

**MEMO# 19124**

August 26, 2005

## **OP-ED PUBLISHED IN "INVESTMENT NEWS"**

©2005 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19124] August 26, 2005 TO: BOARD OF GOVERNORS No. 42-05 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 29-05 INVESTMENT COMPANY DIRECTORS No. 24-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 33-05 SEC RULES COMMITTEE No. 48-05 SMALL FUNDS COMMITTEE No. 26-05 UNIT INVESTMENT TRUST COMMITTEE No. 13-05 RE: OP-ED PUBLISHED IN "INVESTMENT NEWS" I wanted to share with you the opinion piece I authored in the August 8th issue of Investment News, entitled "Setting a New Standard at the SEC." A copy is enclosed. The US Chamber of Commerce's court challenge to the SEC's fund governance rules has generated significant controversy. Based on my many conversations with Institute members, there are widely differing views – among independent directors as well fund company executives – about the necessity or desirability of these rules and the merits of the suit. As you know, when the rules were under consideration by the SEC, we urged that the choice of chairman be left to a fund board's independent directors. We have pledged to assist ICI members in implementing any new governance requirements as effectively as possible. We are not a party to the litigation. No matter what their views about these specific fund governance requirements, however, few in our business would argue against the need for the SEC to take a disciplined approach to new rules. This is, in my mind, the larger significance of the Court of Appeals decision in the Chamber of Commerce litigation. The court held that, irrespective of how the SEC ultimately weighs the costs and benefits of a particular rule, it must seek to inform itself in advance about the costs and also consider reasonable alternatives. This (the court said) is what the law requires of the SEC, and such an approach surely will best serve the interests of funds, their directors and advisers, and most importantly those of fund shareholders. Paul Schott Stevens President Enclosure