

MEMO# 14963

July 26, 2002

NYSE CHANGE RELATING TO CLOSED-END FUND LISTING ELIGIBILITY CRITERIA AND ALLOCATION POLICIES

[14963] July 26, 2002 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 30-02 RE: NYSE CHANGE RELATING TO CLOSED-END FUND LISTING ELIGIBILITY CRITERIA AND ALLOCATION POLICIES The Securities and Exchange Commission approved, on a permanent basis, a proposed rule change filed by the New York Stock Exchange relating to the listing eligibility criteria and allocation policy for registered closed-end funds.¹ The Institute expressed support for these proposals in its comment letter on the proposed rule change.² In addition, the SEC published for comment, and granted accelerated permanent approval to, a related technical conforming rule change. Listing Eligibility Criteria As approved by the SEC, the rule change amends the NYSE's Listed Company Manual to apply to all individual closed-end funds that desire to list on the Exchange the \$60 million public market value test previously used for funds applying in connection with their initial public offerings. The amendment also establishes a standard under which a group of funds meeting certain specified requirements can be listed concurrently by a single "fund family," even if the group includes one or more funds with less than \$60 million in public market value. In particular, the total group market value of publicly held shares (offering proceeds, in the case of newly formed funds) must equal in the aggregate at least \$200 million; each group must average at least \$45 million in market value of publicly held shares (proceeds) per fund; and no single fund in the group may have a market value of publicly held shares (proceeds) of less than \$30 million. This group standard applies regardless of whether the group consists of newly formed or existing funds, or a combination thereof. Under the technical proposed rule change, a "fund family" is defined as "funds with a common investment adviser or having investment advisers, which are 'affiliated persons,' as 1 Securities Exchange Act Release No. 46163 (July 3, 2002), 67 FR 46559 (July 15, 2002) ("Release"). The Release is available at http://www.access.gpo.gov/su_docs/fedreg/a020715c.html.² See Memorandum to Closed-End Investment Company Committee No. 21-02, dated May 7, 2002. ² defined in Section 2(3) of the Investment Company Act of 1940, as amended."³ Previously, "fund family" would have been defined as "funds with a common investment adviser or having investment advisers which are all affiliates of one another."⁴ Allocation Policy The rule amendment changes the NYSE's Allocation Policy to permit a fund family to be allocated to one specialist unit, unless the Allocation Committee believes it appropriate to allocate the group to more than one specialist unit. The Allocation Committee is permitted to allocate funds within a group to more than one unit where, for example, the number of funds in the group, the types of funds, or the relative values of the funds suggest to the Allocation Committee that allocation to more than one specialist unit would be appropriate. Dorothy

M. Donohue Associate Counsel 3 The NYSE made a technical correction to the rule text and a conforming change to the purpose section to clarify the definition of affiliated persons in Section 102.04 of the Manual and Section V of the NYSE's Allocation Policy and Procedures.
4 See Securities Exchange Act Release No. 45684 at note 6.

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