



March 2, 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Request for Additional Comment:
Investment Company Governance;
File No. S7-03-04

Dear Ms. Morris:

The Independent Directors Council¹ appreciates the opportunity to respond to the Securities and Exchange Commission's request for comment on two papers prepared by the Commission's Office of Economic Analysis that examine issues regarding fund board independence ("OEA Papers").² The request for comment on these papers reopens the comment period on the Commission's June 2006 request for comment regarding amendments to investment company ("fund") governance provisions of rules under the Investment Company Act of 1940 ("Investment Company Act").³ The governance provisions would require a fund relying on certain exemptive rules to have a board with no less than 75 percent independent directors and an independent chair. The Commission's current request for comment is the latest step in a lengthy and convoluted rulemaking process that began three years ago (*see* Appendix A).

As previously communicated, IDC strongly supports efforts that strengthen the ability of fund boards to fulfill their oversight responsibilities and protect fund shareholders.⁴ IDC

¹ The Independent Directors Council serves the fund independent director community and provides a venue to advance the education, communication, and policy positions of fund independent directors. The activities of the IDC are led by a Governing Council of independent directors of Investment Company Institute member funds. The Investment Company Institute's members collectively oversee 98 percent of all assets in U.S. mutual funds on behalf of approximately 93.9 million shareholders in more than 53.8 million households.

² *See* Investment Company Act Release No. 27600 (December 15, 2006). The OEA Papers can be found on the SEC's website at <http://www.sec.gov/rules/proposed/s70304/oeamemo122906-powerstudy.pdf> and <http://www.sec.gov/rules/proposed/s70304/oeamemo122906-litreview.pdf>.

³ *See* Investment Company Act Release No. 27395 (June 13, 2006) ("June 2006 Request for Additional Comment").

⁴ *See* Letter to Nancy M. Morris, Secretary, Securities and Exchange Commission, from Robert W. Uek, Chair, Independent Directors Council (Aug. 21, 2006) (commenting on June 2006 Request for Additional Comment);

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continues to support the proposal to require a 75 percent majority of independent directors. In addition, IDC continues to believe that the selection of a person to serve as chair of the board is a decision each board should make for itself taking into account many factors, the most important of which is the best interests of fund shareholders. While many boards have chosen to appoint an independent chair and have had positive experiences with their chosen governance structure, a board should have sufficient flexibility under the law to take whatever action it has determined to be in the best interests of the fund and the fund's shareholders. The OEA Papers do not change the IDC's positions.

The OEA Papers do not provide economic support for the position that the independent chair provision should be adopted. Indeed, according to the OEA Papers, economic theory provides no clear guidance as to the best structure of a fund board. The OEA Papers indicate that what works for one fund may not be appropriate for another. The papers also indicate that the available empirical studies do not clearly demonstrate the superiority of any particular board arrangement.

Sincerely,



Robert W. Uek
Chair, IDC Governing Council

cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins
The Honorable Roel C. Campos
The Honorable Annette L. Nazareth
The Honorable Kathleen L. Casey

Andrew J. Donohue, Director
Robert E. Plaze, Associate Director
Division of Investment Management
U.S. Securities and Exchange Commission

Appendix A
Timeline of Events

January 2004	SEC proposes governance provisions Investment Company Act Release No. 26323 (January 15, 2004)
July 2004	SEC adopts governance provisions Investment Company Act Release No. 26520 (July 27, 2004)
September 2004	Chamber of Commerce files lawsuit challenging governance provisions <i>Chamber of Commerce v. SEC</i> , Case No. 1:04-cv-01522-RMC (D.C. Cir. filed Sept. 2, 2004)
June 2005	Court of Appeals issues ruling remanding the matter to the SEC for failure to consider costs associated with governance provisions and failure to adequately consider alternative approach <i>Chamber of Commerce v. SEC</i> , 412 F.3d 133 (D.C. Cir. 2005)
June 2005	SEC responds to ruling by Court of Appeals Investment Company Act Release No. 26985 (June 30, 2005)
April 2006	Court of Appeals vacates governance provisions <i>Chamber of Commerce v. Securities Exchange Commission</i> , 443 F.3d 890 (D.C. Cir. 2006)
June 2006	SEC requests additional comment on governance provisions Investment Company Act Release No. 27395 (June 13, 2006)
December 2006	SEC reopens comment period in order to permit comment on OEA Papers Investment Company Act Release No. 27600 (December 15, 2006)