

MEMO# 3058

August 29, 1991

SEC PROPOSES RULE AMENDMENTS REGARDING OBLIGATIONS OF BROKERS AND BANKS TO FORWARD CERTAIN SHAREHOLDER COMMUNICATIONS TO BENEFICIAL OWNERS

August 29, 1991 TO: SEC RULES COMMITTEE NO. 50-91 RE: SEC PROPOSES RULE AMENDMENTS REGARDING OBLIGATIONS OF BROKERS AND BANKS TO FORWARD CERTAIN SHAREHOLDER COMMUNICATIONS TO BENEFICIAL OWNERS

As we previously informed you, late last year the Shareholder Communications Improvement Act of 1990 ("SCIA") was enacted to expand the provisions of the Securities Exchange Act of 1934 governing the obligations of banks or broker-dealers that serve as record holders of securities to forward proxy and information statements to the beneficial owners of the securities. (See Memorandum to SEC Rules Members No. 78-90, dated November 20, 1990.) The legislation extended those provisions to cover any security issued by a registered investment company. Recently, the Securities and Exchange Commission proposed amendments to certain rules under Regulations 14A and 14C under the Exchange Act and Rule 20a-1 under the Investment Company Act of 1940 to implement the provisions of the SCIA. A copy of the proposing release is attached. According to the release, the proposed amendments are intended to accomplish three changes. First, they would require broker-dealers and banks to forward proxy materials and information statements of 1940 Act registrants, as well as information statements of Section 12 registrants, to beneficial owners. (Information statements are required in connection with shareholder meetings where corporate actions requiring shareholder authorization or consent are to be taken, but proxies are not being solicited on behalf of the registrant.) Second, they would extend requirements to transmit information statements to shareholders currently applicable to Section 12 registrants to 1940 Act registrants. Finally, they would provide for reimbursement by registrants of reasonable expenses incurred by broker-dealers and banks in transmitting proxy materials and information statements to beneficial owners. Under the proposal, for the first two years, "reasonable expenses" may include a surcharge at a specified rate designed to cover start-up costs of complying with the new requirements. The release seeks comments on all aspects of the proposed rule amendments. Comment letters must be filed by October 7, 1991. If there are positions you would like the Institute to consider including in a comment letter, please contact me by Monday, September 30. Frances M. Stadler Assistant General Counsel

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