

**MEMO# 3716**

April 20, 1992

# **INSTITUTE LETTER ON NYSE PROPOSAL TO AMEND THE PROXY VOTING REQUIREMENTS FOR INITIAL APPROVAL OF ADVISORY AGREEMENT**

April 20, 1992 TO: SEC RULES COMMITTEE NO. 21-92 CLOSED-END FUND COMMITTEE NO. 7-92 RE: INSTITUTE LETTER ON NYSE PROPOSAL TO AMEND THE PROXY VOTING REQUIREMENTS FOR INITIAL APPROVAL OF ADVISORY AGREEMENT

As we previously informed you, the New York Stock Exchange, pursuant to the Institute's request, proposed to amend its interpretation of NYSE Rule 452 to allow member organizations to give a proxy on the initial approval of an investment advisory agreement if the beneficial holder does not exercise his right to vote. (See Memorandum to SEC Rules Committee No. 17-92 and Closed-End Fund Committee No. 4-92, dated March 30, 1992). The Institute submitted the attached letter to the SEC on the NYSE's proposal. In its letter, the Institute expressed strong support for the proposal and urged the SEC to approve it promptly. The Institute noted that the proposed change would relieve investment companies from an unnecessary and costly burden without, in any way, weakening investor protections. This is because, prior to being solicited to approve the advisory agreement, investors will have received a fund prospectus, which fully and prominently describes the advisory contract and fees in detail. Therefore, investors already have "approved" the advisory contract by purchasing shares of that fund. Moreover, the NYSE's proposal will eliminate any potential conflict of interest by requiring that when the adviser and the member organization are affiliated, the member vote in the same proportion as represented by the votes received from all other shareholders. We will keep you informed of developments. Amy B.R. Lancellotta Associate General Counsel Attachment