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Mr J.G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

22nd September 2004

Re: SR-NYSE-2004-41

Dear Mr Katz,

Hermes Pensions Management Limited is the fund management arm of the BT Pension Scheme; the UK's largest. Hermes also manages portfolios for Royal Mail Pension Scheme and a number of other major corporate and public pension funds. In total, Hermes has over $60 billion under management, of which around $4.5 billion is invested in the US. Hermes is involved in the governance debate in the US through its membership of the Council of Institutional Investors (CII) and its informal corporate governance alliance with CalPERS. We employ over forty people in our governance activities from a broad spectrum of professional backgrounds, including former corporate board members, giving us a unique view of what shareholders can reasonably expect from corporate boards and vice versa.

We are writing to express our opposition to some of the listing standard changes proposed by the New York Stock Exchange which were brought to our attention by the Council for Institutional Investors. We share the Council's concerns regarding the decline in the listing standards of the major U.S. exchanges. Given recent corporate scandals and bankruptcies in the U.S. market we believe that the exchanges and the SEC should be taking significant steps to improve the governance and disclosure standards of public companies. We recognise that there have been limited moves in this direction. However, from our viewpoint of a foreign investor with substantial investments in the US, these measures fall far short of what we have come to expect in other major markets.

The audit process is sacrosanct to public companies and should be above suspicion. If investors lose confidence in this process, then its value to shareholders, banks, customers and all other stakeholders in the company is completely undermined.

Hermes Pensions Management supports the view of the CII that the NYSE's proposed changes to the evaluation of director relationships with the outside auditor are detrimental to investors' confidence in the U.S. capital markets. Improved disclosure and more stringent criteria for independence are the way to avoid corporate governance failures, not the reverse.

Yours sincerely,

Colin Melvin
Director – Corporate Governance

Cc: Elliot Schwartz, CII