

21 September 2006

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20459

Re: Commission Review of Proxy Rules

Dear Chairman Cox:

The CFA Centre for Financial Market Integrity¹ applauds the Commission's prompt action to focus renewed attention on reforms to current proxy rules during its meeting on October 18, 2006. We urge the Commission to seize this opportunity for a broader review of outdated restrictions on shareholder involvement in the director election process. In particular, we urge reconsideration of the approaches discussed in the 2003 proposal on so called "shareholder access".

Shareholders currently lack a meaningful voice in the corporate proxy system relating to director elections. As an investor advocate, we believe that shareholders must be allowed meaningful access. Such a path will shore up investor confidence, increase market integrity and will represent a pivotal step toward achieving true corporate governance reforms. We therefore strongly support substantial revisions that will remove existing barriers through Rule 14a-8 and provide shareholders greater involvement in the proxy system.

We understand that opponents to proxy system reform have raised concerns about preserving the stability of the corporate boardroom as ultimately being in investors' best interests. As we noted in our comments on the Commission's 2003 proposal², however, we believe there are ways to provide shareholders with more active involvement in the nomination process without threatening the stability of the system.

¹ The CFA Centre for Financial Market Integrity is part of CFA Institute. With headquarters in Charlottesville, VA and regional offices in New York, Hong Kong and London, CFA Institute, formerly the Association for Investment Management and Research®, is a global, non-profit professional association of more than 85,000 financial analysts, portfolio managers, and other investment professionals in more than 129 countries of which more than 69,700 are holders of the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 134 Member Societies and Chapters in 55 countries and territories.

² See 22 December 2003 letter on Security Holder Director Nominations (File No. S7-19-03) from then-AIMR's U.S. Advocacy Committee to the Commission.

In fact, we suggest that aspects of the 2003 proposal provided a well-balanced attempt to build in safeguards to minimize serious disruption to board functions. For example, requiring a majority

of shareholders to approve a shareholder-based nomination for director imposes proper constraints on those who may try to use the proxy process for personal or renegade agendas.

It is an opportune moment for revising relevant proxy rules to provide shareholders with more active participation in the proxy system, as a check and balance on governance and directors that have become ineffective. Meaningful proxy system reforms that open up the process to shareholders are overdue in this country. We believe that the Commission has an opportunity on October 18th to right this situation by taking a decided first step to empower individual shareholders. By doing so, it will send an important message that the individual shareholder's voice has meaning.

We appreciate your consideration and would welcome the opportunity to further discuss corporate governance reforms. If we can provide additional information or schedule a meeting, please do not hesitate to contact us at the CFA Centre.

Sincerely,

Kurt N. Schacht, CFA
Managing Director
CFA Centre for Financial Market Integrity
212.756.7728
kurt.schacht@cfainstitute.org

Linda L. Rittenhouse
Senior Policy Analyst
CFA Centre for Financial Market Integrity
434.951.5333
linda.rittenhouse@cfainstitute.org