November 23, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Re: Reporting of Proxy Votes on Executive Compensation and Other Matters
File Number S7-30-10

Dear Ms. Murphy:

Institutional Shareholder Services Inc. (ISS) appreciates the opportunity to submit our comments on the United States Securities and Exchange Commission's (SEC or Commission) proposed Rules for the Reporting of Proxy Votes on Executive Compensation and Other Matters (Rules). These comments represent our views in our capacity as a proxy voting agent with a broad range of investor clients, but are not necessarily those of our clients.

ISS, an indirect, wholly-owned subsidiary of MSCI Inc., is a leading provider of corporate governance products and services to the global financial community. We have more than 25 years experience in providing institutional investors of all types—investment managers, pension funds, hedge funds, and mutual funds—with innovative solutions for proxy voting management.

As a service provider that now provides a vote disclosure service to mutual funds and that intends to expand that service to assist clients with complying with the Rules, we have focused our attention upon the operational implications of the Rules. For reference purposes, our use of "Institutional Managers" in this letter refers to the universe of 13F filers subject to the proposed Rules.

Requirements to Disclose Shared Vote Authority

The Rules' requirement that Institutional Managers disclose shared voting authority – along with the votes cast under shared authority – raises a number of operational challenges.

As we understand it, the Rules require that any shared vote authority between two Institutional Managers be disclosed on the summary page of the filing and then also be noted within the actual vote disclosure section for each agenda item where shared vote authority existed.

<u>Determining Shared Vote Authority</u>

The first challenge that this presents is in determining what the Commission views as shared vote authority. It is our understanding that in most situations where there are two (or more) Institutional Managers involved with a specific account or fund, in practice, the voting authority is taken on by one of the involved Institutional Managers. Under the proposed Rules, there can be significant ambiguities in determining whether vote authority is shared. Consider these three cases:

1) An Institutional Manager fully delegates its vote authority to another Institutional Manager, but with a prescribed proxy voting policy determined by the originating Institutional Manager.
2) An Institutional Manager delegates its vote authority but does not contractually extinguish its discretion to reassert its vote authority – though in practice never exercises that discretion.

3) Multiple Institutional Managers have vote authority within a single custodian account (e.g., a sleeve account), but each Institutional Manager's authority is restricted to specific securities within that account and is not shared among the Institutional Managers at the individual security level.

Under the Rules, it is unclear whether these cases would be considered shared vote authority for purposes of reporting. We urge the Commission to provide more guidance around what constitutes shared vote authority – and perhaps include specific case examples. We also urge the Commission to provide safe harbor guidance for filers as they determine whether shared vote authority exists.

This issue of shared vote authority also raises issues for Institutional Managers subject to ERISA or those managing assets for ERISA plans. Since under ERISA, the right to vote a proxy is considered a plan asset where a plan fiduciary retains an oversight responsibility, there is a potential for the SEC determination of shared vote authority to conflict with ERISA fiduciary obligations. We encourage the Commission to consult with the Department of Labor to harmonize its rules with ERISA fiduciary obligations and provide specific guidance for Institutional Managers with ERISA assets.

Additional Time and Expense Associated with Disclosing Shared Vote Authority

In reviewing the proposed requirements for disclosing shared vote authority, we expect that the time and expense required to meet these requirements will be much greater than stated in the Rules. We believe that a number of factors will cause additional administrative work for compliance:

- Most Investment Managers will need to do a detailed review and determination of the facts and circumstances surrounding the voting relationship for each of their accounts, a review that is not necessarily done (nor necessary) absent the Rules.
- In many cases these determinations will require extensive consultation and coordination among multiple Institutional Managers to identify the primary filer and coordinate the cross-referenced identifiers required in the Rules.
- These determinations and cross-references will need to be programmatically mapped at an account level in each Institutional Manager's reporting infrastructure (and, for those using third party service providers, delivered to those third party agents who will also need to change their reporting infrastructures).

To streamline some of these coordination costs, we recommend that the Commission provide prescriptive guidance for determining which Institutional Manager should be the primary filer, and which Institutional Managers may choose to disclose their votes by reference to the filings of the primary filer. Our recommendation is that the Institutional Manager who receives the ballot should by default be the primary filer with respect to the votes covered by that ballot.

One potential way to mitigate this area of concern would be to limit the notification of shared vote authority to only the summary page and not require further, more detailed cross-referencing at the agenda item level. We believe that this approach will give sufficient disclosure to the market and meet the intent of the Rules, yet will cut down on time and expense, and would leave the actual records in a state that is more manageable for both the disclosing parties and those accessing the data.

Disclosure of Share Positions in N-PX filings

As part of the proposed Rules, the Form N-PX will be revised to include both "ballots shares" and "shares voted" as required data points for the 14A agenda items. The idea of disclosure of share positions was also raised in the SEC Concept Release on the U.S Proxy System, and we would like to reiterate our comments on that issue:

> From a purely technology perspective, disclosing share positions voted would be straightforward. However, from our discussions with clients, it is clear that many investors fear that this disclosure

could allow competitors and other parties to get a greater level of insight into their trading and investment strategies. It is unclear that the disclosure of share position data would serve the core purpose of N-PX filings – transparency of fund proxy voting practices – any more effectively than the current practice of disclosing votes does.

It is our belief that other filing requirements (notably, the 13F filing itself) provide sufficient information on share positions to provide insight for interested parties. We believe that providing position data within the vote disclosure framework is redundant and will further raise the costs of these filings with little or no additional benefit.

Timelines for Implementation

We believe that the implementation timeline proposed in the Rules does not give Institutional Managers sufficient time to complete the complex tasks required under the Rules. In particular, we believe that the process to actually determine shared vote authority and then map accounts to reflect those determinations, as well as the implementation, data gathering, and testing of the revised Form N-PX will place significant burdens on both new N-PX filers as well as the investment management companies already filing on Form N-PX.

We would recommend that the first-year deadline for disclosing votes on the defined compensation matters between Jan. 11, 2011, and June 30, 2011, be extended to Dec. 31, 2011. If the Commission is not comfortable with extending the deadline, we would recommend that investment management companies file in the current N-PX format by Aug. 31, 2011, and require funds and Institutional Managers to file in the new proposed format by Dec. 31, 2011.

Conclusion

We appreciate the opportunity to comment on the Rules regarding the disclosure of votes on compensation matters. We believe that the current Form N-PX is the appropriate infrastructure to be extended to the new disclosure requirements for Institutional Managers. We would ask, however, that the Commission clarify and simplify the Rules' provisions for disclosing shared vote authority and extend the deadline for first-year filing.

Respectfully,

Stephen Harvey
Business Head
Institutional Shareholder Services Inc.