

MEMO# 20708

December 20, 2006

ICI Report on Costs of Eliminating Discretionary Broker Voting on Uncontested Elections of Investment Company Directors

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20708] December 20, 2006 TO: BOARD OF GOVERNORS No. 33-06 SEC RULES MEMBERS No. 111-06 CLOSED-END INVESTMENT COMPANY MEMBERS No. 64-06 SMALL FUNDS MEMBERS No. 88-06 RE: ICI REPORT ON COSTS OF ELIMINATING DISCRETIONARY BROKER VOTING ON UNCONTESTED ELECTIONS OF INVESTMENT COMPANY DIRECTORS As we previously informed you, the NYSE filed a rule proposal with the SEC that would eliminate discretionary broker voting on uncontested elections of directors.¹ To assess the impact of the NYSE proposal on investment companies, the Institute surveyed members and prepared a report (a link to which can be found below) examining the costs that would be specifically incurred by investment companies and their shareholders (as compared to corporate issuers) if discretionary broker voting is eliminated.² The report concludes that the proposal will uniquely affect funds by creating significant difficulties in achieving quorums and electing fund directors. As a result, funds will be forced to incur significant and unnecessary costs – costs that ultimately will be borne by fund shareholders. The Institute sent the report to the SEC and the NYSE and recommended that, in light of the report's findings, investment companies be excluded from the NYSE proposal.³ Elizabeth Krentzman General Counsel Attachment (in .pdf format) 1 See Institute Memorandum to SEC Rules Members No. 95-06, Closed-End Investment Company Members No. 50-06, and Small Funds Members No. 77-06 [20509], dated October 25, 2006. 2 Costs of Eliminating Discretionary Broker Voting on Uncontested Elections of Investment Company Directors, Investment Company Institute (December 18, 2006). 3 See Letter from Paul Schott Stevens, President, Investment Company Institute to the Honorable Christopher Cox, Chairman, U.S. Securities and Exchange Commission, dated December 18, 2006; Letter from Paul Schott Stevens, President, Investment Company Institute to Richard Ketchum, Chief Executive Officer, NYSE Regulation, dated December 18, 2006; and Letter from Paul Schott Stevens, President, Investment Company Institute to Catherine R. Kinney, President and Chief Operating Officer, NYSE Group, Inc., dated December 18, 2006 (copies attached). 2 Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 20708, or call the ICI Library at (202) 326-8304 and request the attachment for memo 20708.

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