



June 16, 2010

The Honorable Barney Frank
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Spencer Bachus
Ranking Member
House Committee on Financial Services
B371a Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

As House conferees consider the Senate's counteroffer on Title IX of financial regulatory reform legislation, the Council of Institutional Investors ("Council") strongly urges you to oppose an amendment to Section 972 of the base text restricting access to the proxy to investors that have owned at least five percent of outstanding shares for a minimum of two years. A nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion, the Council represents major, long-term investors with a duty to protect the retirement savings of millions of American workers.

The proposed amendment to Section 972 directly contradicts the express will of both houses of Congress which passed nearly identical language simply affirming the Securities and Exchange Commission's ("SEC") authority to issue a proxy access rule. Consistent with the language passed by the House and Senate, technical issues such as ownership and holding period requirements are appropriately handled through ongoing SEC rulemaking—a full, fair, and transparent due process open to comment from all interested market participants.

The global financial crisis represents a massive failure of board oversight. A five percent ownership requirement, however, would effectively shut out those large, long-term institutional investors—largely public and union pension funds—most willing to engage companies and hold boards accountable. As a result of pension funds' obligation to diversify their portfolios, the level of holdings that those funds may have in any single company is typically quite small. Research compiled by the Council indicates that even if the 10 largest public pension funds in the nation were to successfully aggregate their holdings of a single public company's shares, those funds combined would rarely if ever be able to clear a five percent hurdle.

By empowering long-term investors to hold corporate directors accountable, proxy access would help combat short-termism and address the failures of board oversight that contributed to the financial crisis, reducing the risk that such a crisis ever happens again. The Council thus strongly urges you to oppose a harmful Senate amendment to Section 972 that would effectively bar access to the proxy for America's largest, long-term, responsible owners. If you have any questions, please do not hesitate to contact me at (202) 261-7081 or jeff@cii.org, or Council analyst Jonathan Urick at jonathan@cii.org or (202) 261-7096.

Sincerely,

Jeff Mahoney
General Counsel
Council of Institutional Investors