

**MEMO# 11361**

October 29, 1999

## **DRAFT ICI COMMENT LETTER ON NYSE'S AND AMEX'S AUDIT COMMITTEE PROPOSALS**

[11361] October 29, 1999 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 38-99  
RE: DRAFT ICI COMMENT LETTER ON NYSE'S AND AMEX'S AUDIT COMMITTEE PROPOSALS

\_\_\_\_\_ As you know, the New York Stock Exchange, the American Stock Exchange and Nasdaq have proposed amendments to their audit committee rules. Attached is a draft of the ICI's comment letter on those proposals. The ICI's letter opposes the application of the proposals to closed-end funds for several reasons. First, the proposals are intended to address abuses that have been cited in connection with financial reporting of public operating companies. Closed-end funds are fundamentally different from public operating companies and the potential for abuses the proposals are intended to address does not exist in the context of closed-end funds. Second, the stringent regulation that closed-end funds are subject to under the Investment Company Act of 1940 provide similar protections to those included in the proposals. Finally, the SEC just recently proposed significant rules relating to investment company directors, including a rule, Rule 32a-4, that focuses on audit committees. The letter recommends that if it is determined that closed-end funds should be subject to enhanced audit committee requirements, they should be subject only to the requirements under proposed Rule 32a-4. The letter also comments on some of the specific requirements of the proposals. Comments are due to the SEC on the proposals by November 3, 1999. Please provide any comments that you have on the ICI's draft letter by November 1 to the undersigned or to Greg Smith. My direct number is 202/326-5824 and my e-mail address is amy@ici.org. Greg can be reached at 202/326-5851 or by e-mail at smith@ici.org. Amy B.R. Lancellotta Senior Counsel Attachment