

Senator Christopher J. Dodd
Chairman

Senator Richard C. Shelby
Ranking Member

Senator Michael D. Crapo
Committee Member

Senator Charles E. Schumer
Committee Member

U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

January 19 2010

Dear Senators:

We the undersigned investors and market participants strongly support corporate governance reforms that would facilitate shareholder oversight of companies and provide shareholders with meaningful rights to hold companies accountable in order to protect the value of our investments. Of core importance to shareholders is the ability to ensure that boards of directors are acting independently and effectively in the protection of shareholder interests. Yet, in the US market, shareholders do not currently have sufficient rights to nominate directors in an economically viable way or to vote directors off boards for poor performance.

We believe Congress should adopt director election reforms in two ways: (i) shareholders should have the ability to nominate directors through inclusion of their nominees in the company ballot and proxy materials and (ii) directors should not be elected unless they receive majority support from shareholders who cast their votes. These are fundamental rights that should be available to shareholders in the US.

The Securities and Exchange Commission has proposed a universal proxy access rule which we believe will remove the current impediments in the federal proxy rules to express shareholders' basic state law rights to nominate and elect directors. While some have questioned whether the Commission has the authority to address this deficiency, we view this action as a natural step under Section 14(a) of the Securities Exchange Act. Section 14(a) provides that the Commission may prescribe rules and regulations related to proxies that are "necessary or appropriate in the public interest or

for the protection of investors...” The legislative history of this section clearly shows its genesis to be related to various abuses arising from the use and control of proxies; the intent of the drafters was clearly to give the Commission broad authorization to deal with such proxy issues. We believe Congress should act expeditiously to reaffirm the Commission’s authority to adopt a proxy access rule.

Just as important and complementary to proxy access is the right to elect directors to serve on boards of companies. The current crisis has underscored how important it is that companies have strong independent oversight of their strategies and policies. However, the current plurality standard guarantees election in uncontested elections no matter what the outcome of the vote is. Shareholders essentially do not have a voice in one of the most important decisions we have as owners of companies -- to elect directors who we believe will fairly represent our interests. We believe that Congress should pass a bill requiring the national stock exchanges to adopt the majority voting standard at all listed companies. Many large companies in the U.S. have already adopted this reform reflecting the widespread agreement in principle between shareholders and companies that on this issue.

We urge you to include these important provisions in corporate governance legislation. Such reform is necessary to restore confidence and trust in the US capital markets and to ensure that shareholders have the effective tools to carry out our oversight and monitoring responsibilities.

Sincerely,

Robert Adamson
Executive Director
CIBC Centre for Corporate Governance and Risk Management
the Segal Graduate School of Business

Laura Berry
Executive Director
Interfaith Center on Corporate Responsibility

Mercer Bullard
President and Founder
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Dear Senators:

We the undersigned investors and market participants support regulatory reform that maintains the SEC as the primary regulator of the capital markets and provides the Commission with the resources necessary to fulfill its mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

The SEC was formed in the midst of the Great Depression to address one of the root causes of that crisis – unregulated capital markets. Today, the Commission's mission remains as critical to the functioning of our economy and advancement of the public interest as it was then. Perhaps even more so. We strongly encourage Congress to ensure that the Commission's role in our regulatory system is strengthened, not diminished, and that it be given the resources it needs to fulfill its critical mission.

It is clear that the SEC's funding has not kept pace with the explosive growth of US securities markets over the past two decades. Today, the agency monitors 30,000 entities, including more than 11,000 investment advisers, up 32 percent in only the last four years. Even so, in the three years from 2005 to 2007, the SEC's budgets were flat or declining.

In order to safeguard investors and US capital markets, the SEC must have stable, independent self-funding that meets its needs. A self-funding mechanism would ensure that the Commission has the necessary resources to hire staff with deep knowledge of the markets and securities, develop a robust technology program, and address the regulatory imperatives resulting from rapid market changes and financial innovation.

Self-funding would also allow the Commission to engage in more predictable long-term planning.

Today the SEC is one of the few financial regulatory bodies lacking a self-funding mechanism. The undersigned believe that self-funding for the SEC is in the best interests of the tens of millions of individuals investing in US capital markets in an effort to save for critical needs such as their retirement and their children's educations. It is also in the best interests of the hundreds of millions of individuals that are affected by activity in the capital markets, and by the activities of issuers, whether they invest or not.

Regardless of the Commission's funding mechanism, Congressional oversight of the SEC remains critical, through its general oversight of the SEC and its specific role in providing advice and consent regarding nominees to lead the Commission. Congress should continue to encourage vigorous regulation and appropriate resource allocation at the SEC to ensure that the Commission is addressing both the continuing and emerging systemic risks to our economy and society posed by the capital markets.

Sincerely,

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