

Federal Update 2004-18

May 27, 2004

TO: NCTR Membership

FROM: Cindie Moore, Washington Counsel

RE: Economic Terrorism Commission

NCTR is a member of the Economic Terrorism Commission. The Commission is a work group that helps state and local government retirement systems stay apprised of federal government rules concerning investment in countries that sponsor terrorism. The National Association of State Auditors, Comptrollers, and Treasurers (NASACT) convened the Commission. The National Association of State Retirement Administrators (NASRA) is also taking part.

The 9/11 attacks raised questions about investment in countries that sponsor terrorism. NCTR members are large institutional investors. Their investments include owning stock in companies that are publicly traded on U.S. exchanges. The federal government has policies that limit the extent to which such publicly traded companies can do business in countries designated by the U.S. Department of State as sponsoring terrorism. In addition, companies must disclose the business they conduct in such countries.

Obtaining information about both the limitations and the disclosures has proven difficult. Congress acted in an effort to ease the burden by establishing an Office of Global Security Risk (OGSR) within the Securities and Exchange Commission (SEC). The OGSR will have oversight of the disclosures. The attached letter to the SEC indicates the Economic Terrorism Commission's interest in the disclosures and their willingness to meet with OGSR officials once the office is up and running. The National Conference of State Legislatures joined NCTR, NASRA, and NASACT on the letter.

I'll keep you apprised on developments.

If you would like to be removed from this list, please contact me at cmoore@nctr.org



National Association of State Auditors, Comptrollers and Treasurers

National Conference of State Legislatures
National Association of State Auditors, Comptrollers and Treasurers
National Association of State Retirement Administrators
National Council on Teacher Retirement

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May 10, 2004

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On behalf of the national organizations listed above—representing state institutional investors, state governments, public retirement systems, and millions of public employees, retirees, and beneficiaries—we applaud Congress and the Securities Exchange Commission for recognizing the strong need to establish an Office of Global Security Risk within the SEC. The Office of Global Security Risk will assist investors by requiring publicly traded companies to disclose business they conduct in states designated by the State Department as sponsoring terrorism. We are hopeful that we can schedule a meeting with the SEC to further discuss the work of this important new office and its impact on institutional investors.

Full disclosure will assist institutional investors who represent a significant segment of the investor universe. Institutional investors have been subjected to negative news reports based upon the false premise that institutional investors are unknowingly “supporting” terrorist activities. These reports are often not only unwarranted, but unfair as institutional investors have no way to determine which companies or their subsidiaries are, in fact, doing business in countries considered by the federal government to be supporting terrorism. The federal government is uniquely situated to determine which activities by companies should be addressed. We are interested in working with the SEC to assure that any required disclosures provide useful and appropriate information to ascertain whether companies are engaging in business which might support terrorism. Requiring disclosures merely that a company or its subsidiary does business in a country designated by the state department is not informative and may, indeed, be hurtful to the reputation of companies which are conducting permitted activities within these countries.

EXECUTIVE DIRECTOR

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Lexington, Kentucky

The Honorable William H. Donaldson

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We applaud the SEC's current efforts and respectfully request a meeting to further discuss our concerns. Should you have any questions or require any additional information please feel free to contact our Washington representatives.

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