

MEMO# 28907

April 20, 2015

ICI Submits Comment Letter on SEC's Proposal to Require Disclosure of Hedging by Employees and Directors

[28907]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 13-15

ETF ADVISORY COMMITTEE No. 9-15

ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 9-15

SEC RULES MEMBERS No. 24-15 RE: ICI SUBMITS COMMENT LETTER ON SEC'S PROPOSAL TO REQUIRE DISCLOSURE OF HEDGING BY EMPLOYEES AND DIRECTORS

On April 20, ICI submitted a comment letter in response to the proposal by the Securities and Exchange Commission ("SEC") to require certain companies to disclose whether they permit employees and directors to hedge their companies' securities. [\[1\]](#) The Proposal is intended to implement Section 955 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). A copy of the letter is attached.

In the letter, ICI states that it supports the SEC's determination to exclude most registered investment companies from the proposed disclosure requirements but recommends that the SEC also exclude listed closed-end funds from any final disclosure requirements for a number of reasons. First, the letter argues that the concerns intended to be addressed by the relevant provision of the Dodd-Frank Act do not apply to closed-end funds. Specifically, neither the legislative history nor commentary at the time of the legislation indicates that the purpose of the legislation was to address abuses with respect to closed-end funds. The letter also notes that in determining to extend the Proposal to closed-end funds, the SEC has not demonstrated that closed-end fund executives engage in the problematic hedging practices employed by operating company executives. Second, the letter argues that for the purposes of executive compensation disclosure and the concerns related to hedging activities, listed closed-end funds exhibit the same characteristics as other funds and should be treated the same as other funds. Finally, the letter argues that, given that there has been no demonstrated concerns in this area for closed-end funds (and therefore potentially limited value in providing this disclosure), the benefits of imposing the disclosure obligation do not outweigh the costs.

Jennifer S. Choi
Associate General Counsel

[Attachment](#)

endnotes

[1] Disclosure of Hedging by Employees, Officers and Directors, 80 FR 8486 (Feb. 17, 2015), available at <http://www.gpo.gov/fdsys/pkg/FR-2015-02-17/pdf/2015-02948.pdf> (“Proposal”). For a summary of the Proposal, see ICI’s memorandum No. 28733 (Feb. 13, 2015), available at http://www.ici.org/my_ici/memorandum/memo28733.

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