

MEMO# 15106

September 9, 2002

DRAFT INSTITUTE COMMENT LETTER TO IOSCO ON RESPONSIBILITIES OF AND DISCLOSURE BY COLLECTIVE INVESTMENT SCHEMES AS SHAREHOLDERS

URGENT/ACTION REQUESTED [15106] September 9, 2002 TO: INTERNATIONAL COMMITTEE No. 67-02 RE: DRAFT INSTITUTE COMMENT LETTER TO IOSCO ON RESPONSIBILITIES OF AND DISCLOSURE BY COLLECTIVE INVESTMENT SCHEMES AS SHAREHOLDERS The International Organization of Securities Commissions (IOSCO) has requested comment on "Collective Investment Schemes as Shareholders: Responsibilities and Disclosure," a report prepared by Standing Committee 5 – Investment Management of IOSCO's Technical Committee. The report discusses a number of regulatory and disclosure issues relating to the exercise of voting rights by collective investment schemes (CIS) and their investment managers. Specifically, the report reviews industry and regulatory responses to three questions posed by the Committee and presents the Committee's views on what the appropriate regulatory responses to these questions should be. Attached for your review is a draft comment letter that the Institute would like to submit to IOSCO. The comment letter agrees with the Committee's report that investment advisers have an obligation to treat voting and other shareholder rights attached to a fund's portfolio securities as an important asset of the fund and to exercise those rights in the best interest of the fund. The letter states that responsibilities with respect to voting rights are only a part of the overall fiduciary duties that are owed to the fund and that the investment adviser must carefully consider the costs and benefits associated with exercising the voting rights of a particular portfolio company. To ensure that any action taken with respect to voting rights is in the best interest of the fund, the letter requests that collective investment schemes be given flexibility to determine which entity or person should execute the voting responsibility. The letter also supports disclosure of fund voting policies and procedures, which investors might find helpful. With respect to disclosure of particular votes, the letter states that fund investors are not interested in actual votes cast for a particular portfolio security but supports giving collective investment schemes discretion to disclose how they voted a particular block of securities on a case by case basis. 2 IOSCO has requested comment on the report by September 30, 2002. Accordingly, please provide any comments you have on the draft letter to me at (202) 326-5810 or at jchoi@ici.org by Friday, September 20, 2002. Jennifer S. Choi Associate Counsel Attachment (in .pdf format)

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