

Yet another major rulemaking for 2008 on the Division of Investment Management's agenda is a complete overhaul of Rule 12b-1. As most of you know (but most retail investors don't know), this is the rule that permits mutual funds to pay out nearly \$12 billion a year in investors' assets for purposes such as reimbursing brokers for their expenses of marketing the funds to other investors, and for various administrative services. The rule was adopted nearly three decades ago, and this past year I announced that the Commission would be conducting a major reevaluation of how it is or isn't serving investors. Since then, the Commission and our staff have hosted a roundtable of experts and met with representatives of investors, mutual funds, broker-dealers, and academics to discuss a variety of options for reform or repeal of the rule. Based on all of this input, the Division of Investment Management, headed by Buddy Donohue, is readying a formal rule proposal for this spring.

The Division of Corporation Finance also has an aggressive rulemaking agenda for 2008, as Division Director John White recently outlined in San Diego in his speech (available at <http://www.sec.gov/news/speech/2008/spch012308jww.htm> ) before the Securities Regulation Institute. One important rulemaking effort will be a continuation of the work begun in May of last year, when the Commission held three roundtables on the proxy process. Those roundtables focused on the relationship between the federal proxy rules and state corporation law, as well as new developments in technology that have led to the Commission's adoption of our e-proxy rules and the creation of new opportunities for electronic shareholder forums. During 2008, the Division will continue to pursue our fundamental objective of making the federally-regulated proxy system fit better with the state-authorized rights of shareholders to determine the directors of the companies they own.

Another of our priorities in 2008 will be the protection of our nation's seniors from investment fraud that threatens their life savings. Already, the 37 million Americans who are 65 and older account for 12% of the nation's population — and because the next generation of older Americans will live

longer than ever before, that fraction is rapidly growing. Many of them will outlive their retirement savings unless they become more aggressive investors, making this demographic especially vulnerable to fraud. That's why, in 2006 and 2007, we strengthened our investor education programs for seniors, and conducted targeted examination sweeps of firms that sponsor misleading "free lunch" sales seminars. We brought dozens of enforcement actions against swindlers who target seniors, and we joined with state securities regulators, the North American Securities Administrators Association, the Financial Industry Regulatory Authority, AARP, and others to expand our scope and impact.

Today, I'm pleased to announce that in 2008, the SEC, NASAA, and FINRA will launch a new initiative designed to identify effective practices used by financial services firms in dealing with the special challenges faced by senior investors.

Neither we, nor our fellow regulators, nor even the best financial services firms have all the answers to such tough questions as how to deal with the sudden onset of diminished capacity, the not-known problem of unscrupulous relatives, and the competing demands that uncertain medical needs and longer time horizons place on seniors' risk profiles. All of us — and particularly senior investors — will benefit from this effort to stimulate fresh thinking. As part of this work, we will solicit input from investors, broker-dealers, investment advisers, and a broad cross-section of the business community. The results will help inform the special approaches that firms may wish to take when it comes to marketing and advertising to seniors; opening accounts for clients of all ages; conducting reviews of the firms' relationships with clients as those clients grow older; and tailoring surveillance and compliance reviews and employee training to focus on these issues of special significance for older investors. We'll make our findings from all of this work public at the 3rd Annual Senior Summit later this year. I would particularly like to thank Lori Richards and Kristi Kaepplein for leading this important initiative.

Not only for senior investors, but for market participants of all ages, cutting through the fog of complexity in financial statements has never been more important. One of the lessons from Enron and the other major accounting scandals of the late 1990s is that our current system of financial reporting is so complex that fraud can easily be hidden in its thicket of rules. Last summer, the SEC, the Financial Accounting Standards Board, and the Public Company Accounting Oversight Board established an advisory committee, the Committee on Improvements to Financial Reporting (CIFIIR), to study the causes of complexity in the U.S. financial reporting system. I particularly want to thank Bob Pozen, the Chairman of CIFIIR, and each of the 16 other members who have brought their diverse perspectives and expertise to bear on this project. Next week, this Committee will make a number of concrete proposals for SEC action aimed at reducing unnecessary complexity and making financial information more useful for investors. I have asked the professional staff of the agency's offices and divisions to analyze these proposals as soon as we receive them, and to provide recommendations to the Commission for possible consideration later this year.

I said at the outset that it is no longer possible for the SEC to do its work in the United States without a truly global strategy — because, in large measure due to today's instant communications and technology, what goes on in other markets and jurisdictions is now intimately bound up with what happens here. That's why the most significant initiatives we expect to complete in 2008 are in the international and technology arena. Mutual recognition, international accounting standards, and interactive disclosure will all be the subjects of important rule proposals that will be presented to the Commission in late spring. And they are all closely interrelated.

"Mutual recognition" describes the concept of allowing U.S. investors to have the benefit of direct access to foreign markets and foreign broker-dealers, provided those entities are supervised in a foreign jurisdiction with high standards under a securities regulatory regime that will provide investors with a high level of protection similar to what they enjoy in the United States. Over the past year, the Office of International Affairs, the Division of Trading and Markets, and the Division of Corporation Finance have been working together to develop a proposal for Commission consideration that will establish an overall framework for mutual recognition. At the same time, the Division of Trading and Markets has been preparing amendments to our Rule 15a-6 governing U.S. investor contacts with foreign broker-dealers to ease some of the anti-investor restrictions that hinder international commerce in financial services. I expect that the Commission will consider both sets of proposals in early 2008.

The same imperatives of ever-faster communications, ever-more-closely linked markets, and truly global competition for capital that underlie our conceptualization of mutual recognition have for several years been driving the project to converge the world's two great accounting systems — U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. Because of the significant progress that has been made in developing IFRS as a high-quality accounting standard — and in light of its rapid and growing acceptance around the world — the Commission last year voted unanimously to take the next step on the SEC's "roadmap" announced three years ago. As a result, foreign issuers can now file their financial statements with the SEC using IFRS, without need of keeping a second set of books under U.S. GAAP.

Then, last August, the Commission issued a Concept Release seeking advice on whether U.S. issuers should be allowed to choose to prepare financial statements using IFRS. And in December 2007 we held roundtables on this subject and heard from more than two dozen experts. The many comments the Commission has received make one thing exceptionally clear: the rapidly growing acceptance in the rest of the world of IFRS as a high-quality accounting standard will make the U.S. GAAP-IFRS convergence project increasingly important for U.S. investors and issuers. In 2008, the Division of Corporation Finance and the Office of the Chief Accountant, led by Wayne Carnall and Julie Erhardt, will formally propose to the Commission an updated "roadmap" that lays out a schedule, and appropriate milestones on which the schedule will be conditioned, for continuing the progress that the

United States is making in moving to accept IFRS in this country.

The third pillar of this international strategy — the adoption of a global computer language for the exchange of financial information — goes hand in glove with the concepts of a common accounting language and mutual recognition of high-quality securities regulation. A standard data format for sharing financial statements and other information that is important to investors will facilitate the kind of comparisons among global investment options that investors need. The international movement to employ eXtensible Business Reporting Language for this purpose will let investors easily find and compare business and financial data with the same ease of doing a Google or Yahoo! search today. And it promises to let companies prepare their financial information more quickly, more accurately, and for less cost. In 2008, following years of evaluation and experience through the SEC's voluntary XBRL pilot program, the Commission will consider a rule for the use of interactive data by U.S. reporting companies that will parallel efforts already underway in other countries. David Blaszkwosky, who heads the SEC's Office of Interactive Disclosure, has been an important leader in this initiative.

All of this may seem like a dizzying array of rule proposals, and a remarkably ambitious agenda for a single year. But the truth is, there are more than two dozen more pending Commission initiatives that I have not had time to outline here this morning. Almost every one of the proposals I did describe has been developed over a period of several years, so that each of them is primed for consideration and action in 2008. Above all, every one of them has in common that it is focused on building stronger markets, better protecting investors, and promoting the international integration of high standards for securities trading.

Each of you in this room understands the work of the SEC at a very high level of complexity. But sometimes for that reason, we don't often step back and consider the sum total effect of the work that we do on building the global economic strength that is so essential to peace and freedom here and around the world. Yet every one of you implicitly knows it. That's why you're here. Many of you have devoted your lives to what this agency does. It is truly a noble calling. There is no clearer hallmark of that than the incredibly high caliber of the men and women who work at the SEC.

On this February morning of our 74th anniversary year, I'd like to hold out as a shining example for all of us a woman who literally dedicated her life to the work of the SEC and the well being of her fellow professionals here.

Until just a few days ago, Annie O'Donoghue was the Director of the SEC's Office of Administrative Services. She was a vibrant presence, and it is hard to imagine that she's no longer among us. Sadly, Annie passed away this week after a brave battle with Lou Gehrig's disease. Those of you who knew Annie can even now hear her laugh — which was all at once distinctive, hilarious, and contagious. She loved DC's soccer team. And hiking. And she was the best gardener in the neighborhood. That was fitting, because in

everything she did Annie liked to help things grow. She was a builder. She knew that the SEC is more than its rules and regulations — it's all about people. And she believed that by giving the SEC's people the care and support they needed to do their jobs and to help others, she was every bit as essential to the agency's mission of investor protection and economic growth as the best rule writer or the sharpest trial counsel. And of course, she was right.

Among Annie's many remarkable achievements was the successful management of the construction and build-out of the SEC's new Washington headquarters, and the Commission's New York and Boston Regional Offices — all at the same time.

But her most cherished achievement was her work overseeing the construction of the new Child Care Center here at the SEC's headquarters. Annie cared deeply about the environment, and placed high priority on constructing the Child Care Center in an environmentally conscious way. She would have been thrilled to know that, this very week, the Child Care Center into which she poured her heart and soul won a Building of America Award for its design and construction.

She loved children. And she loved the Center. And now, when you walk down that hall and see the happy faces of the young children, you know that Annie has built something that will endure for as long as the SEC's mission relies on caring people with loving hearts. So this morning, in honor of Annie's legacy and the agency's 75th anniversary, it is my privilege to announce that the SEC is inaugurating the Annie O'Donoghue Scholarship to assist deserving youngsters to attend the Child Care Center. I think she would have liked that.

Last year at this gathering, I reminded the men and women of the SEC that you are very real heroes, in every sense. Annie was certainly a hero. And so, too, are all of you who are upholding our country's high ethical standards and who work each day, in the government and in the private sector, to protect the integrity of our markets and to encourage capital formation and economic growth. That is our mission at the SEC, and I'm proud to be one of you.

*<http://www.sec.gov/news/speech/2008/spch020808cc.htm>*