

MEMO# 15471

December 19, 2002

SEC SEMI-ANNUAL REGULATORY AGENDA

[15471] December 19, 2002 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 55-02 INVESTMENT ADVISERS COMMITTEE No. 31-02 SEC RULES COMMITTEE No. 106-02 UNIT INVESTMENT TRUST COMMITTEE No. 32-02 RE: SEC SEMI-ANNUAL REGULATORY AGENDA The Securities and Exchange Commission has published its semi-annual agenda of rulemaking actions.¹ Division of Investment Management items are listed on attached Federal Register pages 75647-8 and summarized on attached Federal Register pages 75654-62. Set forth below is a summary of changes to the Division's agenda related to investment companies and investment advisers that have occurred since the semi-annual agenda was last published. Those items whose status has changed since the date of the release have been noted to indicate their current status. A. The following items have been added to "Proposed Rule Stage": 1. Disclosure of Proxy Voting Policies and Results by Investment Companies (Commission proposed rules that would require investment companies to disclose their policies, practices and procedures used to determine how to vote proxies of portfolio securities and their proxy voting results) (p. 75655). 2. Certain Research and Development Companies (Staff of the Division of Investment Management considering whether to recommend that the Commission propose Rule 3a-8 under the Investment Company Act to provide a safe harbor from investment company status for certain research and development companies) (p. 75655).² 3. Substitution of Funds Underlying Variable Insurance Products (Staff of the Division of Investment Management is considering whether to recommend that the Commission propose a rule to permit substitutions of funds underlying variable insurance products without a Commission approval order under Section 1 SEC Release Nos. IC-25735 and IA-2058 (Sept. 18, 2002), 67 FR 75646 (Dec. 9, 2002). 2 The Commission has proposed Rule 3a-8. 2 26(c) of the Investment Company Act and related relief from Section 17(a) for in-kind transactions in connection with the substitutions) (p. 75656). 4. Proxy Voting Policies and Procedures for Investment Advisers (Staff of the Division of Investment Management considering whether to recommend that the Commission propose new Rule 206(4)-6 and amend Rule 204-2 under the Investment Advisers Act to require investment advisers that exercise discretionary voting authority with respect to client securities to adopt proxy voting policies and procedures) (p. 75656).³ B. The following items have been reclassified or added to "Final Rule Stage": Reclassified from "Proposed Rule Stage" 1. Custody or Possession of Funds or Securities of Clients (Commission proposed revisions to the custody rule under the Investment Advisers Act to conform the rule to modern custodial practices and enhance protections for client assets while reducing burdens on advisers that have custody of client assets) (p. 75658). 2. Exemption for Certain Advisers Operating through the Internet (Commission proposed new Rule 203A-2(f), which would permit certain investment advisers operating through the Internet to register with the Commission) (p. 75658).⁴ 3.

Transactions of Investment Companies with Portfolio and Subadvisory Affiliates (Commission proposed new rules and rule amendments to expand the circumstances under which a registered investment company may engage in transactions and joint enterprises with certain affiliated persons of affiliated persons of the investment company) (p. 75658).

4. Proposed Amendments to Investment Company Advertising Rules (Commission proposed to amend Rule 482 to permit fund advertisements that are not subject to restrictions limiting the content of the advertisement to information “the substance of which” is in a fund’s prospectus and to require enhanced disclosure in fund advertisements) (p. 75659).

Added 5. Certification of Disclosure in Management Investment Companies’ Reports to Shareholders (Staff of the Division of Investment Management recommending to Commission proposed rule amendments that would require funds to file certified shareholder reports with the Commission and would designate these certified reports as reports that are required under Sections 13(a) and 15(d) of the Securities Exchange Act and would require the fund’s principal executive and financial officers to certify the information contained in these reports) (p.75659).

5 3 The Commission has proposed Rule 206(4)-6 and proposed amendments to Rule 204-2. 4 The Commission has adopted Rule 203A-2(f). 5 The Commission has proposed these amendments. 3 C. The following items have been reclassified from “Final Rule Stage” to “Completed Actions”:

1. Exemption for the Acquisition of Securities During the Existence of an Underwriting or Selling Syndicate (Commission adopted amendments to Rule 10f-3 under the Investment Company Act to permit investment companies to purchase Government securities during the existence of an underwriting or selling syndicate in which an affiliate is participating) (p. 75661).
2. Mergers of Certain Affiliated Investment Companies (Commission adopted amendments to Rule 17a-8 under the Investment Company Act, which exempts from the prohibitions of Section 17(a) mergers and other combinations of certain affiliated investment companies, to expand the rule to make it available in a broader range of circumstances and alter the conditions required for reliance on the rule) (p. 75661).

D. The following item has been reclassified from “Prerule Stage” to “Discontinued Entries”:

1. Actively Managed Exchange Traded Funds (Commission has withdrawn the release seeking public comment on various issues relating to the concept of actively managed funds) (p. 75648).

Anu Dubey Assistant Counsel Attachment (in .pdf format)