

**MEMO# 15390**

November 25, 2002

## **DRAFT ICI COMMENT LETTER ON SEC PROPOSALS RELATING TO PROXY VOTING; SPECIFIC ROLE FOR FUND DIRECTORS RECOMMENDED**

[15390] November 25, 2002 TO: DIRECTOR SERVICES COMMITTEE No. 10-02 RE: DRAFT ICI COMMENT LETTER ON SEC PROPOSALS RELATING TO PROXY VOTING; SPECIFIC ROLE FOR FUND DIRECTORS RECOMMENDED At the October 16th meeting of the Director Services Committee, we discussed the Securities and Exchange Commission's pending proposals concerning proxy voting by investment companies and investment advisers. A draft of the Institute's comment letter is attached for your review, and it is briefly summarized below. As discussed below, the letter recommends, among other things, that the Commission adopt specific oversight requirements for fund boards with respect to proxy voting. Comments must be filed with the SEC by Friday, December 6th. If you have any comments on the attached draft letter, please contact Craig Tyle (202/326-5815 or [tyle@ici.org](mailto:tyle@ici.org)) or Frances Stadler (202/326-5822 or [frances@ici.org](mailto:frances@ici.org)) by Monday, December 2nd. As noted at the October 16th meeting, we strongly encourage fund boards and/or individual directors to consider filing their own comment letters on the proposals. The Institute's draft letter expresses support for most aspects of the Commission's proposals, including: (1) requiring fund investment advisers to adopt written policies and procedures designed to ensure that proxies are voted in the interest of fund shareholders; (2) requiring funds to make disclosures regarding their proxy voting policies and procedures to their shareholders; and (3) requiring funds and their advisers to maintain certain records regarding proxy voting. The letter emphasizes that all of the Commission's objectives and all the potential benefits to fund shareholders could be achieved by adopting those proposals, together with a requirement that fund directors approve a fund's proxy voting policies and procedures (including policies and procedures for addressing potential conflicts of interest) and oversee the implementation of those policies and procedures. The letter strenuously opposes the Commission's proposals that would require funds to disclose actual votes cast and votes that are "inconsistent" with their proxy voting policies and procedures. The letter argues that these proposals would not provide any additional benefit to fund shareholders but instead would have several harmful effects, including imposing significant costs on funds (and ultimately their shareholders), causing funds to lose the ability to vote confidentially, and politicizing the proxy voting process. In addition, the proposal to disclose "inconsistent" votes like would result in a "dumbing down" of proxy voting policies and procedures. Craig S. Tyle General Counsel Attachment (in .pdf format)

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