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United States Senate

WASHINGTON, DC 20510

March 31, 2011

Ms. Elizabeth M. Murphy
Secretary
Office of the Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

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OFFICE OF THE SECRETARY

RE: Improved Disclosure of Short-Term Borrowing Activities, File No. S7-22-10

Dear Ms. Murphy:

We write to you today to express our strong support for the SEC proposal to require companies to disclose average and maximum short-term borrowings over a quarter rather than just an end-of-quarter snapshot as is currently required. This common sense proposal is very similar to an amendment we sponsored during debate of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) to give investors critical information about companies' financial health.

As you know, short-term funding played a large role in the economic collapse of 2008. Many banks used short-term funding sources to stay afloat without adequate disclosure to investors. These additional sources of funding were deliberately misrepresented and hidden from not only investors, but also from regulators, in part because of glaring gaps in the SEC's disclosure requirements.

It has been widely reported that large companies whose collapse would pose serious risks to the financial system and the whole economy devised strategies to reduce the level of short-term debt they report at the end of the quarter while greatly increasing their debt in the middle of the quarter. This is dangerous behavior that could contribute to another financial crisis in the future, and the SEC's current disclosure rules are obviously inadequate if they incentivize companies to engage in such behavior. Increased disclosure, precisely as your rule proposes, would mitigate many of these abuses. By requiring banks and companies to report their average and maximum debt levels throughout the entire quarter, rather than at the end of the quarter, investors and regulators will be better aware of a company's true finances. This will both impose market discipline and give regulators such as the SEC a better picture of systemic risk problems if further action is needed.

Finally, in the modern era of advanced technology, it would not be burdensome for large companies to devise methods of identifying and reporting such information, even if such reporting was required on a daily or even real time basis. Companies that claim they are incapable of such reporting of their short-term debts are precisely the companies the SEC and other regulators should be scrutinizing as possible sources of future crisis.

We urge the SEC to implement tough disclosure requirements for short-term borrowings for financial firms and address the gaps in current account standards, precisely as the proposed rule does. It is a common-sense provision for investors, regulators and the general health of our economy so that we can move forward from the financial collapse of 2008.

We thank you for your consideration.

Sincerely,

Robert Menendez
United States Senator

Frank Lautenberg
United States Senator