

**MEMO# 18914**

June 3, 2005

## ICI LETTER ON REVIEW OF NYSE PROXY VOTING RULES

©2005 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. [18914] June 3, 2005 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 22-05 SEC RULES COMMITTEE No. 39-05 RE: ICI LETTER ON REVIEW OF NYSE PROXY VOTING RULES As we previously informed you, the Institute participated in an April 25th meeting of a working group that the New York Stock Exchange has formed to review its proxy rules.<sup>1</sup> Counsel to the Institute, John Baumgardner of Sullivan & Cromwell, made a presentation to the working group on behalf of the Institute. The Institute has sent the attached letter to the working group confirming the views expressed in the presentation. The final letter is substantially similar to the draft letter we circulated to you earlier.<sup>2</sup> It focuses primarily on proxy voting issues affecting funds as issuers. The letter notes that the current NYSE rules permitting brokers, in the case of routine items, to vote shares for which they have not received instructions from the beneficial owner are helpful for certain matters. It expresses concern that elimination of broker voting, which some have advocated, would harm funds and their shareholders. It suggests that, if the working group were to recommend substantial changes to proxy voting by brokers, consideration should be given to requiring echo voting in certain circumstances. For example, where a registered investment company solicits proxies on any uncontested matter (routine or non-routine), brokers could be required to echo vote shares for which voting instructions are not received. The letter indicates that the Institute has no specific recommendations at this time regarding the possibility of expanding the definition of contested election as an alternative to eliminating broker voting. In closing, the letter states that the Institute recognizes that a number of other important issues related to proxy voting are being debated, such as whether there should be a majority vote requirement for the election of directors. It indicates that this and other issues merit further study and that the Institute may comment further as the working group's review progresses, other proxy voting initiatives move forward, and/or specific regulatory proposals emerge. Frances M. Stadler Deputy Senior Counsel Attachment (in .pdf format)

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