



July 9, 2002

The Honorable Tom Daschle
Majority Leader
United States Senate
SH-509 Hart Senate Office Building
Washington, DC 20510

Dear Mr. Majority Leader:

The Securities Industry Association (SIA)¹ supports the Senate Leadership's decision to move quickly to consider legislation addressing corporate governance and accounting reform. As an industry whose currency is the public's trust and confidence in our capital markets, we believe the erosion of investor confidence warrants a clear response from business, federal regulators, the Administration, and Congress.

Prompt action by the Senate on S. 2673 would do much to restore the public's trust and confidence in our nation's capital markets by demonstrating a real commitment to enacting key accounting and corporate governance reforms.

Although we do not have a position on Titles I, II, III and IV of the legislation, we are concerned about Title V, which deals with the regulation of securities research analysts. However, the need for Congress to act affirmatively is so great that we are willing to support Senate passage of S. 2673 with the analyst provisions as reported by the Committee as a means to move to conference on accounting and corporate governance reform legislation. We continue to support the securities research analyst provisions of H.R. 3763, the *Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 (CARTA)*, and we look forward to working with the Conference Committee to produce legislation that we can support.

We are very concerned that S. 2673 may become an attractive vehicle for numerous amendments that are unrelated to the bill's fundamental purpose. We will oppose the addition of highly controversial amendments which we believe will endanger passage of S. 2673. In particular, we adamantly oppose the addition

¹ The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of nearly 93 million investors directly and indirectly through corporate, thrift, and pension plans. In the year 2001, the industry generated \$198 billion in U.S. revenue and \$358 billion in global revenues. Securities firms employ approximately 750,000 individuals in the United States.



of legislation that would extend the statute of limitations for securities frauds (S. 2010). We also believe that absent a bipartisan agreement on pension-reform provisions, the Senate should consider pension reform separately.

SIA strongly opposes any amendments aimed at reversing the *Private Securities Litigation Reform Act (PSLRA)* or the *Securities Litigation Uniform Standards Act (SLUSA)* which extended *PSLRA* to the states. Both of these statutes have operated extremely well: while the number of lawsuits has increased, the settlement value of the suits has also increased. This rise in settlement value demonstrates that frivolous or non-meritorious lawsuits are either being dismissed or are not being filed.

Specifically, SIA cannot support amendments which would enrich plaintiff's attorneys through restoration of aiding and abetting liability, repeal of proportionate liability, elimination of the discovery stay, or re-imposition of treble damages civil RICO liability. *PSLRA* and *SLUSA* have worked well; indeed there is no evidence to the contrary nor have any hearings been held which would indicate otherwise.

The Senate is poised to pass legislation that contains significant and important policy changes in corporate governance and accounting reform. We oppose adding highly controversial amendments on substantive grounds and because they would threaten passage of the underlying legislation. We applaud the bipartisan manner in which S. 2673 passed the Banking Committee. Although our concerns over Title V are serious, we believe the Conference Committee will be able to resolve those issues in a satisfactory manner.

We appreciate your consideration of our views and we look forward to working with you to pass this important legislation.

Sincerely,

J. Steve Judge
Senior Vice President
Government Affairs
SIA