

**MEMO# 25109**

April 15, 2011

## **ICI Draft Letter on SEC Proposal Regarding Listing Standards for Compensation Committees; Your Comments Requested By April 26th**

[25109]

April 15, 2011

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 22-11  
ETF ADVISORY COMMITTEE No. 25-11  
SEC RULES COMMITTEE No. 34-11 RE: ICI DRAFT LETTER ON SEC PROPOSAL REGARDING  
LISTING STANDARDS FOR COMPENSATION COMMITTEES; YOUR COMMENTS REQUESTED BY  
APRIL 26TH

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 has prepared the attached draft comment letter on the proposal. The draft letter is summarized below.

Comments on the proposal must be filed with the Securities and Exchange Commission by Friday, April 29th. Please provide your comments by April 26th to Dorothy Donohue by email ([ddonohue@ici.org](mailto:ddonohue@ici.org)) or phone at (202) 218-3563.

The draft 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 draft 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 draft 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 Committee No. 18-11, ETF Advisory Committee No. 21-11, and SEC Rules Committee No. 27-11 [25065], dated April 5, 2011 (summarizing the proposal).

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