

MEMO# 15409

December 2, 2002

DRAFT INSTITUTE LETTER ON AMEX PROPOSED RULE CHANGE RELATING TO CLOSED-END FUND LISTING ELIGIBILITY CRITERIA

[15409] December 2, 2002 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 50-02
RE: DRAFT INSTITUTE LETTER ON AMEX PROPOSED RULE CHANGE RELATING TO CLOSED-END FUND LISTING ELIGIBILITY CRITERIA The Securities and Exchange Commission has published for comment, and granted accelerated approval to, a proposed rule change filed by the American Stock Exchange¹ instituting a five-month pilot program relating to the listing eligibility criteria for registered closed-end funds.² The Institute has prepared a draft comment letter supporting the proposal, a copy of which is attached. Comments on the proposal are due to the SEC no later than December 9, 2002. If you have any comments on the draft Institute letter, please contact the undersigned by phone at 202-371-5408, by fax at 202-326-5839, or by e-mail at aburstein@ici.org no later than December 6. The proposed rule change revises Amex's closed-end fund listing standards. In particular, the revised standards would permit the initial listing of a closed-end fund with a market value of publicly held shares or net assets of at least \$20,000,000. In addition, Amex is proposing to permit the listing of a group of funds listed by a single "fund family"³ if: (1) the fund family has a total market value of publicly held shares or net assets of at least \$75,000,000; (2) the closed-end funds in the fund family have an average market value of publicly held shares or net assets of at least \$15,000,000; and (3) each closed-end fund in the fund family has a market value of publicly held shares or net assets of at least \$10,000,000.⁴ 1 Securities Exchange Act Release No. 46785 (November 7, 2002), 67 FR 69578 (November 18, 2002) ("Release"). A copy of the Release is attached. 2 The pilot program is scheduled to end on April 7, 2003. 3 For purposes of the proposed rule change, a "fund family" would be defined as funds with a common investment adviser or investment advisers who are "affiliated persons" as defined in Section 2(a)(3) of the Investment Company Act. 4 The Release states that these standards would be applicable to any fund that is part of a fund family even if the fund is not listed concurrently with other funds in the family, as long as at the time of the listing of the individual fund, the entire fund family is in compliance with the standards. 5 Finally, Amex is proposing to amend its listing standards to specify that each closed-end fund (regardless of whether it is part of a fund family) will be subject to delisting if its market value of public held shares and net assets are each less than \$5,000,000 for 60 consecutive trading days, or if it ceases to qualify as a closed-end fund.⁵ Ari Burstein Associate Counsel Attachment Attachment (in .pdf format) 5 The Release states that because closed-end funds are subject to extensive federal regulation, Amex is proposing not to require a review of a fund's investment objective and asset diversification (as had

been included in Amex's internal procedures) or a subjective evaluation of a fund's adviser.

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