

**MEMO# 3419**

January 10, 1992

# **SEC ADOPTS RULE AMENDMENTS REQUIRING BANKS AND BROKERS TO FORWARD CERTAIN SHAREHOLDER COMMUNICATIONS TO BENEFICIAL OWNERS**

January 10, 1992 TO: SEC RULES MEMBERS NO. 1-92 RE: SEC ADOPTS RULE AMENDMENTS  
REQUIRING BANKS AND BROKERS TO FORWARD CERTAIN SHAREHOLDER  
COMMUNICATIONS TO BENEFICIAL OWNERS

The SEC has adopted amendments to certain rules under Regulations 14A and 14C under the Securities Exchange Act of 1934 and Rule 20a-1 under the Investment Company Act of 1940 to implement the provisions of the Shareholder Communications Improvement Act of 1990 ("SCIA"). As we previously informed you, the SCIA was enacted to expand the provisions of the Exchange Act governing the obligations of brokers and dealers ("brokers") and banks that serve as record holders of securities to forward proxy and information statements to the beneficial owners of the securities. (See Memorandum to SEC Rules Members No. 78-90, dated November 20, 1990.) A copy of the SEC's release adopting the amendments is attached. The amendments, which were adopted substantially as proposed, require investment company registrants that have made a public offering of their securities to send information statements to shareholders in connection with a shareholder meeting where proxies are not solicited by or on behalf of the registrant. (Such a requirement previously applied only to companies with a class of securities registered under Section 12 of the Exchange Act.) In addition, the amendments require brokers and banks to transmit to beneficial owners the proxy statements of investment company registrants and the information statements of both investment company and Section 12 registrants. As under the existing rules, registrants will be required to reimburse brokers and banks for their reasonable expenses incurred in connection with forwarding proxy and information statements to beneficial owners. Based on comments suggesting that significant systems modifications should not be necessary, a proposed provision authorizing brokers and banks to seek a surcharge with respect to implementation of procedures to facilitate compliance with the new requirements was deleted from the amendments as adopted. The amendments are effective January 10, 1992. They apply with respect to shareholder meetings held, or corporate actions taken by consent or authorization, on or after March 31, 1992, and that have a record date on or after February 10, 1992. Frances M. Stadler  
Assistant General Counsel Attachment

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