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# SEC's effort to track ties to terrorism ruffles feathers

By **Aaron Siegel**  
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NEW YORK — A new tool on the Securities and Exchange Commission's website that provides investors with a list of companies involved in countries designated as "state sponsors of terrorism" is raising eyebrows among lawyers and politicians.

The [site](#) identifies companies that have operations or activities in Iran, Sudan, Syria, Cuba and North Korea.

Some 43 companies are affiliated with Iran, 32 with Sudan, 22 with Cuba, 19 with Syria and five with North Korea.

Two banks — London-based HSBC Holdings PLC and Credit Suisse Group of Zurich, Switzerland — conduct business activities in each of the five countries.

"No investor should ever have to wonder whether his or her investments or retirement savings are indirectly subsidizing a terrorist haven or genocidal state," SEC Chairman Christopher L. Cox said late last month in a statement. "Our role is to make that information readily accessible to the investing public."

## **Guilt by association**

Maybe that's so. But some politicians and lawyers take issue with the site, saying it suggests guilt by association.

In a letter to Mr. Cox dated June 12, House Financial Services Committee Chairman Barney Frank, D-Mass., said that many of the companies named "may not be involved in the direct financing of terrorism," and the concept of a list is "unfair and perhaps counterproductive."

Several reports have indicated that at least one company listed already had divested its interests in terrorist-financing states, said Mr. Frank.

"By developing its list without any clear criteria, the SEC's efforts will dilute the effectiveness of publicizing the names of companies that do have material investments in the economies of rogue states," he wrote. John Nester, an SEC spokesman, declined to comment.

However, in a recent report in the Financial Times, he is quoted as saying, "These companies have reported this information to shareholders in their regulatory filings. That's the official record that these companies have reported and that is the record that this tool helps investors access. Nothing more, nothing less."

While it is not a bad idea to give information about businesses that operate in certain countries, the information contained in the documents has to be taken with a “grain of salt,” said Doug Jacobson, a partner and head of the international trade practice at Strasburger & Price LLP in Washington. “There has to be more specific guidelines. It is a significant problem and the SEC needs to determine what companies need to go on here.”

Furthermore, the SEC did not specify a time frame and many of the companies listed on the site have indicated that they withdrew their operations from those countries in 2006, Mr. Jacobson said.

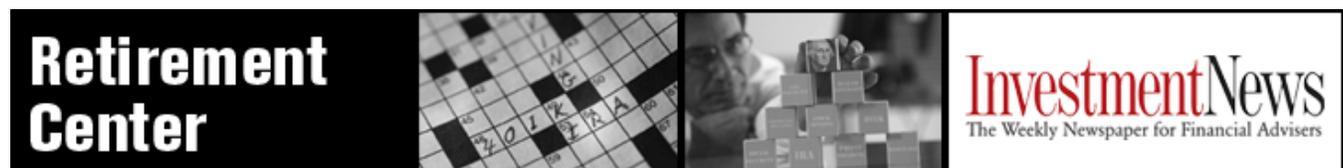
Many of the companies cited are foreign and have issued American depository receipts.

“If the U.S. will assert jurisdiction on those companies, then it is quite possible that these companies will not list their stock on the U.S. exchanges,” Mr. Jacobson added.

“These kind of sanctions are primarily symbolic, and whether they have any impact on investors is moot,” said Usha C.V. Haley, professor of international business and director of the global-business center at the School of Business at the University of New Haven in West Haven, Conn. “When companies feel that there are exposures in pariah countries, they can very well disassociate themselves from the source of the attacks.”

Meanwhile, at least one lawyer feels the SEC has not gone far enough in its efforts to inform investors whether their retirement savings are indirectly subsidizing terrorism or genocide. “I am not convinced that the SEC list moved the ball very far,” said Gary M. Osen of Osen & Associate LLC in Oradell, N.J. “It is hard to escape the fact that it is a rather limited sample.”

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