

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 270

[Release No. IC-27600; File No. S7-03-04]

RIN 3235-AJ05

Investment Company Governance

AGENCY: Securities and Exchange Commission.

ACTION: Request for additional comment.

SUMMARY: The Commission is reopening the comment period on its June 2006 request for comment regarding amendments to investment company (“fund”) governance provisions. The purpose of the additional comment period is to permit public comment on two papers prepared by the Office of Economic Analysis on this topic that will be made public by including them in the comment file. The comments the Commission receives will be used to inform our further consideration of the matter.

DATES: Comments must be received on or before 60 days after publication of the second of the two staff economic papers in the public comment file. When the second of the two staff economic papers in the public comment file is published, the Commission will publish a document announcing the comment deadline.

ADDRESSES: To help us process and review your comments more efficiently, comments should be sent by one method only.

Electronic Comments:

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/proposed.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number S7-03-04 on the subject line; or

- Use the Federal eRulemaking Portal (<http://www.regulations.gov>). Follow the instructions for submitting comments.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number S7-03-04. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/proposed.shtml>). Comments are also available for public inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. All comments received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: Jonathan Sokobin, Deputy Chief Economist, Office of Economic Analysis, (202) 551-6600 or Vincent Meehan, Staff Attorney, or Penelope Saltzman, Branch Chief, Office of Regulatory Policy, (202) 551-6792, Division of Investment Management, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

SUPPLEMENTARY INFORMATION:

In June 2006, the Commission requested additional comment¹ regarding amendments to fund governance provisions of rules under the Investment Company Act.² We received many comments in response to our request, some of which provided information on the costs of the provisions. Few, however, directly addressed in a meaningful way the economic implications of the provisions. Before considering further rulemaking on this matter, the Commission wishes to

¹ Investment Company Governance, Investment Company Act Release No. 27395 (June 13, 2006) [71 FR 35366 (June 19, 2006)].

² 15 U.S.C. 80a.

develop a more comprehensive record and a more thorough understanding of the economic consequences of the provisions.

To that end, the Commission invites comment on any aspect of the two staff economic papers that will be published shortly after the issuance of this release. Specifically, our staff economists have reviewed existing relevant economic literature related to conflicts of interest that advisers have with regard to mutual funds they advise, as well as literature related to mutual fund governance, independent chairmen, and board independence. Our staff economists also have performed an analysis of the statistical properties of mutual fund returns and potential limitations inherent in any empirical analysis designed to identify a relationship between those returns and fund governance. We will include their papers in the public comment file, and we request comment on them. In addition, in order to facilitate our assessment of the economic implications of the fund governance provisions and any alternative approaches available to us, we also seek comment on any other extant analyses, and we request that commenters provide us their best assessment of these.

By the Commission.

Nancy M. Morris
Secretary

Dated: December 15, 2006