

MEMO# 17251

March 19, 2004

AMEX PROPOSAL REGARDING REQUIRED FREQUENCY OF AUDIT COMMITTEE MEETINGS; COMMENTS REQUESTED ON ICI DRAFT LETTER BY MARCH 30TH

[17251] March 19, 2004 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 12-04
RE: AMEX PROPOSAL REGARDING REQUIRED FREQUENCY OF AUDIT COMMITTEE MEETINGS;
COMMENTS REQUESTED ON ICI DRAFT LETTER BY MARCH 30TH The Securities and Exchange Commission has published for comment an American Stock Exchange proposal that would modify Amex's audit committee meeting requirements for registered closed-end management investment companies.* The proposal would modify Section 121 of Amex's Company Guide, which requires listed company audit committees (including Amex-listed closed-end funds) to meet on at least a quarterly basis. In particular, the proposed rule change would require that the audit committee of a closed-end fund meet on a regular basis as often as necessary to fulfill its responsibilities, (instead of at least quarterly), including at least annually in connection with the issuance of the fund's audited financial statements. The Proposing Release explains that the quarterly meeting requirement was intended to codify the existing practice of virtually all operating companies. The Proposing Release also explains that the change now being proposed with respect to closed-end funds will more closely align Amex requirements to the customary practices of most closed-end funds. The Institute has prepared a draft letter in support of the proposal, a copy of which is attached and summarized below. Comments on the proposal are due to the SEC no later than April 2nd. If you have any comments on the Institute's draft comment letter, please provide them to me by Tuesday, March 30th by phone at 202.218-3563, fax at 202.326-5827 or email at ddonohue@ici.org. The draft letter expresses the Institute's support for the Amex proposal. It states the Institute's agreement with Amex's assessment that, because the SEC does not require closed-end funds to file quarterly reports, it is not necessary or appropriate to impose a quarterly audit committee meeting requirement on them. It also states that, as noted in the Proposing Release, * SEC Release No. 34-49371 (March 5, 2004) [69 FR 11919 (March 12, 2004)] ("Proposing Release"). 2 by requiring closed-end fund audit committees to meet as often as necessary, depending on the unique circumstances facing a particular fund, this could require a fund to meet more frequently than quarterly. Dorothy M. Donohue Associate Counsel Attachment Attachment (in .pdf format)

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.