



U.S. Securities and Exchange Commission

Speech by SEC Chairman: Remarks on Acceptance of the Atlantic Leadership Award from the European-American Business Council

by

Chairman Christopher Cox

U.S. Securities and Exchange Commission

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Thank you, Stu [Stuart Eizenstat, Council Co-Chairman], for that very generous and warm introduction. That kind of warmth is especially nice on what has turned out to be a wet and chilly morning. Happily, the freezing rain outside is a sharp contrast to the continuing warmth of trans-Atlantic relations that is reflected in this room.

I'd like to thank the leaders of this organization — including [Council CEO] Mike Maibach, from whom we've just heard, and Ambassador Eizenstadt, who so ably represented the United States to the European Union — for the extraordinarily positive influence that you, your board and executive leadership, and your entire membership have had on the growth of trade and commerce between our continents. In the midst of so many of you who have shown a lifelong commitment to the trans-Atlantic partnership, it is truly an honor to accept the Atlantic Leadership Award.

The fact that I follow in the footsteps of European and American leaders such as Secretary of Commerce Carlos Gutierrez and EU Ambassador John Bruton in receiving this award makes it all the more meaningful to me and to the SEC. Most of all, I am honored to share this award with my friend and respected colleague, Charlie McCreevy, who has done so much to liberalize and integrate the European market as EU Commissioner for the Internal Market.

Not too many years ago, the work of the SEC was primarily focused on the U. S. domestic market. This was hardly surprising, since ours is after all the largest capital market in the world. But today, in 2008, the SEC's agenda — and my priorities as Chairman — are unmistakably focused on international issues.

In a few months, I'll begin my fourth year as Chairman of the SEC. And in that brief span of years, I've seen the international work of the Commission grow vastly in importance. These days it easily comprises more than half of my time and responsibilities. That's because the pace of events in the world's capital markets over the last few years has made the rational integration of markets, and hence global regulatory cooperation, the most pressing issue for both investor protection and healthy capital formation in the early 21st century.

It isn't just the combination of the NYSE and Euronext, or Nasdaq's bid to acquire the OMX exchange in Stockholm, or Borse Dubai's investments in Nasdaq and the London Stock Exchange that have made this so. These obvious signs of global market convergence, and many other examples such as Eurex Frankfurt's acquisition of the U.S.-based International Securities Exchange, and the London Stock Exchange's recently completed merger with Borsa Italiana, are undeniably important. But they're not so much the causes as the consequence of the fact that both individuals and companies now have the technological capability and market opportunity to raise and invest capital beyond their geographic boundaries. Even Microsoft's proposed acquisition of Yahoo!, announced this morning, seems reflective of this trend, since both of these globally active companies have contributed to the instant availability of financial information to investors around the world — and much of what they potentially have in common revolves around the growing international demand for seamless cross-border information.

Investors and users of capital want global markets. That's plain to see. Today, two thirds of American investors own securities of European issuers and other non-U.S. companies. That's a 30% increase from just five years ago. During that same period, European trading in U.S. securities has truly exploded, reflecting a worldwide trend. As we meet here this morning, foreign trading in U.S. securities is over \$33 trillion. That's more than twice the GDP of the entire European Union.

That's why rationalizing the interrelationships of our markets is so important. At the SEC, we've been hard at work on this. During the last year alone, I executed agreements with the College of Euronext Regulators; the German Federal Financial Supervisory Authority; the United Kingdom's Financial Services Authority; and the UK Financial Reporting Council — all directed to enhancing our trans-Atlantic regulatory, enforcement and supervisory cooperation.

As the investor's advocate, charged also with promoting capital formation, the SEC today is contending with the fact that despite all of the technical progress that is fueling investor demand for international trading, transatlantic investment still entails needless and often heavy additional regulatory costs.

Companies looking to list on markets outside their home country frequently face multiple and conflicting disclosure and accounting standards. European financial service providers, under current SEC rules, can't solicit U.S.

investors or offer advice in the U.S. unless they are dually registered with both the SEC and their home country regulator. Naturally, many foreign firms are reluctant to do this, since they're already subject to a full set of regulations at home. At the same time, today's globally active investors are faced with the daunting challenge of making investment decisions based on business and financial information that's often not comparable across borders.

And yet despite all of this, global securities trading and global capital formation are on the rise — because markets, issuers, and investors are demanding it. Our task as regulators is to lower the barriers to the efficient operation of the world's capital markets, by rationalizing the different regulatory approaches.

Of preeminent importance as we do this is our fundamental mission of protecting investors, maintaining orderly markets, and promoting capital formation. In all of these things, we are Europe's close partner. And how could it be otherwise? For not only is America the world's largest capital market, but together America and Europe represent 70% of the world's capital market.

Working together, we've learned a great deal from each other. When the NYSE and Euronext were preparing to combine, European governments told us that they found some aspects of the 2002 Sarbanes-Oxley law to be too costly compared to the benefits they offered investors. We clarified to their satisfaction that these rules wouldn't be exported to Europe by virtue of the transaction. More importantly, we learned from the European experience and the views of its regulators, and totally overhauled the way the internal control provisions of Sarbanes-Oxley are implemented. Beginning this year, we expect that process will be vastly more efficient and better focused, just as Congress intended, on what truly matters to investors. And later today, the SEC will announce that the Commission staff has begun a careful and systematic study of the costs and benefits of that process for companies of all sizes, including in particular smaller public companies.

We've also been working closely with Europe to strengthen and expand the use of international accounting standards. That's because accounting and disclosure rules are the bedrock of investor protection. Investors need a common accounting language that lets them compare the strengths and weaknesses of various investment opportunities.

Last year, the Commission voted unanimously to permit European and other non-U.S. issuers to prepare their SEC financial statements using International Financial Reporting Standards, without the need to keep a second set of books under U.S. Generally Accepted Accounting Principles. This was only possible because of the great progress that the International Accounting Standards Board has made in developing IFRS as a single, high-quality accounting standard that is implemented consistently in multiple jurisdictions around the world.

This year, the Commission will consider how we will map the future for U.S.

firms and International Financial Reporting Standards. But one thing is certain: the expanded use of a single, high-quality accounting standard will eventually empower investors to make better informed investment decisions by giving them information that is more easily comparable.

The European-American partnership is developing not just a common accounting language, but a common language of exchanging financial information as well. Beyond standard accounting rules, a standard data format for sharing financial statements and other information that's important to investors will facilitate the kind of comparisons among global investment options that investors need.

The international movement to employ technology for this purpose — specifically, a computer language known as eXtensible Business Reporting Language — will let investors take full advantage of International Financial Reporting Standards by helping them easily find and compare business and financial data with the same ease of doing a Google or Yahoo! search today.

This application of this new technology, which we call interactive data, will give investors quick access to the information they want in a form they can easily use. And it promises to let companies prepare their financial information more quickly, more accurately, and for less cost.

XBRL is already in use today in Belgium, Norway, Spain, the United Kingdom, and elsewhere throughout the European Union. Here in the United States, the SEC has created a new Office of Interactive Disclosure to coordinate an agency-wide disclosure modernization program based on interactive data. In the coming months, the Commission will consider laying out a roadmap for the adoption of interactive data by U.S. reporting companies that will parallel efforts in other countries that are helping make our capital markets truly global and interconnected.

Perhaps the most significant initiative we have underway at the SEC when it comes to building a common U.S.-EU capital market is our pursuit of mutual recognition of high quality securities regulation.

For several years, the SEC has been building relationships in Europe and throughout the world to protect investors and promote healthy markets. These relationships have now developed to the point where the next step is possible: forging a truly collaborative alliance of like-minded regulators.

While countries vary widely in their approaches to securities regulation, there are jurisdictions that share the SEC's commitment to investor protection and market integrity. The protections that these markets offer investors often mirror our own — in substance, if not in form. If the SEC and our like-minded counterparts can build the mechanisms we need to make our oversight and enforcement systems seamless, I believe that foreign financial service providers operating in the U.S. should be able to substitute compliance with their home jurisdiction's regulations for compliance with our own through a system of regulatory mutual recognition. This would result in increased

transatlantic market efficiency while enhancing investor protection.

I am pleased that the European-Atlantic Business Council has mutual recognition high on your policy agenda.

Later today, Charlie [McCreevy] and I will meet to discuss these and other issues that we're facing together as regulators. On Sunday I will travel to Amsterdam to rejoin these discussions with colleagues from securities regulators in both developed and emerging markets. This is hard work, but it's exceptionally important, and exceptionally rewarding — and it's the same hard work that this organization has carried on faithfully for nearly two decades.

The charter of the Council — "[t]o support unrestricted trade and investment between the U.S. and the EC, [and] promote a healthy, open and productive business environment between the two regions" — is the same vision that animates the international initiatives we are undertaking at the SEC. Our mutual task is an enormous one, truly global in scope. And it is matched in scale by the enormity of its importance. So thank you, each of you, for all that you do every day to make the European-American partnership stronger. On behalf of the thousands of men and women of the SEC, thank you, too, for this award. We are proud to be your partners.

<http://www.sec.gov/news/speech/2008/spch020108cc.htm>