



July 27, 2000

The Honorable Arthur Levitt
Chairman
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Proposed Regulation FD, File No. S7-31-99

Dear Chairman Levitt:

We, the current and many former Chairmen of SIA, are writing to express our serious concerns about proposed Regulation FD. Although we share your goals of investor protection and maximizing the flow of information to investors, we believe that the proposal would be counterproductive.

We applaud your ongoing efforts to encourage more open communication of corporate information to investors. Your longstanding campaign of moral suasion for broader dissemination has paid impressive dividends. Clearly, you have catalyzed a major change towards greater transparency and openness. This trend is likely to continue, thanks to investor demand for real-time access to information and the proliferation of technology to provide that information instantly and inexpensively.

However, this trend also raises the question of whether regulatory action is necessary or appropriate at this time, especially since the proposed regulation could have unintended adverse consequences on corporate communications. We think that proposed Regulation FD, while well-intentioned, will prove to be a setback for the free flow of corporate information to the markets. By requiring companies to make rapid-fire legal judgments about whether any given communication is "material," thereby triggering regulatory obligations, the rule is more likely to deter companies from transmitting information to the markets than to foster more information. We believe that the net effect of the rule will be to hinder the flow of information to investors.

We also are concerned that efforts to narrow the scope of the rule will be too little, too late. We believe that analysts should be able to probe issuers for critical information. Granting exemptions to narrow the scope of the proposal, while leaving its basic provisions intact will not ameliorate our concerns. For example, exempting the news media or rating agencies from Regulation FD could create an unfair competitive



advantage, and would not address the restriction on securities industry analysts' ability to probe issuers.

As an alternative to new regulations, we hope that the Commission will continue encouraging market participants to foster greater openness. Specifically, we suggest that the Commission consider sponsoring a blue ribbon panel, which would examine current practices and trends, and make appropriate recommendations for change. Such a dialogue among investors, issuers, information processors and both buy-side and sell-side analysts would give a further push to opening up issuer communications to the investing public without discouraging issuers from communicating with anyone. We recommend such efforts as a wiser alternative to proposed Regulation FD.

Sincerely,

James W. Brinkley
Legg Mason Wood Walker, Inc.

Howard L. Clark, Jr.
Lehman Brothers Holdings, Inc

Ralph DeNunzio
Harbor Point Associates, Inc.

Robert N. Downey
Goldman, Sachs & Co.

Benjamin F. Edwards III
A.G. Edwards, Inc.

Robert M. Gardiner
Morgan Stanley Dean Witter

J. Henning Hilliard
J.J.B. Hilliard, W.L. Lyons, Inc.

David W. Hunter
Hunter Associates, Inc.

Thomas A. James
Raymond James Financial, Inc.

Edgar D. Jannotta
William Blair & Co.

Robert E. Linton
Leslie Group, Inc.

Robert F. Shapiro
RFS & Associates



H. Virgil Sherrill
Prudential Securities, Inc.

John L. Steffens
Merrill Lynch & Co., Inc.

Irving Weiser
Dain Rauscher Corporation

C: The Honorable Isaac C. Hunt, Jr., Commissioner;
 The Honorable Paul R. Carey, Commissioner;
 The Honorable Laura S. Unger, Commissioner;
 David Becker, General Counsel;
 Meyer Eisenberg, Deputy General Counsel;
 Richard Levine, Assistant General Counsel;
 Sharon Zamore, Senior Counsel;
 Elizabeth Nowicki, Attorney;
 David Martin, Director, Division of Corporation Finance;
 Harvey J. Goldschmid, Special Adviser to the Chairman;
 Jonathan G. Katz, Secretary of the Commission.