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Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

8 October 2007

Proposed rules on proxy access

Dear Ms Morris

I am contacting you to express the concern of the UK investment company sector about current proposals from the SEC regarding proxy access. Investment companies are closed-ended, listed investment vehicles and many of them have significant investments in US quoted companies.

The Association of Investment Companies (AIC) is a supporter of high standards of corporate governance. It is vital that company boards should be fully accountable to their shareholders. In this context we believe that board appointments should ultimately be determined by shareholders. We are also clear that all shareholders should be treated in an equivalent manner (according to the rights which may apply to the class of share they own). Other factors, such as the level or duration of holding, are extraneous and should have no impact on their rights.

Purchasing a stake in a company (or buying additional stock) with the intention of supporting proposals for strategic change or influencing the composition of the board is an accepted way for investors to deliver and enhance shareholder value. The very act of debating measures suggested by shareholders can help focus the attention of management on questions which are critical to the company, enhance performance, and ensure the accountability of boards to the company owners. Preventing this activity would significantly compromise the effectiveness of the publicly listed company model and reduce the efficiency of the market.

With this in mind, a number of current SEC proposals (as set out in S7-16-07 and S7-17-07) give my members concern. In particular I wish to highlight our opposition to any suggestion that:

- companies should be able to exclude proposals from their proxy materials if they "*would establish a procedure that may result in contested elections*";
- shareholders must hold stock for at least 12 months to have their proposals for amending procedures to nominate candidates included on proxy materials; and,

- shareholders must not have acquired their stock for the purpose of changing or influencing the company.

These proposals are contrary to the perspective of my membership which believes that all shareholders should have the right to have their view heard about who should serve on the boards of the companies they own and to influence their strategic direction. If these proposals are taken forward I envisage this will damage the international reputation of the US equity markets and compromise the confidence of UK investors. I would therefore recommend that these proposals be withdrawn.

Of course, there is a need for some rules to arbitrate the process of elections. For example, we have no difficulty in the suggestion that a proposal must have the support of a certain level of shareholder support to be included on proxy materials. 5% is likely to be around the right level but it may be worthwhile keeping this under review.

I also wanted to express my scepticism regarding the possible creation of 'electronic shareholder forums', which do not appear workable or likely to be particularly useful. I would also recommend that the SEC does not pursue this option.

I hope these comments are helpful and I would be pleased to hear your thoughts on the points raised in this note.

Yours sincerely

A handwritten signature in black ink that reads "Daniel Godfrey". The signature is written in a cursive, slightly slanted style.

Daniel Godfrey
Director General