

MEMO# 30509

January 10, 2017

IDC Comments on SEC's Universal Proxy Proposal

[30509] January 10, 2017 TO: Investment Company Directors SUBJECTS: Closed-End Funds Fund Governance RE: IDC Comments on SEC's Universal Proxy Proposal

IDC filed the attached comment letter on the SEC's proposal to require the use of universal proxies in connection with contested elections of directors other than those involving registered investment companies and business development companies.^[1] IDC's letter commends the SEC for proposing to exclude funds from the proposed mandate and for recognizing that rules designed for operating companies are not always appropriate for funds.

The proposal would require, in contested elections of directors, the use of universal proxies that include the names of both the registrant and dissident nominees, allowing shareholders to vote for a mix of registrant and dissident nominees (*i.e.*, to "split their vote"). IDC's letter strongly supports the SEC's determination to exclude funds from this requirement.

As the SEC notes in its release, and as IDC's letter explains, split-ticket voting could disrupt the unique governance models (*i.e.*, unitary and cluster boards) employed by funds, to the detriment of efficient and effective fund governance. If the proposal were applied to funds, it could cause a fund complex to lose its unitary or cluster board structure and the funds in the complex to incur additional costs and experience administrative difficulties.

IDC's letter also states that universal proxies are not necessary in the fund context. Fund shareholders generally do not seek split-ticket voting. Moreover, fund shareholders are granted expansive voting rights on governance matters under the Investment Company Act of 1940, such as the approval of the advisory contract, which limit the value to shareholders of a universal proxy mandate.

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Deputy Managing Director

[Attachment](#)

endnotes

^[1] For a summary of the proposal, see ICI [Memorandum No. 30372](#) (Nov. 1, 2016).

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