

MEMO# 16261

July 2, 2003

JULY 14 CONFERENCE CALL ON DRAFT MODEL AUDIT COMMITTEE CHARTER

[16261] July 2, 2003 TO: ACCOUNTING/TREASURERS COMMITTEE No. 26-03 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 42-03 SEC RULES COMMITTEE No. 63-03 RE: JULY 14 CONFERENCE CALL ON DRAFT MODEL AUDIT COMMITTEE CHARTER Attached is a draft model audit committee charter that the Institute has developed for the benefit of its member firms. Also attached is a drafting guide, which explains the regulatory bases of many of the charter's provisions. The model audit committee charter was developed with the assistance of a working group of member firms and outside counsel. The Institute first published a model audit committee charter in 1999 as part of the Report of the Advisory Group on Best Practices for Fund Directors. The attached model audit committee charter reflects regulatory developments that have taken place since that time. The model audit committee charter is intended to cover both open-end and closed-end funds. Section 301 of the Sarbanes-Oxley Act imposes certain requirements on exchange-listed funds. While these requirements do not apply to open-end funds, SEC staff has stated that these requirements are worthy of consideration by all mutual fund boards. Accordingly, we have included the Section 301 requirements in the model audit committee charter. Certain audit committee requirements that apply only to closed-end funds are omitted from the charter and are described in the drafting guide. Closed-end funds may wish to incorporate these requirements into their charters. We have scheduled a conference call on Monday, July 14th at 3:00 pm EDT to discuss the draft model audit committee charter and the drafting guide. If you plan to participate in this conference call, please contact Stephanie Holly (202/326-5814 or sholly@ici.org) by Friday, July 11. The dial-in number for the conference call is 1-800-857-5735, the passcode is audit charter and the undersigned is the moderator. If you cannot participate in the conference call and you have comments on the drafts, please provide them to the undersigned (202/326-5851 or smith@ici.org) by Friday, July 11. Gregory M. Smith Director - Operations/Compliance & Fund Accounting Attachments (in .pdf format)