



**Securities Industry Association**

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June 24, 2004

Mr. Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549-0609

Re: File No. 4-493, Request for Rulemaking Regarding Shareholder Communications

Dear Mr. Katz:

The Securities Industry Association (SIA) would like to comment on the Petition for Rulemaking Regarding Shareholder communications, submitted on behalf of the Business Roundtable (BRT) on April 12, 2004. The BRT requests in this petition “that the Commission conduct a thorough review of the current shareholder communications system” and recommends “that the Commission consider requiring brokers and banks to provide companies with contact information for all beneficial owners, and permit companies to mail proxy materials directly to all beneficial owners.” The BRT asserts that “the current communication system is overly cumbersome, circuitous and expensive,” and “as a result, it is very difficult and expensive for companies to communicate with their beneficial owners.”

SIA has been actively involved in the development and operation of the current shareholder communications system. SIA believes that the system – its structure, operation and economics – is functionally far superior to the system it replaced and also superior to any alternative that has yet been proposed, including the proposal described in the Business Roundtable petition. We have reached this conclusion based on extensive discussions with system participants and on the financial and operational metrics and audits we use to gauge its effectiveness. The strength of the system is the result of a balancing of the requirements of all participants – 14,000 large and small issuers, 800 large and small broker-dealers and millions of large and small investors. The system accommodates the very real concerns of investors to remain anonymous and the very real concerns of broker-dealers and banks to maintain confidentiality of their client contact information. As a result, we were surprised by the BRT’s petition for rulemaking because there have been no discussions between the BRT and SIA or its members or with the systems operator (ADP) about these concerns, or any indication that shareholder communications were not effective, in advance of the filing.

SIA’s member firms have a strong motivation to serve the members of the Business Roundtable, as well as other issuers. Corporate issuers and their shareholders are clients of securities firms. There is absolutely no reason for SIA member firms to operate a shareholder communications system that is less than optimal for all of that system’s participants. We believe the current system enables corporate issuers to communicate clearly and cost-effectively with their street name shareholders. We are confident in its efficiency, accuracy, reliability and functionality.

At the same time, we recognize the opportunity to make the system more effective through technology and the reduction of manual and paper processes. We have achieved significant results in this regard. Issuers have achieved savings of an estimated \$350 million per year as a result of technological innovations that have reduced mailings through “householding” accounts, the elimination of duplicate materials and electronic vs paper communications.

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The system has been under continuous review by its issuers and its regulators since 1996. Most recently, in 2001, representatives of the participants in the system formed the Proxy Voting Review Committee (PVRC) to perform an extensive review of the process. The PVRC was formed with the encouragement of the Commission's director of the Division of Corporation Finance and was chaired by the corporate secretary of the American Express Company and the former chairman of the American Society of Corporate Secretaries. The PVRC included representatives from the American Society of Corporate Secretaries (ASCS), the Association of Publicly Traded Companies (APTC), the Council for Institutional Investors (CII), the New York Stock Exchange (NYSE), the National Association of Securities Dealers (NASD), Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and the Securities Industry Association (SIA). Representatives of the SEC's Corporate Finance and Market Regulation staff participated as observers. The PVRC met ten times over an eight-month period and issued its findings and recommendations early in 2002, a copy of which is attached as **Exhibit I**.

Although the principle recommendations of the PVRC dealt with fees paid by issuers, it is relevant to the Business Roundtable's petition that the PVRC also discussed "all aspects of the process to ensure fairness and accountability to all constituencies involved," and included a proposal put forward by the ASCS that is similar to the BRT's petition. The ASCS decided not to pursue its proposal after hearing the views of broker-dealers (SIA) and institutional investors (TIAA-CREF and CII). In addition, the ASCS decided not to proceed to develop answers to a number of questions as to how its proposal would actually work in practice. Those questions are described in SIA's response to the ASCS proposal, attached as **Exhibit II**.

Rather than petitioning the SEC to consider re-engineering the entire process of shareholder communications, SIA believes that it makes far more sense for issuers to work with each of the participants in the system to address the specific concerns that they have. We have an excellent system in place, one that is the result of years of development and investment, and one that successfully balances a complex set of interrelated requirements.

There may be a better way to carry out this activity, and the Securities Industry Association is open to exploring new alternatives, but the standards of excellence that have already been set will be difficult to beat.

We look forward to working with issuers, the Commission and other interested parties to ensure that the shareholder communication process continues to operate efficiently and effectively. If you have any questions, or would like to discuss our views further, you may contact me at 212-618-0526.

Very truly yours,

Donald D. Kittell  
Executive Vice President

cc: Hon. William H. Donaldson, Chairman-U.S. Securities & Exchange Commission  
Hon. Paul S. Atkins, Commissioner  
Hon. Roel C. Campos, Commissioner  
Hon. Cynthia A. Glassman, Commissioner  
Hon. Harvey J. Goldschmid, Commissioner  
Giovanni P. Prezioso, General Counsel  
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