



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 755-4846



75-6

"STREET NAME" REPORT SENT TO CONGRESS

The Securities and Exchange Commission on December 4, 1975 transmitted to the Congress its preliminary findings on the practice of "nominee" and "street" name registration of securities. Both practices involve recording the ownership of securities in a name other than that of the beneficial owner. The Commission's preliminary findings are required to be submitted to the Speaker of the House and the President of the Senate by Section 12(m) of the Securities Exchange Act of 1934, added by the Securities Act Amendments of 1975, on or before December 4, 1975. Final conclusions and recommendations are due on or before June 4, 1976.

The Commission's responsibility is to determine whether the use of "street" or "nominee" names is consistent with the purposes of the Exchange Act -- particularly the provisions dealing with registration of securities, reporting by issuers and certain beneficial owners of securities, proxy requirements and the development of a national system for the clearance and settlement of securities transactions -- and whether

steps can be taken to facilitate communications between issuers and beneficial owners while retaining the benefits of the nominee name practice.

The Commission's report is divided into four principal sections. The first describes how and why the use of street and nominee names began and evolved and summarizes the extent and nature of the practice today. The second describes the effect of the practice on the purposes of the Act including the issuer-shareholder communication process, the clearing and settlement process and other relevant considerations. The third sets forth preliminary alternatives to the current practice. The final section describes the direction the study will take in the next six months.

The alternatives which the Commission indicated it will be studying include:

-- Registration of securities in the name of the beneficial owner, which would require brokers and banks to register securities in the names of the customers or to reflect the fiduciary relationship in the registration.

-- Disclosure of beneficial ownership to issuers, which would require brokers and banks to disclose to issuers the names of customers for whom they are serving as custodians; this would permit the corporations to communicate directly with the individual shareowners, but institutions would continue to register securities in street and nominee name.

-- Multiple name registration, under which issuers would maintain the registration records in more than one name, thus permitting stocks to be registered in the name of the custodian for purposes of negotiating transfer, but in the name of the beneficial owner for purposes of receiving issuer communications.

-- The central mailing concept, which entails the mailing of proxies and the processing of other materials through a centralized system involving securities depositories. It would leave intact the existing system of clearing and settlement, while differing from prior alternatives by requiring disclosure of customers' names to depositories rather than to issuers.

-- Centralized order processing for proxy and other materials, a variation of the central mailing concept, which

contemplates ordering of proxy and other materials and the provision of certain accounting services by the depository. Brokers and banks would mail the materials to beneficial owners and customers names would not have to be disclosed.

-- The transfer agent depository concept (TAD) would improve issuer-shareholder communications while providing an improved system of clearance and settlement and ultimately would lead to the limination of the stock certificate. TAD, a certificateless, integrated system of clearing and settlement, would require an extensive revamping of present procedures.

-- Retention of the present system with more stringent enforcement of proxy requirements and increased standardization.

It is these alternatives, and any others that come to the Commission's attention, which will be the subject of SEC scrutiny during the next six months. The Commission said that all alternatives should be evaluated in light of at least the following considerations:

Cost - Development and implementation costs of alternatives, including allocation of and ancillary costs to, among others, brokers, banks, institutional investors, individuals and transfer agents.

Preservation of Privacy - Because many investors legitimately wish to keep information on their securities holdings private, factors effecting broad disclosure must be evaluated to determine if there is an unwarranted invasion of privacy. In addition, alternatives which would tend to concentrate securities ownership information sources must be considered in light of the need to protect such information.

Extent of Disclosure - If the current system for accumulating information regarding beneficial ownership of securities is changed, questions regarding the basis on which this information will be available to issuer, shareholders and other interested persons will need to be resolved.

Trade Information - If disclosure of confidential customer lists of banks and brokerage firms, normally considered trade secrets, is required, appropriate controls will be needed to insure the proper dissemination of this information.

Anticipated Developments - Consideration should be given to the effect increased use of street and nominee names, evolution of clearance and settlement systems and increased foreign ownership might have on present and future systems.

Statutory Requirements - The possibility of conflicts due to legislation or the lack of it should be reviewed in terms of how it might effect a proposed alternative plan.