



September 26, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Shareholder Proposals (File number: S7-16-07) and Shareholder Proposals Relating to the Election of Directors (File number: S7-17-07)

Dear Ms. Morris:

We appreciate the opportunity to submit comments on the Securities and Exchange Commission's (SEC or Commission) proposed rule changes regarding shareholder proposals relating to director elections and the shareholder proposal process generally. This statement represents the views of RiskMetrics Group's – ISS Governance Services Unit and not necessarily those of our clients.

RiskMetrics Group (RMG) offers a broad range of data, analytics, advice and services to investors worldwide. It is the industry's only provider of end-to-end services for Risk Management, Governance Services and Financial Research and Analytics. Headquartered in New York with 19 offices worldwide, RMG serves more than 2300 institutions and 1000 corporations in 50 countries. In January 2007, RMG acquired Institutional Shareholder Services (ISS), the world's leading proxy voting adviser. In 2003 and 2005, ISS submitted comment letters to the SEC articulating its views in support of the 2003 proposed proxy access rules.

Consistent with our prior comment letters, we support proxy access. Reasonable procedures that allow shareholders to place nominees on issuers' proxy ballots encourage board accountability to shareholders. In RMG-ISS' 2007 Policy Survey to its institutional clients, the majority of respondents (67%) favored the availability of proxy access at all U.S. companies. Only 5% believed that it should not be available at any U.S. company. This past proxy season saw strong shareholder support for resolutions on the ballot requesting meaningful changes to the nomination process. This underscores the need for reform.

Given that we believe proxy access is a needed reform, the proposed changes in File number S7-17-07 (the short proposal) represent a step backwards by presenting an approach to proxy access that is contrary to the best interests of shareholders. With respect to File number S7-16-07 (the long proposal), it is unclear to us if the SEC's intent is to approve the proposed rule changes as an entire package or to implement only portions of the proposed changes. In

addition, the delay in approving changes to the NYSE's Rule 452 creates further uncertainty. Taken as a whole, the long proposal does not represent a superior form of shareholder accountability when compared to the status quo. Allowing shareholders to make decisions on access through the current proposal process is preferable to the changes that would result from incorporating all amendments in the long proposal. In the event that the SEC considers implementing some, but not all, of the amendments, we offer comments on four key proposed items - filing eligibility, disclosure requirements, electronic forums, and opt-out provisions for non-binding proposals.

Filing Eligibility

The proposed rule changes outline new procedures for filers of proposed bylaw amendments that provide for proxy access. Under these changes, bylaws amendments submitted by proponents that do not meet the Schedule 13G filing requirements could be excluded from a company's proxy materials. In its comments, the SEC highlighted its concern for full disclosure where the possibility of a change of control over a company is present. Hence, the SEC concluded that the familiar Schedule 13G regime, with the 5% threshold set by Section 13 (d) of the Exchange Act, would assure shareholders of appropriate disclosure and procedural protections.

- While we agree that the Schedule 13G regime is familiar and, therefore, represents a workable model, we do not agree that the eligibility requirements are warranted for filers of bylaw amendments relating to proxy access. The SEC seems to be concerned about the need for full disclosure where the possibility of a change of control over a company is present. Several degrees of separation exist, however, between a shareholder filing a proxy access bylaw amendment and actually taking control of the company, including the need for passage of the bylaw amendment, placing electable nominees on ballot, and the election of enough nominees to garner control. At each step along the way, shareholders, through their proxy voting, control the outcome. Thus, we question why this type of bylaw proposal demands such formidable barriers to the proxy ballot.

We support a model that would allow proxy access bylaw amendments to be filed, consistent with the current filing regime and consistent with the treatment for filing any other bylaw amendment. As indicated in our previous comment letters, we support proxy access with limitations, which allow for thoughtful shareholder access to the nomination process.

Disclosure Requirements

Concerned that a shareholder proponent may have relationships that can be relevant to informed decision making, the SEC has also set forth proposed disclosure requirements, which would add new items to Schedule 13G. The SEC proposed heightened disclosure requirements related to relationships between the shareholder proponent and the subject company and disclosure of activities in the past 12 months, including material transactions with the company and discussions with a proxy advisory firm.

With respect to the proposed disclosure requirements (New Items 8A, 8B, 8C), we question why proponents of this proposal should have heightened standards of disclosure that proponents of other proposals do not need to meet. If the SEC believes that the relationships and information outlined in the proposed new items are relevant for informed voting by other shareholders, then it would follow that the proposed new disclosures are good practice for all proponents, not just for those filers of proxy access bylaw amendments. We support consistency in the treatment of, and requirements for, filing bylaw amendments.

Electronic Forums

The proposed rule also addresses the development and use of electronic forums to facilitate shareholder interaction. The clarifications to Rule 14a-18 are meant to encourage the free flow of

information in an electronic forum. We believe that rules that encourage effective dialogue and communication between shareholders and companies will have far-reaching benefits. The proposed rule focuses specifically on forums that are run by corporate issuers and restricted to their shareholders. However, we are supportive of the broader use of electronic forums, such as those established by investors or other commercial and non-commercial entities. To encourage the further development of these types of forums, it would be helpful to clarify that administrators would have appropriate legal protection from the actions or statements of participants.

We believe that a system that can facilitate increased dialogue between investors and a company's management helps to build investor confidence through increased understanding of the company's policies and operations and management's awareness of shareholder concerns. While electronic forums are useful as a supplement to the current shareholder proposal process, they are not a replacement for procedures that have successfully been in place for decades. Part of the value in allowing shareholders to vote on non-binding shareholder proposals is in the information that the proposals and, more importantly, the vote results convey to the company. That information would not be adequately or effectively replaced by an electronic forum, though we believe it could be augmented by electronic forums.

Non-binding Proposals

Additionally, the SEC is seeking comment on whether a company or its shareholders should be able to adopt bylaws to establish procedures that the company would follow for inclusion of non-binding proposals. Pursuant to this proposed change, the SEC points out that the developments in the last 25 years since such an approach was last proposed have increased the importance of institutional investors, and therefore, have diminished the need for a federal approach.

The SEC's discussion of a company's ability to "opt out" of the shareholder proposal process, either with shareholder approval or (based on state law) at the board level, raises concerns over the ability of shareholders to effectively communicate with a company's management and board. We believe that shareholders, management, and the board are best served by effective communications and constructive dialogue. As such, the current non-binding proposal process provides an effective means for referendum votes on a variety of issues. While some have suggested that it leads to back-room negotiations, the current Rule 14a-8 process is anything but back-room. It is long-established, well-used, and highly transparent.

The long proposal also suggests changing the levels of support to qualify for refiling. While we believe that an increase in the current three percent, six percent and 10 percent refiling thresholds is not unreasonable, any such changes should be moderate, such as 5 percent, 10 percent, and 15 percent. If companies are going to be encouraged to improve their communications with shareholders through electronic forums, the shareholder proposal process, and other forms of outreach, it is appropriate to apply reasonable limitations that would allow issuers and investors to focus on those topics that continue to receive support from a meaningful portion of their shareholders.

Summary

We appreciate the SEC's efforts to continue dialogue on these important topics. Investors will be best served by proxy access rules and shareholder proposal guidelines that increase the communication between investors and companies. We recognize the need for some limitations, which would strike a balance between board accountability and appropriate controls to prevent abuses. However, as proposed, the short proposal and the long proposal both raise concerns. As outline in our comment letter, we support nomination, election, and proposal processes that represent workable models of accountability and which give full effect to the shareholder franchise.

We would welcome the opportunity to directly discuss our views with you at any time. If you need additional information, please contact Jim Letsky or me at (301) 556-0500.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martha L. Carter".

Martha L. Carter
RiskMetrics Group – ISS Governance Services

cc. Richard Leggett, Head of ISS Governance Services, RiskMetrics Group
Ethan Berman, Chief Executive Officer, RiskMetrics Group