20 October 2010

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
USA

By Post & e-mail to: rule-comments@sec.gov

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Dear Ms. Murphy

Re: File Number S7-14-10 (Concept Release on the U.S. Proxy System)

We are writing on behalf of Standard Life Investments, a global fund manager, in response to the request of the U.S. Securities and Exchange Commission for comment on its Release No. 34-62495, File No. S7-14-10, relating to the functioning and architecture of the U.S. proxy voting system.

Standard Life Investments is a wholly owned subsidiary of Standard Life plc, whose securities are listed on the London Stock Exchange and is a constituent of the FTSE-100 Index. Standard Life Investments manages on behalf of its clients funds that had a value of $228 billion as at 30 June 2010. A significant proportion of these funds, which are actively managed, are invested in securities listed in the United States. It is relevant to note that our clients are long-term investors, and that as active and committed shareholders we are involved in engaging with our portfolio companies on corporate governance issues as well as being committed to the responsible voting of the shares we hold. Accordingly, we have a keen interest to ensure that the votes of our clients as shareholders are properly received and recorded by their U.S. portfolio companies and that the whole system operates in the best possible manner, commensurate with reasonable burdens and costs.

We believe that the share voting system worldwide would benefit from better integration and greater uniformity, and that greater global participation in share voting will lead to progressive improvement in the corporate governance and accountability, not only of American companies, but of corporations worldwide. We are pleased that the Commission has decided to undertake a comprehensive review of the entire U.S. proxy system, rather than merely looking selectively at particular elements of it. We welcome the opportunity afforded by the Commission to comment upon elements of the Release, and to make our own observations regarding the betterment of the current system.

At the outset, we recognise that the U.S. proxy system has many unique and positive features, and that the national trend towards better corporate governance has gone hand-in-hand with the generally high levels of participation in proxy voting by American institutions. Among the positive features we note are the detailed U.S. disclosure requirements, the comprehensive distribution of annual reports and proxy materials, and the low ownership threshold and established mechanism employed for shareholders to be able to submit resolutions to shareholder meetings. However, despite these and other strengths, we also agree with the Commission that the system is in need of updating, and wish to submit our friendly criticisms and suggestions as a foreign participant, based upon our experience with the functioning of other proxy voting systems outside the U.S., and in particular the system which obtains in the United Kingdom, as well as with the U.S. system itself.

The following commentary responds to several of the questions raised and is numbered in accord with the Release:

III.A. Over-Voting and Under-Voting of Shares

We recommend that there be a second record date close to the shareholders' meeting (in the UK it is two business days beforehand) at which time all proxies received are matched against all shares settled and paid for. Experience with the UK's reconciliation date system has been extremely successful. In consequence, there is very little problem with the under- and over-voting which create difficulties in the U.S. market. While the early record date used in the U.S. is useful in terms of the physical distribution of proxy materials, the very long interval between this date and the meeting makes it much easier for these problems to arise. We believe that the greater reliance upon electronic communication in recent years, coupled with the gradual de-materialisation of physical share certificates, have made this very extended gap in time no longer necessary.

III.B. Vote Confirmation

One thing that all voting systems would benefit from is positive confirmation that one's votes have been received and properly recorded. We strongly support measures to create such a possibility in the United States. The existence of a transparent audit trail which would be the necessary requirement for a confirmation system would provide all market users, and not just institutional shareowners, with confidence in the underlying integrity of the system and of the shareholders' meeting.

III.C. Proxy Voting by Institutions That Lend Securities

It is vital that all shareowners vote their shares on any issue that they deem important to their interests or those of their beneficiaries. If those shares have been lent, they should be recalled when such an issue comes before the shareholders' meeting. Accordingly, the agenda must be made available to shareowners a sufficient time before the record date so that it is feasible to recall one's shares. As above (under III.A.) we believe that the best method would be the use of a reconciliation date much closer to the meeting date than this, but at a minimum one must allow reasonable time for evaluation and internal response to the agenda and for the recall process to be completed.

We believe that the advanced U.S. record dates in use would be appropriate to freeze entitlements for the physical distribution of proxy materials (after that point, obtaining such materials would be up to the hitherto unrecorded shareowner), but that final eligibility to vote be determined only at a date much nearer the shareholders' meeting. This separation of the dates would facilitate the voting of shares which had been lent, but which could be recalled by the shareowner so that they could be voted.

IV.A. Issuer Communication With Shareholders and the Use of Street Name

We believe that issuers should be empowered to interrogate those names appearing on their share register to identify actual owners of the company concealed by the use of brokers' or banks' names on the accounts. In the United Kingdom for example, the company has the right to disenfranchise shareholders of voting rights who do not respond to the issuer's inquiries as to their identity, as well as to suspend other rights, such as the dividend and any other special benefits accorded to shareholders. We feel that concerns of transparency, good corporate governance, and shareowner stewardship have now become paramount, and that communication between a company and its owners should be privileged over the ability to keep one's identity a secret.

IV.B. Retail Investor Voting

As we are not retail investors, we will not comment in detail. Voting by retail investors should be made as easy as is practicable within the constraints of reasonable cost to all shareholders, and retail participation should be encouraged. However, we are opposed to arrangements which would have shares voted on their behalf blindly or automatically. Standing orders such as, "Vote all shares for all resolutions at all meetings," or "Vote against management in all cases," are not in accord with our belief that voting ought to be informed, and never mechanical or at the discretion of some third party. Mere accumulation of retail votes by mechanical means is no substitute for deliberate shareholder participation in the process.

It would also seem inappropriate for retail investors to place full trust in broker voting on their behalf, as brokers may have conflicts of interest. Alternatively, brokers could be placed under similar obligations to those of Investment Advisors under the 1940 Act: that is, while a legal duty to vote could not be applied, as this is a matter of choice for the beneficial owner, brokers could be permitted to facilitate voting activities for retail clients if they were under a strict obligation to have appropriate voting policies and processes in place, and a strict obligation to avoid conflicts of interest.

V. A. Role of Proxy Advisory Firms

We would welcome a clear policy regarding conflicts of interest of proxy advisory firms. They should have clear guidelines and an obligation to manage any conflicts in accord with these guidelines, or to eschew any possibility of such conflicts. We are, however, not convinced that there should be regulatory oversight of the actual voting recommendations, other than to ensure that appropriate integrity is always applied to such matters as conflicts of interest. We see no harm in there being public disclosure of the basic recommendations made (i.e., excluding those customised for specific clients), but obviously with some delay; a quarter in arrears should be sufficient to protect the proprietary nature of the advisor's recommendations.

V. B. Dual Record Dates

As noted above under III.A., we support the concept of a system of dual record dates as has also been suggested by other market participants, to resolve issues resulting from the very early record date system now in use in the United States. [We would also like to echo the recommendation made by some participants that the voting record date and the dividend record date be distinct, and separated by sufficient time that shares lent for the purpose of dividend arbitrage not interfere with voting: there is substantial evidence that this is a significant factor in depressing the vote, especially in the cases of shares with a high yield, and shares which offer the alternative of a dividend reinvestment plan.]

We note that the current system, despite its flaws, does have the benefit of allowing shareholders of record to cast their proxies very close to the shareholders' meeting, in some cases even on the actual day. We would be pleased if the solution ultimately selected by the Commission would continue to allow for votes to be cast as close to the meeting as possible.

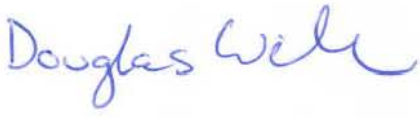
V. C. Empty Voting and the De-Coupling of Economic from Voting Interest

We share the concern of the Commission regarding the separation of voting from an actual economic interest in the shares, and the attendant practice of empty voting. Many of the problems involving empty voting would disappear if there were a final record (reconciliation) date close to the date of the shareholder meeting.

Again we are grateful for the opportunity to submit our views on the questions and suggestions set out in the SEC's concept release, which provided a thoughtful and helpful analysis of the issues regarding proxy voting as well as some of the options for improvement.

We hope our views will assist the Commission in its continuing deliberations on proxy voting reform. We support the Commission's resolve to make any changes in the context of a review of the entire system. In this regard, we would observe that a more effective proxy voting system will no doubt strengthen positive tendencies in the U.S. corporate governance environment and encourage more informed participation both by American and foreign shareowners. With this in mind, we should be pleased to be of any further assistance to the SEC in these or other discussions, as and when required.

Yours sincerely



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