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 Council\(^1\) 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).

---

\(^1\) 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.


Ms. Nancy M. Morris  
March 2, 2007

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

/s/ Robert W. Uek

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

July 2004 SEC adopts governance provisions

September 2004 Chamber of Commerce files lawsuit challenging governance provisions

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
Chamber of Commerce v. SEC, 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

June 2006 SEC requests additional comment on governance provisions

December 2006 SEC reopens comment period in order to permit comment on OEA Papers