NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

NASAA

10 G Street N.E., Suite 710
Washington, DC 20002
202/737-0900
Telecopier: 202/783-3571
E-mail: info@nasaa.org
Web Address: http://www.nasaa.org

March 10, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609

Via e-mail to rule-comments@sec.gov

RE: Release No. IC-26323; File No. S-7-03-04
Investment Company Governance

Dear Mr. Katz:

The North American Securities Administrators Association, Inc. (NASAA)[1] is pleased to comment on the rule proposed by the Commission that would require registered investment companies ("funds") to adopt certain governance practices. The stated purpose of the proposal is to enhance the independence and effectiveness of fund boards, and to improve their ability to protect the interests of the funds and their shareholders.

Under the proposal, funds that rely on any of ten enumerated "Exemptive Rules" would have to adopt certain governance standards. These include the following:

Independent directors would be required to constitute at least 75 percent of a fund's board.

The board would be required to appoint a chairman who is an independent director.

The board would be required to assess its own effectiveness at least once a year, including consideration of the board's committee structure and the number of funds on whose boards the directors serve.

The independent directors would be required to meet in separate sessions at least once a quarter.

Independent directors would have to be authorized to hire their own staff.

[1] The oldest international organization devoted to investor protection, the North American Securities Administrators, Inc. was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

NASAA supports SEC efforts to enhance the ability of fund boards of directors to manage conflicts of interest that arise between the fund adviser and the fund. Enforcement actions brought by state regulators and SEC underscore the fact that the structures of many fund boards are inadequate to effectively oversee fund management. NASAA applauds SEC efforts to define fund governance standards, and to condition availability of key exemptions under the Investment Company Act of 1940 involving serious conflicts of interest upon satisfaction of those standards.

The SEC proposal also is consistent with standards for fund management that recently have been adopted by the administrators of several large state pension funds.

If you have any questions, please do not hesitate to contact Robert Lam, Chair of NASAA's Shareholders' Rights Project Group and Chairman of the Pennsylvania Securities Commission.

Sincerely,

Ralph A. Lambiase

Ralph A. Lambiase
NASAA President and
Director, Connecticut Division of Securities