

April 5, 2004

To Whom It May Concern

Re: File Number S7-14-04, Mandated Electronic Filing For Form ID

Pennsylvania Avenue Advisers appreciate the opportunity to submit comments on the Commission's proposal for changes to form ID. We applaud the Commission's effort to continue moving EDGAR toward a paperless filing environment and hope that other frequently filed paper forms, such as regulation D filings, will also soon become electronic if the experience with electronic filing continue to be positive. We would like to comment on certain technology aspects, as well as the notarization of signatures.

### **XML**

With the significant progress made by the use of XML on the OnlineForms website, electronic filing of Form ID should build on this progress and should also be based on this standard.

### **Third-party software development**

The Commission has encouraged third-party to develop software for the submission of filings<sup>1</sup> (Pennsylvania Avenue Advisers has taken advantage of this opportunity and launched recently a website, corporate-insiders.com). In order to allow third-party software to become fully self-contained, access codes should be returned to the applicant electronically, possible via SSL or a similar encrypted connection. This would facilitate the integration of Form ID submissions into third-party software, and would also make the filing process more convenient for other applicants, who can obtain their access codes online instantaneously.

### **Notarized signatures**

Currently EDGAR accepts signatures on all submissions in electronic format, and securities worth trillions of dollars have been registered electronically without notarized signatures. It is not clear in what way notarization will “ensure the security of the system,”<sup>2</sup> when compared to the current procedure of Form ID submission. Is the goal to protect the Commission's computer system from attack, or to verify the identity of the applicant? Is the Commission experiencing problems with unauthenticated signatures on Form ID at the moment?

If the Commission's primary concern is the elimination of abusive online requests for access codes, it will probably be sufficient to display a prominent warning message stating that abuse of the system will be prosecuted. This message can be combined with other procedures to trace an applicant, such as logging of IP addresses. Similarly, the submission website could display the applicant's geographic location, which can be determined through geo-coding of the IP address. The warning against abuse can be strengthened if the logged IP address and geo-coded location of the user are displayed on

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<sup>1</sup>“The expectation is that software developers, working on behalf of filers, will construct software that will generate an XML ownership filing that can be successfully parsed by the EDGAR Receipt Server.” In: publication of XML definitions, <http://www.sec.gov/info/edgar/edgar85xmlspec.htm>.

<sup>2</sup>Section II.B.

the same page.

However, if the Commission is concerned with verifying the identity of the person signing Form ID, then notarization is clearly not a strong enough safeguard. A signature guarantee would be more appropriate. Indeed, under the 1934 Act<sup>3</sup> transfer agents rely on signature guarantees as a standard procedure of identity verification, whereas notarized signatures are not acceptable. Signature guarantees may also speed up the processing of incoming faxes, as the Commission could scan electronically the bar code on signature guarantees, to the extent that they were obtained from an institution participating in the Medallion program.

In addition, foreign filers will find it much more difficult and costly to obtain notarized signatures. In most European and Latin American countries a notary is a lawyer subject to extra qualification and oversight requirements, whose role is substantially different from a U.S. notary public; notary fees are typically much higher than the maximum rate of \$10 observed empirically by the Commission in Washington, DC. Therefore, notarization of signatures will be significantly more costly and time-consuming to obtain for non-U.S. Applicants.

Other branches of the government are also accepting filings over the internet and do not require notarized signatures. For example, the Internal Revenue Service's e-file program accepted 53 million tax returns online<sup>4</sup> in 2003 without requiring additional authentication of signatures.

Finally, it appears inconsistent with the Commission's efforts to move toward an electronic filing environment if notarized signatures are required to be faxed. Although the proposal leaves open the possibility that codes will be issued upon receipt of the electronic request (and presumably revoked if the paper is not faxed within the two day time frame), a totally paperless application process is preferable.

Thank you again for the opportunity to comment.

Yours sincerely,

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<sup>3</sup>Securities Exchange Act of 1934, Rule 17Ad-15.

<sup>4</sup>Per <http://www.irs.gov/efile/article/0,,id=118508,00.html>