

MEMO# 11203

August 24, 1999

INSTITUTE COMMENT LETTER ON NYSE PROPOSAL REGARDING CLOSED-END FUND CONTINUED LISTING STANDARDS

1 See Memorandum to Closed-End Investment Company Committee No. 25-99, dated August 17, 1999. 2 Securities Exchange Act Release No. 41648 (July 26, 1999), 64 FR 41986 (August 2, 1999). [11203] August 24, 1999 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 27-99 RE: INSTITUTE COMMENT LETTER ON NYSE PROPOSAL REGARDING CLOSED-END FUND CONTINUED LISTING STANDARDS

As we previously informed you,¹ the Securities and Exchange Commission ("SEC") has published for comment, and at the same time granted partial accelerated approval to a portion of, a proposed rule change filed by the New York Stock Exchange ("NYSE")² instituting a pilot program relating to continued listing standards. Among other things, the proposed rule change amends the NYSE Listed Company Manual, and makes corresponding changes to NYSE rules, to change and increase the NYSE's continued listing criteria as well as codify the specific criteria governing the continued listing of closed-end funds. The Institute has filed a comment letter with the SEC encouraging the NYSE to reconsider its proposal. In particular, the Institute's letter states that it does not oppose a continued listing standard for closed-end funds. However, the letter states that while it may be advisable to codify specific continued listing criteria for closed-end funds, the Institute believes that adopting any such criteria must be done in a careful and deliberate manner, taking into account the unique characteristics of these funds. Given these unique characteristics, and the fact that it is more difficult for closed-end funds to raise additional cash than it is for operating companies because of restrictions under the Investment Company Act, the letter states that Institute does not believe that it is appropriate to subject closed-end funds to the same continued listing criteria as operating companies. The letter therefore recommends that the NYSE consider lowering the continued listing standard for closed-end funds and providing funds with a longer period of time in which to come into compliance with this standard. Finally, the Institute's letter states that is concerned that the SEC has granted accelerated approval to allow the pilot program, which immediately subjects all closed-end funds to the new continued listing standards, without first providing interested parties the opportunity to comment. A copy of the letter, which is substantially similar to the draft letter previously circulated to the Committee, is attached. If you have any questions, please contact the undersigned by phone at (202) 371-5408 or by e-mail at aburstein@ici.org. Ari Burstein
Assistant Counsel Attachment

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