

MEMO# 25159

May 2, 2011

ICI Letter on SEC Proposal Regarding Listing Standards for Compensation Committees

[25159]

May 2, 2011

TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 34-11
ETF ADVISORY COMMITTEE No. 27-11
SEC RULES MEMBERS No. 52-11 RE: ICI LETTER ON SEC PROPOSAL REGARDING LISTING STANDARDS FOR COMPENSATION COMMITTEES

As we previously informed you, the Securities and Exchange Commission recently issued a proposal to implement Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. [\[1\]](#) This provision, which added Section 10C to the Securities Exchange Act of 1934, requires the Commission to adopt rules directing the national securities exchanges to prohibit the listing of any equity security of an issuer that is not in compliance with Section 10C's compensation committee and compensation adviser requirements. Although compensation committees generally are used by operating companies, the proposal also generally would apply to registered investment companies. The Institute filed a comment letter on the proposal, which is attached and briefly summarized below.

The letter states our belief that the Commission's proposal will strengthen compensation committees at operating companies, and that we fully support it in that regard. The very concept of compensation committees, however, is wholly inapplicable to the vast majority of investment companies, because they do not have compensated executives and, accordingly, do not have compensation committees. The letter then states that given this fundamental structural and regulatory difference from operating companies, the Commission should exempt registered investment companies from the entirety of Rule 10C-1.

In addition, the letter supports the Commission's decision to exclude investment companies from the proposed disclosure requirements regarding compensation consultants, recognizing that investment companies already have distinct proxy disclosure requirements tailored to their operations.

Dorothy M. Donohue
Senior Associate Counsel

[Attachment](#)

endnotes

[1] See [Memorandum](#) to Closed-End Investment Company Members No. 30-11, ETF Advisory Committee No. 21-11, and SEC Rules Members No. 46-11, dated April 5, 2011 (summarizing the proposal).

Copyright © by the 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.