



# Center for Regulatory Effectiveness

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July 9, 2002

Mr. Harvey L. Pitt  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N.W., Room 6000  
Washington, D.C. 20549

Dear Mr. Pitt:

Recently, the Congress passed the Data Quality Act Amendment to the Paperwork Reduction Act (44 U.S.C. § 3516 note), a provision which could have an immeasurable impact on improving investor confidence in the stock market. Allow me to briefly outline the key features of the Act and how it could be used to strengthen existing financial markets.

The Data Quality Act required the Office of Management and Budget (OMB) to establish government-wide standards to ensure the quality of all data disseminated by all federal agencies to the public. It also required that each agency establish its own Data Quality guidelines conforming with those issued by OMB. In addition, the Act established an administrative mechanism through which interested parties may petition an agency for correction of "inaccurate" data. Failure of an agency to act to correct inaccurate data so identified is subject to remedy by the courts.

Application of the Data Quality Act to corporate data submitted to the SEC would empower those parties most affected by misleading data to correct it, be they shareholders, employees, pension funds, investment banks, or competitors.

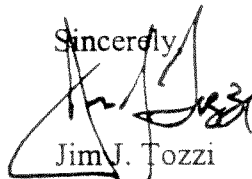
The Data Quality Act approach would not necessitate creation of an onerous bureaucracy and could be put into effect immediately. Furthermore, it recognizes the historical role of the SEC to police inefficiencies in the market. It also leverages the SEC's limited resources by having the agency use the correction process established by law in the Data Quality Act to respond to complaints arising from numerous affected parties, in lieu of conducting initial investigations.

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The SEC has already taken the first step, in that it proposed its Data Quality guidelines on May 1, 2002. Final guidelines must be promulgated in final form by October 1, 2002. However, as pointed out in CRE's comments on the proposed SEC guidelines, the SEC guidelines require considerable revision because they exempt public filings and allow the SEC to ignore the requirements of the Data Quality Act if the agency wishes.

I will be contacting you to arrange a time to meet with you or your representative on this matter.

Sincerely,



Jim J. Tozzi

Member, Board of Advisors