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Congress of the United States
House of Representatives
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February 11, 2004

The Honorable William H. Donaldson
Chairman
U.S. Securities & Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

S7-03-04

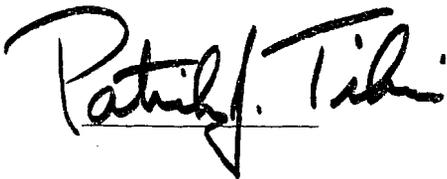
Dear Chairman Donaldson:

On November 19, 2003, the U.S. House of Representatives overwhelmingly passed H.R. 2420, the Mutual Funds Integrity and Fee Transparency Act of 2003. Significantly, the bill did not require all mutual funds to have an independent director serve as chair of the board of directors. As you know, the Financial Services Committee approved an amendment during markup on July 23, 2003 that removed the independent chair requirement from the bill as originally introduced. This action occurred due to the belief by many members that it was simply inappropriate to mandate such a requirement.

Virtually all fund boards currently have at least a majority of independent directors, and most have a supermajority of independent directors. In fact, the SEC has recently proposed increasing that requirement to at least 75%. Therefore, fund boards can already choose whether to appoint an independent chair, which many have done, and they certainly will be able to do so in the future. However, we believe that the fund's directors are in the best position to decide whether having an independent chair is in the best interest of the fund's shareholders.

We are concerned that a one-size-fits-all mandate would give the appearance of reform without improving fund governance, and may very well have unintended consequences. It is also worth noting that several of the funds involved in recent scandals already have independent board chairs. Clearly, mandating independent chairs is not a cure-all. We strongly support your efforts to increase transparency and strengthen the regulation of mutual funds for the benefit of American investors. However, we urge that you avoid the temptation to put form over substance.

Sincerely,


Patrick J. Tiberius


U. S. House of Representatives

Bob Ney

Eric Lipton

Rubin Higginson

Aelrosa Hunt

J. Andler

Vit Jozell

Richard

John

Chris Bell

Steve Israel

Patrick Tiberi

Michael Capuano

Bob Ney

Vito Fossella

Steve LaTourette

Dennis Moore

Ruben Hinojosa

Joseph Crowley

Melissa Hart

Chris Bell

Jay Inslee

Steve Israel