

MEMO# 20923

March 2, 2007

Institute Letter to SEC Chairman Cox Regarding NYSE Proxy Voting Proposal

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TO: BOARD OF GOVERNORS No. 8-07
SEC RULES MEMBERS No. 27-07
CLOSED-END INVESTMENT COMPANY MEMBERS No. 14-07
SMALL FUNDS MEMBERS No. 19-07
ETF ADVISORY COMMITTEE No. 9-07 RE: INSTITUTE LETTER TO SEC CHAIRMAN COX
REGARDING NYSE PROXY VOTING PROPOSAL

The Institute has sent a letter to SEC Chairman Cox reiterating our concerns over a NYSE proposal to eliminate discretionary broker voting for the uncontested election of directors. A copy of the letter is attached and summarized below.

The letter discusses the significant cost implications of the proposal for funds and their shareholders and states that, at least as applied to funds, the proposal has no demonstrable benefits, and certainly none that come close to offsetting its costs. The letter notes that the Institute is not aware of any fund shareholders who have voiced dissatisfaction with the current proxy voting process as it relates to the uncontested election of directors, nor are we aware of any detrimental effects of the current process on funds or fund governance. For these reasons, the letter recommends that funds be exempted from the NYSE proposal.

The letter addresses several alternatives to eliminating discretionary broker voting that have been suggested by NYSE staff, including adopting a proportional voting system, lowering quorum requirements, or adding the shareholder ratification of auditors to fund

proxies. The letter concludes that all of these alternatives have serious shortcomings and should be rejected in the absence of any compelling reason to change the current system.

Finally, the letter discusses the process by which the NYSE has advanced its proposal. The letter states that the NYSE conducted little or no analysis of the proposal's impact on funds. To avoid this problem in the future, the letter urges that the SEC require that the NYSE (and all other self-regulatory organizations) perform an appropriate cost/benefit analysis prior to submitting any regulatory proposal to the SEC.

Elizabeth Krentzman
General Counsel

[Attachment](#)

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