

MEMO# 5415

December 23, 1993

SEC PROPOSES AMENDMENTS TO INVESTMENT COMPANY PROXY RULES

1December 23, 1993 TO: CLOSED-END FUND COMMITTEE NO. 28-93 SEC RULES
COMMITTEE NO. 114-93 RE: SEC PROPOSES AMENDMENTS TO INVESTMENT COMPANY
PROXY RULES _____ The Securities and
Exchange Commission has issued proposed amendments to the rules governing proxy
materials for registered investment companies. The amendments are intended to update
and improve the disclosure that must be provided to shareholders and to simplify the
preparation of proxy materials. They incorporate several of the changes proposed by the
Institute in a 1986 letter to the Division of Investment Management. A copy of the release
describing the proposed amendments is attached. Under the proposal, disclosure
requirements currently set forth in Rules 20a-2 and 20a-3 under the Investment Company
Act of 1940 would be modified and consolidated into a new item 22 to Schedule 14A under
the Securities Exchange Act of 1934. Rules 20a-2 and 20a-3 would be rescinded. Certain
conforming amendments to the general requirements for proxies in Regulation 14A under
the Exchange Act and to Forms N-1A, N-2 and N-3, as well as revisions to Form N-14
(relating to investment company business combinations), also are proposed. Significant
proposed changes include: (1) Proxy statements containing proposals affecting more than
one investment company (or series of an investment company) would be required to
include on one of the first three pages a tabular summary of the proposals, and to indicate
which shareholders are solicited with respect to each proposal; (2) Proxy statements
seeking approval of proposals that would increase fees and expenses would be required to
present a comparative fee table showing current fees and expenses and the amount of fees
and expenses that would have been paid had the matter being voted on been in effect; (3)
Proxy statements relating to the election of directors would have to include a compensation
table for all fund directors, and for the three highest paid executive officers that have
received aggregate compensation from the fund in excess of \$60,000 in the last fiscal year,
showing (i) aggregate compensation received from the fund, (ii) total compensation
received from all funds in a fund complex (as defined in the proposed amended rules), (iii)
pension or retirement benefits accrued during the year and (iv) estimated annual benefits
upon retirement; (4) In connection with soliciting the approval of an investment advisory
contract, funds would no longer be required to provide a certified balance sheet of the
adviser in the proxy materials; (5) Specific disclosure requirements would apply to proxy
statements seeking approval of Rule 12b-1 plans or amendments thereto; and (6) A note to
the amended rules would set forth conditions under which an annual report provided to
shareholders more than two months before the date of 2the proxy materials would be
deemed to satisfy the requirement that fund proxy materials be accompanied or preceded
by an annual report to shareholders. Comments on the proposed amendments must be
filed by March 18, 1994. The Institute has scheduled a meeting at 2:00 p.m. on Wednesday,

January 12 at Loew's L'Enfant Plaza, 480 L'Enfant Plaza, S.W., to discuss the proposed amendments and the Institute's comment letter. Please call Chimeme Taylor at (202) 326-5823 if you or another representative from your firm will be attending the meeting.
Frances M. Stadler Associate Counsel Attachment

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