

Industry group blasts SEC on proposed rule change

By Craig McGuire

NEW YORK: Heating up an already hotly contested issue, the Securities Industry Association (SIA) has blasted the Securities and Exchange Commission's proposed rule changes on selective disclosure.

The SIA's complaints were aired in a 20-page document recently submitted to the SEC.

"Regulation FD [the formal name of the proposal]...will constrict the flow of information and will thereby impair the operation of the marketplace as a reflector of value," the document stated. "The Commission is imposing...onerous and intrusive guidelines, all because of a relatively few - but highly publicized - misguided incidents, some of which on investigation may have proved to have been entirely innocent."

The SEC began soliciting comments on Regulation FD after introducing it last fall, and chairman Arthur Levitt has made it clear that the issue is a top priority for him. Spokesman John Heine said SEC policy prohibits him from discussing submitted comments.

The SEC recently extended the comment period, scheduled to end March 28, through April 28 (PRWeek, March 27). Although the decision was made after the SIA and the

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American Bar Association requested an extension, Heine would not say whether or not pressure from the two groups spurred the move.

While the SIA may not be thrilled with the proposal, virtually all of the comments posted on the SEC's Web site favor the change. The majority of these comments are from individual investors who have traditionally been denied access to the analyst community enjoyed by larger institutional investors.

"As an officer of a publicly

traded company, I applaud the efforts of the commission to clearly define rules regulating such disclosure," wrote Concorde Career Colleges CFO Paul Gardner. "By instituting such regulations, I doubt that there will be less information available."

This is not the first time that the SIA has come out publicly against the proposal. In a press release last December, SIA general counsel and SVP Stuart Kaswell said, "Our principal concern centers on the

chilling effect that may result from the SEC's more stringent regulations on what companies can tell the financial analysts who cover them for the clients of other firms."

The SIA suggested the SEC consider alternatives, including adopting some of the recommendations the National Investor Relations Institute published in its Standards of Practice for Investor Relations (April 1998) or stepping up enforcement of existing regulations.