

Statement by Securities and Exchange Commission Chairman Christopher Cox Concerning Companies' Activities in Countries Known to Sponsor Terrorism

FOR IMMEDIATE RELEASE
2007-138

Washington, D.C., July 20, 2007 - SEC Chairman Christopher Cox issued the following statement concerning disclosures filed with the Commission concerning public company activities in countries that the U.S. Secretary of State has determined to have repeatedly supported terrorism:

Since the SEC added to our Internet site a web tool that permits investors to obtain information directly from company disclosure documents about their business interests in countries the U.S. Secretary of State has designated "State Sponsors of Terrorism," the site has experienced exceptional traffic. Between June 25, when the web tool was unveiled, through July 16, visitors have "hit" material posted on the site well over 150,000 times. Iran was the country most frequently clicked on, followed by Cuba, Sudan, North Korea, and Syria. Those who went to a country list most often clicked through to the text of companies' own disclosure (in the case of Iran, they did so overwhelmingly), indicating that the disclosures were allowed to speak for themselves.

The web tool worked by pulling up the portions of a registrant's most recent annual report that discuss business activities in or relating to any of the five State Department-designated State Sponsors of Terrorism. It did not result from a mere "keyword" search of the SEC's "EDGAR" database, but rather excluded any registrant's discussion of any State Sponsor of Terrorism unrelated to the company's activities in that country (*e.g.*, generic descriptions of risk associated with the possibility of war), as well as any registrant's statements concerning the fact that the registrant does not do business in a particular State Sponsor of Terrorism. All of the disclosures were linked directly to the full text of the company's annual report to insure proper context. Moreover, the SEC added no commentary to the company's own disclosures except to state that the existence of a disclosure by a company concerning activities in one of the listed countries does not, in itself, mean that the company directly or indirectly supports terrorism or is otherwise engaged in any improper activity.

The Commission has received many positive comments about the usefulness of the web tool in finding company disclosures about their activities in countries that sponsor terrorism, a mission that the Congress has encouraged the agency to fulfill. At the same time, we have received many other comments that were negative, primarily from the registrants whose disclosures were findable using the web tool but also from others, focused chiefly on the lack of updated information beyond what a company has included in its most recent annual report. (The web tool as it debuted is limited to annual reports.)

These comments, both positive and negative, have been extremely useful to the Commission in evaluating the performance of the web tool. Because of the importance the SEC places on complete, accurate, and timely disclosure, we are particularly impressed with the concerns that have been expressed about the tool's inability to access more current data about a company's activities in a terrorist state since the date of their most recent annual report. Since more recent disclosure could include the fact that a company has completely terminated its activities in a country, that information could be material to a complete understanding of the disclosure in the last annual report.

To address these and related concerns, we are temporarily suspending the availability of the web tool while it undergoes reconstruction. We will work to improve the web tool so that it meets the various concerns that have been expressed. Alternatively, our staff is considering whether the use of interactive data tags applied by companies themselves could permit investors, analysts and others to easily discover this disclosure without need of an SEC-provided web tool at all. In the interim, the companies' disclosure regarding their business contacts in the five nations will continue to be available through the SEC's EDGAR database, and findable using our new full-text search capability.

The Commission staff will also consider whether to recommend a Concept Release on the question of how best to make public company disclosure of activities in terrorist states more accessible. The release would solicit public comment in a formal way, so that the Commission could ensure that all legitimate concerns can be met while providing better access to company disclosures on these topics.

The exceptional public interest that has been demonstrated in reading company disclosures on this topic indicates that it is an important subject for investors. Federal law and SEC regulations will continue to require public companies to report on their activities, if material, in a country the Secretary of State has formally determined to be a State Sponsor of Terrorism. Our role is to make that information readily accessible to the investing public, and we will continue to work to find better ways to accomplish that objective.