

COMMENT LETTER

March 31, 2004

ICI Supports Audit Committee Meeting Proposal (pdf)

March 31, 2004 Mr. Jonathan G. Katz Secretary Securities and Exchange Commission 450 Fifth Street, N.W. Washington, D.C. 20549 Re: Proposed Rule Change by the American Stock Exchange LLC Relating to Audit Committee Meeting Requirements Applicable to Registered Closed-End Management Investment Companies (File No. SR-Amex-2004-12)

Dear Mr. Katz: The Investment Company Institute¹ appreciates the opportunity to comment on the proposed rule change filed by the American Stock Exchange ("Amex") that would modify its audit committee meeting requirements for registered closed-end management investment companies.² In particular, the proposed rule change would require that the audit committee of a closed-end fund meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with the issuance of the fund's audited financial statements. The proposed change would modify Section 121 of Amex's Company Guide, which requires listed company audit committees (including Amex-listed closed-end funds) to meet on at least a quarterly basis. The Proposing Release explains that the quarterly meeting requirement was intended to codify the existing practice of virtually all operating companies. The Proposing Release also explains that the change now being proposed with respect to closed-end funds will more closely align Amex requirements to the customary practices of most closed-end funds. 1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,595 open-end investment companies ("mutual funds"), 612 closed-end investment companies, 124 exchange-traded funds and 5 sponsors of unit investment trusts. Its mutual fund members have assets of about \$7.554 trillion. These assets account for more than 95% of assets of all U.S. mutual funds. Individual owners represented by ICI member firms number 86.6 million as of mid 2003, representing 50.6 million households. 2 Securities Exchange Act Release No. 49371 (March 5, 2004) [69 FR 11919 (March 12, 2004)] ("Proposing Release"). Mr. Jonathan G. Katz March 31, 2004 Page 2 The Institute supports the Amex proposal. While closed-end funds are subject to pervasive regulation under the Investment Company Act of 1940, Securities and Exchange Commission rules do not require closed-end funds to file quarterly financial statements with the Commission. Accordingly, because closed-end funds are not required to file quarterly financial statements, it is not necessary or appropriate to impose a quarterly audit committee meeting requirement on them.³ * * * * The Institute appreciates the opportunity to comment on this proposal. If you have any questions with respect to our comments, you may contact me at (202) 218-3563. Sincerely, Dorothy M. Donohue Associate Counsel cc: Claudia Crowley Vice President, Listing Qualifications American Stock Exchange LLC 3 Of course, as noted in the Proposing Release, by requiring closed-end fund audit committees to meet as often as necessary, depending on the unique circumstances facing a particular

fund, this could require a fund to meet more frequently than quarterly.

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