



October 20, 2010

Via Electronic Mail to rule-comments@sec.gov

Ms. Elizabeth M. Murphy
Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-14-10

Dear Ms. Murphy:

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to comment on the U.S. proxy system, as requested in the Concept Release on the U.S. Proxy System (the “Release”)¹ published by the U.S. Securities and Exchange Commission (the “SEC” or the “Commission”). Dimensional commends the SEC’s initiative in undertaking a broad review of the U.S. proxy system and soliciting comment regarding whether the U.S. proxy system operates with the reliability and accountability that shareholders and issuers understandably expect. Dimensional supports the Commission’s efforts to promote greater efficiency and transparency in the U.S. proxy system and to enhance the accuracy and integrity of shareholder voting through the updating of the SEC’s proxy rules and formulating other appropriate regulatory responses to the complexities of the proxy solicitation process.

In the Release, the SEC sought comment on the U.S. proxy system in general, as well as on specific facets of the system. The Commission also indicated that it desired comment on any other matters related to the proxy process, including suggestions for its improvement, and any costs, burdens, or benefits that may result from the Commission’s possible actions.

For these purposes, Dimensional has two substantive comments on the U.S. proxy system and recommendations for its improvement. First, given the significant complexities inherent in the current practices for distributing proxy materials and processing and recording shareholder votes (as catalogued in the Release), the process for registered investment companies to call and hold shareholder meetings has become time-consuming and challenging, and requires the expenditure of sizable resources (both economically and in terms of employee hours). In order to enhance the efficiency of the shareholder voting process and to increase shareholder participation, Dimensional encourages the SEC to consider changes to its proxy rules that will permit the use of advance voting instructions by which an investment company’s investors may give voting authority to the investment company’s independent directors to execute the

¹ SEC, Concept Release on the U.S. Proxy System, Release Nos. 34-62495, IA-3052, and IC-29340; 75 Fed. Reg. 42982 (July 22, 2010).

investors' proxies in accordance with the investors' prior authorization and advance voting instructions.

Second, Dimensional believes that the extremely small number of qualified proxy service providers available to assist in investment company proxy solicitations results in increased proxy solicitation costs for shareholders. In particular, a single proxy service provider (the "Service Provider") dominates (and has for sometime) the market for proxy administrative and communication services. Dimensional urges the SEC to pursue measures that will foster competition among proxy service providers, and ultimately will result in more qualified service providers being available, at competitive fees established by market forces rather than by regulatory rate-setting, to assist in the investment company shareholder solicitation process.

I. Background

Founded in 1981, Dimensional is an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940, as amended. Dimensional is a leader in developing asset class portfolios. Dimensional currently manages approximately \$160 billion for a broad array of investors, including institutional clients and clients of registered investment advisers.

Dimensional, either directly or through its subsidiaries located in Sydney, Australia and London, England, serves as the investment advisor, sub-advisor, and/or administrator to approximately ninety portfolios/series of four investment companies registered with the Commission pursuant to the Investment Company Act of 1940 (the "1940 Act"): DFA Investment Dimensions Group Inc., The DFA Investment Trust Company, Dimensional Investment Group Inc., and Dimensional Emerging Markets Value Fund (together the "Dimensional Funds"). In addition, Dimensional's subsidiaries, Dimensional Fund Advisors Ltd., located in London, DFA Australia Limited, located in Sydney, and Dimensional Fund Advisors Canada ULC, located in Vancouver, Canada, each serve as the investment advisor to families of registered United Kingdom open ended investment companies and Irish UCITS, Australian resident trusts and Canadian mutual funds, respectively.

As a consequence of the Dimensional Funds having engaged in a successful complex-wide proxy solicitation of the Funds' shareholders in 2009, Dimensional is extremely interested in possible improvements that may be made in the U.S. proxy system as a consequence of the Commission's consideration and action.

II. Discussion of Recommendations

A. Measures to Enhance the Efficiency of Shareholder Voting: Use of Advance Voting Instructions

In the Release, the Commission indicated that its review of the proxy system implicated three paramount concerns, including whether (i) the SEC should take steps to enhance the accuracy, transparency, and efficiency of the voting process, and (ii) the Commission's rules

should be revised to improve shareholder communications and to encourage greater shareholder participation.

These concerns are particularly relevant to registered investment companies, given their experience in soliciting shareholders through the proxy process. Dimensional notes that investment companies present unique considerations, not seen in operating companies, when evaluating the proxy process. As was observed in 2009, when considering revisions to New York Stock Exchange Rule 452,² investment companies may confront increased challenges in holding shareholder meetings. This results from several factors, including the fact that many investment companies have disproportionately large retail shareholder bases and the nature of the actions for which shareholder approval may be sought. When investment companies are unable to obtain quorums at their shareholder meetings, unnecessary delays result, as investment companies are forced to adjourn shareholder meetings or to undertake multiple shareholder re-solicitations (thereby significantly increasing the solicitation costs to the investment companies and, indirectly, to their shareholders).³ The process requires repeated attempts to contact this passive shareholder base, including through telephone calls to shareholders' homes in the evenings and on weekends. Shareholders often express displeasure with the process by lodging complaints with the proxy solicitor, the investment company and the company's service providers. The ICI Report documented that these challenges may be experienced by investment companies to a greater degree than by operating companies. As discussed in the ICI Report, and addressed in the Release, institutional investors, who often have a fiduciary responsibility to vote proxies, are more likely to vote proxies than retail investors. While the degree of investment company shareholder participation in proxy voting (or the comparatively lower rate thereof) has multiple causes, despite the increased rate of participation by institutional investors, it is important to recognize that shareholder participation tends to be lower for investment companies than for operating companies, complicating the task of holding meetings and increasing expenses to the companies and their shareholders.

Given these challenges, Dimensional was pleased by the discussion in the Release of the SEC's consideration of the use of advance voting instructions⁴ and the possible adoption of rules to facilitate this practice. Dimensional believes that advance voting instructions have the potential to enhance the shareholder voting process, to increase the participation of investment company investors (particularly retail investors) in the voting process, and to reduce the costs of holding shareholder meetings.

² See *the Report and Recommendations of the Proxy Working Group of the New York Stock Exchange* (June 5, 2006) (the "Proxy Working Group Report").

³ See *Costs of Eliminating Discretionary Voting on Uncontested Elections of Investment Company Directors* (December 18, 2006) (the "ICI Report").

⁴ See Part IV.B.2.c. of the Release (at pages 43,003-43,004).

For these purposes, Dimensional recommends that, in conjunction with initially purchasing shares in an investment company, an investor would be permitted (but not required) to provide advance voting instructions on particular topics that may appear in future proxies (such as charter amendments, changes in investment strategies, etc.). These advance voting instructions would be applied to proxy cards or voting instruction forms (“VIFs”) related to the investors’ investment in the investment company. The advance voting instructions would be revocable at all times, and an investor would be free to change the instructions at any time. As contemplated in the Release, in connection with a proxy solicitation, an investor who had furnished advance voting instructions would be provided with a proxy card or VIF pre-marked in accordance with the investors’ previously-furnished advance voting instructions, along with the applicable proxy materials prepared by the investment company. The investor would be free to override any of the instructions applicable to the solicitation. Absent an investor’s contrary instructions, the investors’ shares would be voted in accordance with the advance voting instructions as premarked on the proxy card or VIF.

Dimensional believes that a number of significant benefits could result from this practice, many of which are identified in the Release. This practice likely will make it easier to achieve quorum at shareholder meetings, while also, as the Commission suggested in the Release, encouraging greater retail shareholder participation in the process by making it easier and less complicated for investors to vote their shares. This practice also will allow investors to more easily exercise their franchise. As such, the practice addresses the SEC’s concerns regarding enhancing the voting process and encouraging greater shareholder participation.

In strongly supporting the concept of advance voting instructions, Dimensional recommends that the Commission consider permitting investment company investors to provide advance voting instructions to vote consistently with the recommendations of the company’s independent directors on those matters presented for shareholder vote. As part of the proxy process, the board of directors of an investment company will consider and approve the corporate actions and other items that are to be presented for approval at a shareholder meeting. As part of its deliberations, consistent with its fiduciary duties, the board of directors gives careful consideration to each proposed item and whether these matters are in the best interests of the investment company and the company’s shareholders. These determinations are then disclosed in the proxy materials distributed to shareholders. These actions, along with the structure, purpose, and provisions of the 1940 Act (whereby independent directors, in exercising the authority granted to them by state law, have the primary responsibility for protecting the interests of shareholders and serving as an independent check on management), would support this approach.

The legislative history of Section 14(a) of the Securities Exchange Act of 1934 reveals that the protection of shareholder interests was an important consideration underlying its enactment. The role of an investment company’s independent directors in protecting shareholder interests cannot be underestimated. The independent directors are uniquely situated to oversee

and supervise the activities of the fund's investment advisor and other service providers. The independent directors likely have greater insight as to whether a particular matter requiring shareholder approval would be beneficial to shareholders than the shareholders themselves, who are generally passive investors in the fund. Through taking advantage of the regulatory protections currently in place, coupled with advance voting instructions to vote consistently with the recommendations of the company's independent directors and the provision of an information statement, the Commission's desire to enhance transparency and efficiency in the voting process would be achieved while still protecting the interests of shareholders.

Finally, Dimensional observes that the SEC, in its rulemaking related to proxy voting in recent years, has taken account of the Internet and other technological advances that enable more efficient communications. These initiatives have included the adoption of the "notice and access" model for the delivery of proxy materials, the use of electronic shareholder forums, and the use of householding. Dimensional urges the SEC to bring a similarly innovative perspective to adopting changes to its proxy rules that will facilitate the use of advance voting instructions, and thereby improve the efficiency of shareholder voting while increasing shareholder participation in the proxy voting process.

B. Expanding Qualified Service Provider Availability by Encouraging Competition

As the Commission noted in various parts of the Release,⁵ the Service Provider enjoys a virtual monopoly in providing proxy vote processing services, such as forwarding proxy materials by mail or electronically, and collecting voting instructions from shareholders. One implication of this market reality is that the Service Provider has nearly no competition for the distribution of proxy materials to beneficial owners. The fees paid to the Service Provider for the distribution of proxy materials are determined pursuant to the rules of the New York Stock Exchange and other self regulatory organizations and are not subject to market forces.

Dimensional reiterates the concerns of other commentators (as discussed in the Release) that the amount of fees paid to the Service Provider is not influenced by market factors or any measurable competitive forces. Dimensional shares the perspective of the Proxy Working Group that market participants should be able to receive and consider periodic data that confirms that the proxy system and the various proxy service providers, including the Service Provider, are performing "as cost-effectively, efficiently, and accurately as possible, with the proper level of responsibility and accountability in the system."⁶ Currently, there is no mechanism for evaluating the performance of the Service Provider, nor any tangible degree of accountability. As the Commission noted, as a consequence of the Service Provider's near-monopoly, issuers

⁵ See, for example, note 57 (at page 42,998) and note 129 (at page 42,996) of the Release, and the discussion of proxy distribution fees in the Report's Part III.D. (at pages 42,995-42,998).

⁶ The Proxy Working Group Report, as quoted in the Release at page 42,996.

have little or no control over the decision to engage the Service Provider or the fees that are incurred through the proxy distribution process.⁷

Dimensional believes that it is vital that the proxy distribution system be efficient, reliable, and accurate. Furthermore, Dimensional believes that a proxy distribution process that encourages competition and innovation among service providers ultimately will result in lower proxy distribution costs and will allow issuers to exert more control over the proxy distribution system. Under the current system, issuers have little or no say in selecting the Service Provider, no viable qualified competitor that may be engaged as an alternative to the Service Provider, nor any reliable way to evaluate the Service Provider's performance.

Dimensional urges the Commission to more closely consider the lack of competition among the proxy service providers, and pursue measures that will serve to foster competition in performing proxy communication services. By introducing market forces, Dimensional believes that competition can ultimately serve to reduce the costs of holding shareholder meetings and result in enhanced efficiency and an improved caliber of services to shareholders who participate in the proxy voting process.

III. Conclusion

In conclusion, Dimensional urges the SEC to further explore the possibility of utilizing advance voting instructions and the involvement of independent directors. Second, we recommend that the SEC take measures to encourage competition among proxy service providers, and thereby counteract the lack of competition in the marketplace that results from the virtual monopoly of the Service Provider.

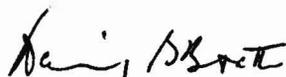
Thank you for the opportunity to share our concerns and comments regarding the U.S. proxy system. Dimensional supports the SEC's goal of facilitating and improving the participation of investment company shareholders in the voting process in a cost-efficient and effective manner.

⁷ The Release, at page 42,997.

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Please feel free to contact the undersigned at 512/306-7474 directly if you have any questions regarding our comments. We would welcome the opportunity to present an expanded discussion of our thoughts on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "David G. Booth". The signature is written in a cursive style with a large initial "D" and "B".

David G. Booth
President and Co-Chief Executive Officer
Dimensional Fund Advisors LP

cc: Catherine L. Newell, Esq.
Dimensional Fund Advisors LP