ICI Endorses Broader Shareholder Access to Proxy, September 2007

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Changes Will Benefit Long-Term, Committed Investors, Mutual Fund Group Says

Washington, DC, September 27, 2007 - Mutual funds and their shareholders can benefit from a Securities and Exchange Commission proposal to grant long-term shareholders greater access to companies' proxies, and the Investment Company Institute will support the proposal if certain safeguards are applied, ICI's president told the House Financial Services Committee today.

"The Commission's approach will advance the interests of investors, including millions of mutual fund shareholders," Paul Schott Stevens, president and CEO of ICI, told the committee in testimony. "Under prescribed circumstances, shareholders should be able to place their proposals for bylaw amendments related to director nomination procedures on the company's proxy."

On July 25, the SEC voted to issue for comment two competing proposals addressing shareholders' ability to place on the company proxy amendments to bylaws affecting the terms for nomination and election of directors. One proposal would deny shareholders this access; the second would allow shareholders to place such amendments on the proxy if they had held a 5 percent share of the company's stock for one year or longer, and met other conditions.

In his testimony to the House panel, Stevens said that ICI, the national trade association for mutual funds, would support the latter proposal. However, ICI will urge the SEC to review its standards for deeming shareholders eligible to place such amendments, in four areas: the threshold for share ownership held by shareholders proposing the amendments; the period that proponents must hold their shares; disclosure by the proponents; and their intent.

Investment companies have a unique perspective on proxy access issues, because they are both issuers of stock and major long-term investors on behalf of millions of Americans, Stevens said. Funds "hold approximately 25 percent of the outstanding shares in U.S. companies, and they have an obligation to vote those shares in the best interests of fund investors," Stevens told the panel.