

**MEMO# 3652**

March 30, 1992

# **PROPOSED AMENDMENT TO NYSE PROXY VOTING REQUIREMENTS FOR INITIAL APPROVAL OF MANAGEMENT AGREEMENT**

March 30, 1992 TO: SEC RULES COMMITTEE NO. 17-92 CLOSED-END FUND COMMITTEE NO. 4-92 RE: PROPOSED AMENDMENT TO NYSE PROXY VOTING REQUIREMENTS FOR INITIAL APPROVAL OF MANAGEMENT AGREEMENT

\_\_\_\_\_ As you may recall, the Institute submitted a request to the New York Stock Exchange requesting the Exchange to recharacterize the initial approval of the investment management agreement as a "routine" matter for proxy voting purposes. This change would allow NYSE members to vote fund shares held in "street name" without instructions from the customer, which currently they are unable to do. (See Memorandum to Board of Governors No. 60-91, SEC Rules Committee No. 47-91 and Closed-End Fund Members No. 37- 91, dated August 14, 1991.) The NYSE agreed to amend its interpretation in this manner and filed a proposed rule change with the SEC. The SEC has published the attached release soliciting comment on the proposed change. Specifically, the Exchange proposes 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. In the case of an affiliated adviser, the Exchange proposes to require that the member organization vote in the same proportion as represented by the votes received from all other record holders. This approach is consistent with the Exchange's policy in other proxy voting situations involving potential conflicts. Member firms will continue to be precluded from voting a proxy on any material amendments to investment advisory agreements without specific client instructions. The comment period on the NYSE's proposal expires on April 16, 1992. Please provide me with any comments you have on the proposal by April 9, 1992. My direct number is 202/955-3523. We will keep you informed of developments. Amy B.R. Lancellotta Associate General Counsel Attachment