

**MEMO# 7684**

March 5, 1996

# **INSTITUTE LETTER ON PROPOSED AMENDMENT TO NYSE RULE 452 REGARDING VOTING OF PROXIES OF PREFERRED SHARES**

1 See Memorandum to Closed-End Fund Committee No. 2-96, dated February 22, 1996.  
March 5, 1996 TO: CLOSED-END FUND COMMITTEE No. 5-96 RE: INSTITUTE LETTER ON  
PROPOSED AMENDMENT TO NYSE RULE 452 REGARDING VOTING OF PROXIES OF  
PREFERRED SHARES

As we previously informed you, the Securities and Exchange Commission published for public comment a proposed change to New York Stock Exchange Rule 452 to allow NYSE member firms to vote the shares of auction rate preferred securities in the absence of client instructions, subject to certain conditions.<sup>1</sup> The Institute submitted the attached letter on the proposal. The Institutes letter strongly supports the proposed change, noting that the current prohibition in Rule 452 against member firms voting preferred shares without client instructions created a significant hurdle for funds seeking to obtain a quorum of preferred shareholders. Consequently, initiatives that are beneficial to the fund and its shareholders, and that have been approved by a majority of common shareholders, may not get implemented. In addition, fund shareholders incur additional costs if the fund is forced to resolicit votes or adjourn the meeting because it failed to obtain the necessary quorum. The Institutes letter requests clarification of the term "issue" as used in conditions (iii) and (iv) of the proposal, which require that at least 30% of the issue be voted by beneficial holders or their designee and that less than 10% of the issue vote against the proposal, respectively. The letter notes the Institutes understanding, based on discussions between an Institute member and representatives of the NYSE, that the term is intended to refer to all of the outstanding preferred shares of an issuer and not each of the separate series of the issuers preferred shares. Dorothy M. Donohue Assistant Counsel Attachment