

MEMO# 24637

October 21, 2010

ICI Comment Letter on SEC Concept Release on Proxy System

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TO: SEC RULES MEMBERS No. 105-10
CLOSED-END INVESTMENT COMPANY MEMBERS No. 53-10
SMALL FUNDS MEMBERS No. 61-10
OPERATIONS MEMBERS No. 14-10
ETF ADVISORY COMMITTEE No. 47-10 RE: ICI COMMENT LETTER ON SEC CONCEPT RELEASE ON PROXY SYSTEM

In July, the Securities and Exchange Commission issued a concept release requesting comment on various aspects of the U.S. proxy system. [\[1\]](#) The Institute filed a comment letter on the Release, which is attached and briefly summarized below.

The letter supports the Commission undertaking a comprehensive review of the complex system of proxy voting and notes that proxy voting is important to investment companies in their dual roles as institutional investors and issuers. As such, ICI's members have a strong interest in a well-functioning and cost-efficient proxy system.

Our letter includes the following recommendations in connection with the Commission's review of the current proxy system:

- The SEC's rules should:
 - Permit issuers to directly communicate with their shareholders by eliminating the regulatory categories of "objecting" beneficial owners ("OBOs") who object to having their names and addresses provided to an issuer, and "non-objecting" beneficial owners ("NOBOs") who do not so object. As part of this change, SEC rules should permit investors who choose to remain anonymous to appoint a nominee who could be contacted by issuers.
 - Impose a standardized way for shareholders to use to confirm votes. Issuers should be required to bear the cost of confirmations and should be prohibited

- from confirming a shareholder's vote to any person other than the shareholder or his or her designated agent.
- Permit—but not require—issuers to disclose matters to be voted upon in advance of the record date.
 - Require all institutional investors subject to the Commission's jurisdiction to disclose how they voted their proxies.
 - Accommodate issuers' use of dual record dates.
 - The SEC should:
 - Not revise Form N-PX to impose additional disclosure requirements on funds.
 - Take steps to reduce costs and increase competition related to the distribution of proxy materials and other issuer-prepared materials to beneficial shareholders.
 - Permit client-directed voting with a view toward increasing voting participation rates by retail shareholders.
 - Permit issuers that wish to rely on the "notice and access" model for distributing proxy materials to include a proxy card in the same mailing with the Notice of Internet Availability of Proxy Materials.
 - Not impose data tagging requirements on proxy statement or voting information forms unless it can establish that expected benefits to investors would justify the associated costs.
 - Not modify the current regulatory scheme for proxy advisory firms.

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[Attachment](#)

endnotes

[1] See [Memorandum](#) to SEC Rules Members No. 67-10, Closed-End Investment Company Members No. 40-10, Operations Members No. 8-10, Small Funds Members No. 41-10, ETF Advisory Committee No. 32-10, dated July 27, 2010.

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