



Setting the global standard for investment professionals

June 17, 2010

The Honorable Christopher J. Dodd
Chairman
United States Senate Committee on
Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
United States Senate Committee on
Banking, Housing, and Urban Affairs
304 Russell Senate Office Building
Washington, DC 20510

The Honorable Barney Frank
Chairman, House Committee on
Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Spencer Bachus
Ranking Member, House Committee on
Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen Dodd and Frank, and Ranking Members Shelby and Bachus:

As the Senate and House Conferees consider amendments to the underlying text of financial reform legislation, we strongly encourage a need to stand firm with what has already been agreed to and to resist last-minute efforts to dilute what are important rights for shareowners. We are concerned, in particular, about yesterday's offer that would permit proxy access only to investors who, on a stand-alone basis, have held at least five percent (5%) of the shares outstanding. Such a provision would render this important shareowner right useless.

We do not believe it is appropriate for Congress to stipulate in law what percentage of ownership is required for one shareowner or a group of shareowners to hold before they can use nominate a board member through a company proxy. We believe the Securities and Exchange Commission, which functions in closer proximity to issuers and investors alike, is in a better position to determine what ownership threshold is appropriate. Moreover, it is easier for the SEC to change its threshold if it finds that the percentage is too high or too low than it is to change a law stipulating such a threshold.

We support proxy access because it is a mechanism that shareowners could use to hold board members accountable for their decisions on, among other things, company strategy and executive compensation. The lack of a meaningful process by which shareowners have a voice have left them disenfranchised at a time when they have suffered great losses and lack confidence in the vitality of U.S. capital markets. Taking reasonable steps to restore this confidence should be a primary goal of this Conference Committee.

We therefore urge you to expressly recognize the right of shareowners to gain access to the proxy and delegate to the relevant regulator—in this case the SEC—the authority to set the appropriate thresholds or other conditions.

Conclusion

Thank you for your consideration. Please do not hesitate to call upon us or members of the Investors' Working Group should you want further information or testimony on the important issues under consideration.

Sincerely,

A handwritten signature in black ink that reads "Kurt N. Schacht". The signature is written in a cursive style with a prominent initial "K".

Kurt N. Schacht, CFA, JD
Managing Director
Division of Standards and Financial Market Integrity
CFA Institute