

CENTER FOR CAPITAL MARKETS COMPETITIVENESS

OF THE

UNITED STATES CHAMBER OF COMMERCE

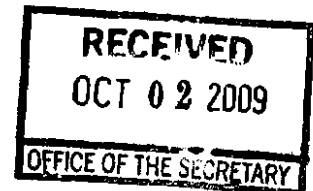
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September 16, 2009

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090



Re: Enfranchising Retail Shareholders in the Corporate Voting Process

Dear Chairman Schapiro:

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation representing over three million companies of every size, sector, and region. The Chamber's Center for Capital Markets Competitiveness ("CCMC") works to ensure that our nation's capital markets are the most fair, efficient, and innovative in the world. The CCMC supports the recently announced commitment of the U.S. Securities and Exchange Commission ("SEC" or "Commission") to review the proxy voting system.

Although there are numerous aspects of this system to consider, increasing retail shareholder voting should be an immediate priority for the SEC and all participants in the proxy voting system. To this end, we support the implementation of the proposed Client Directed Voting ("CDV") model in which investors would be permitted to provide brokers and custodians with standing instructions on matters to be voted on at companies in which they own stock. This model can be complemented by greater use of Web-based communication tools and enhanced educational resources to engage shareholders. We believe these changes would increase retail participation in corporate voting to benefit the proxy process, corporate governance, and our capital markets.

Historically, less than half of retail shareholders vote their proxies while institutional shareholders tend to vote at a rate of 90% or more. While we have supported the use of technology to modernize the process for delivering information

to shareholders and decrease costs for companies, the Notice and Access model instituted in recent years has decreased retail shareholder participation. This trend will be further accentuated by the recent amendments to New York Stock Exchange (“NYSE”) Rule 452 that eliminated the ability of brokers to vote uninstructed shares in uncontested election of directors.

Retail shareholders generally invest in companies with an interest in building long-term growth in their investment. The necessity for this undertaking is further emphasized by the increased divergence of interests between activist investors and retail shareholders seeking long-term value in a company. There should be a level playing field between institutional and retail investors to ensure that the interests of retail investors are adequately represented, and to guard against activist investors with particular short-term agendas having an unfair advantage. The CCMC believes that a coordinated initiative, with the participation of public and private constituents, could leverage Web-based communications technology to increase retail shareholder participation in the near term.

Many reforms suggested in recent years involve several changes to the proxy system and would require SEC rulemaking that would be conducted through a deliberative process. These incremental changes would require months and years to implement. Improving retail shareholder participation can and should follow a separate and accelerated track to completion. Consistent with the other steps the SEC has recently taken in the corporate voting arena, we urge the SEC to move with the same urgency this year to provide the necessary guidance to facilitate implementation of the CDV model.

I. The Commission should provide interpretive guidance to support the Client Directed Voting model

The Proxy Working Group (“PWG”) to the NYSE studied a range of recommendations to enhance efficiencies in the proxy voting system. The PWG reviewed the CDV model in which investors would be permitted to provide brokers and custodians with standing instructions on matters to be voted on at companies in which they own stock.

Attributes of this model include:

- Brokers and custodians using standardized forms to elicit standing voting instructions from their clients on certain appropriate proposals.
- At the time of proxy solicitation each investor would receive a voting instruction form pre-marked with standing instructions.
- The standing instructions would only be applicable in the absence of specific voting instructions marked on the voting instruction form, which may override previously provided standing instructions.
- Investors would always have the ability to override the standing instructions and give different voting instruction to the broker.

There are several advantages to using the CDV model. It would certainly decrease the related time and other costs of retail participation in the proxy voting process. This would allow retail shareholders to invest a portion of time upon opening a brokerage account to set their standing instructions in accordance with their investment strategy. Shareholders could then devote additional time on a case-by-case basis should the circumstances warrant special attention.

Skeptics contend that the CDV model would dissuade shareholders from making “informed” investment decisions by allowing them to submit standing instructions in advance without full information of the matters to be voted on. In contrast, we believe that the CDV system will actually encourage participation for those retail shareholders that would vote their shares but for lack of time required to respond to multiple proxy solicitations within the allotted time frame. The CDV model would allow such shareholders to set standing instructions once and then devote additional time on a case-by-case basis to overrule prior instructions as they see fit.

We are also concerned that an “informed shareholder” standard is an overly subjective standard that would be impractical to administer. There can never be assurances that voters in any electoral process will be completely “informed” as to their favored candidate’s position on each and every policy issue. We are strongly

opposed to the SEC setting a higher “informed shareholder” standard for retail investors than for institutional investors who already rely on third party recommendations to vote their shares. Furthermore, the CDV model could also generate services and other efforts to inform investors, in the same way that third party proxy advisory services seek to inform institutional investors. Requiring different standards for retail and institutional investors would further disenfranchise the retail investor community and create greater imbalance in the proxy voting system.

II. Institution of the CDV model should be complemented by enhanced communications technology

In recent years, companies have increasingly leveraged Web-based technology to improve communications with shareholders and provide greater access to information through corporate Websites. We support these tools and believe that they can and will facilitate greater communication between public companies and their retail shareholders.

We believe that the CDV model could be complemented by additional Web-based tools to enhance the interaction between companies and their retail shareholders. Developers of these software solutions would drive innovation in a competitive marketplace to increase the effectiveness of these tools and improve the ease and efficiency by which retail shareholders analyze company information and vote their shares. These emerging tools include:

- **Shareholder forums** – A shareholder forum would serve as the central platform that supports the CDV model. Such a forum would be the hub of retail investor communication through which retail shareholders could set or change their standing instructions and access other communications or educational tools.
- **Virtual meetings** – Companies could make greater use of virtual shareholder meetings to complement their physical meeting. Annual meetings are broadcast via the internet and validated shareholders can participate in real-time.

- **Investor networks** – Investor networks could offer a forum for virtual communication between shareholders and management, directors, and validated shareholders. This could serve as a venue for discussing views and information found in company filings or events that occur between filings.
- **Educational resources** – Retail shareholders could access educational resources through the shareholder forum to inform them about their role in the proxy voting system. User-friendly tutorials could guide shareholders through the voting process and instruct them on other available tools.

III. A robust investor education initiative is needed to integrate the CDV model in the market and improve retail shareholder participation

Increased tools and resources must be complemented by a robust outreach program to educate individual investors about their role in the proxy voting system and the multiple vehicles available to facilitate their participation. In addition to recognizing the general lack of retail investor familiarity with the proxy voting system, the PWG also recommended that any changes to the proxy voting system, including the recent amendment to Rule 452, must include as a critical component a large scale education effort to inform shareholders about the mechanics of the proxy voting process.

In 2006, the PWG recommended that the SEC, the listed company community, and other appropriate groups coordinate to develop a significant investor education effort to inform investors about the proxy voting process and the importance of voting. Four years later, the need to improve retail participation has never been stronger.

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The CCMC supports a holistic review of the proxy voting system and we look forward to engaging the relevant groups in this important dialogue. However, it is necessary to increase retail investor participation and ensure that the proxy voting system is working efficiently for all participants in the 21st century marketplace. To this end, we urge the SEC to move quickly this year to provide the necessary guidance to facilitate implementation of the CDV model and support and encourage other

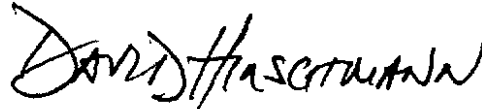
The Honorable Mary L. Schapiro
September 16, 2009
Page 6

initiatives that will improve retail shareholder voting. The recent amendment to Rule 452 will further distort the imbalance between retail and institutional voices and it is now critical that the SEC work with deliberate speed to ensure that retail interests are not marginalized by this and other changes.

The CCMC is committed to working with the Chamber's diverse membership to provide the SEC with broad-based input to facilitate this goal. Individual shareholders can and should be enfranchised with the tools and resources necessary to adequately represent their interest in growing the long-term value of the corporations in which they invest.

We would be happy to discuss these issues further with you or the appropriate SEC staff.

Sincerely,



David T. Hirschmann

cc: The Honorable Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission
The Honorable Elisse B. Walter, Commissioner, U.S. Securities and Exchange Commission
The Honorable Luis A. Aguilar, Commissioner, U.S. Securities and Exchange Commission
The Honorable Troy A. Paredes, Commissioner, U.S. Securities and Exchange Commission
Richard Hisey, President, AARP Financial Incorporated and AARP Funds, Co-chair, SEC Investor Advisory Committee
Hye-Won Choi, Senior Vice President and Head of Corporate Governance, TIAA-CREF, Co-chair, SEC Investor Advisory Committee