

Federal Update 2005-1

January 11, 2005

TO: NCTR Members

FROM: Cindie Moore

RE: Meeting with Securities and Exchange Commission (SEC) about
Terrorism

Hi everyone and Happy New Year!

Our first update this year recaps a meeting with the SEC Office of Global Security Risk (OGSR) about disclosure of investments in companies with ties to countries that sponsor terrorism. Congress created the OGSR to ensure, among other activities, that all companies that operate in such countries and the stock of which is sold on U.S. exchanges disclose such activities to investors.

Representing public plans at the meeting were Karen Kilberg, NCTR's President, and myself. Others who participated included officers and staff of the National Association of State Retirement Administrators; the Council of Institutional Investors; the National Association of State Treasurers, Auditors, and Comptrollers; the National Conference of State Legislatures; and the National Association of State Treasurers.

A summary of the meeting appears in the letter that follows.

For information about NCTR's other activities in the area terrorism investments, see Federal Update 2004-26 (see text under "Legislative Issues") and 2004-18 (entire document).

- Mandate readily accessible disclosures via a unique filing type or a unique header in 10-K or 10-Q filings. While companies will be required to disclose the existence of any material activities in terrorist-sponsoring countries in the annual and quarterly 10-K and 10-Q filings, OGSR noted that the SEC's current rules do not mandate that disclosure be provided in a specific place or under a special header in the filings.
- Provide a searchable, publicly available database—predicated on the coordinated work of the SEC and other federal departments/agencies involved with homeland security issues—of public companies with material business or operations in countries classified as supporting terrorism or subject to sanctions. We believe a federal database is most appropriate as fee-based lists provided by private organizations can have a high degree of subjectivity and may not include credible or authoritative information sanctioned by the federal government. They are also not without significant transaction costs and investment implications. Risks to corporate share value and reputation stemming from business interests in higher-risk countries cannot be properly assessed unless the information is credible, transparent and readily available.

We appreciate having had the opportunity to meet with you to discuss OGSR's initiatives and to begin what we hope will be an ongoing important dialogue. We are very hopeful that the work of your office will ultimately result in information being available to investors that is both useful and easily accessible. We look forward to continuing discussions on this important topic and hope that you will look to our organizations as a valuable resource.

Should you have any questions, or need additional information, we urge you to contact our representatives in Washington, DC:

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cc:

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