

ICI Comments on NYSE Proxy Working Group Report, July 2006

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Washington, DC, July 18, 2006 - Responding to a report recently issued by a New York Stock Exchange (NYSE) working group regarding the proxy voting process, [ICI recommends](#) that the NYSE continue to allow brokers to vote on uncontested director elections until certain steps are taken, including educating shareholders about the proxy process and the importance of voting, and revising SEC rules to permit issuers to contact their shareholders.

Background

In June of this year, the [NYSE working group issued a report](#) that recommends changes designed to create a more efficient and effective voting system for investors. Specifically, the report recommends that NYSE Rule 452 be amended to make the election of directors a “non-routine” matter. Accordingly, brokers would no longer be permitted to vote the shares of beneficial owners who do not give specific voting instructions with respect to any election of directors.

ICI Position

The Institute agrees with the working group’s observation that shareholder voting for directors is an important component of good corporate governance. In a [comment letter](#), ICI also states that the working group’s recommendation puts all issuers, including investment companies, “between a rock and a hard place” because shareholders typically do not understand the proxy process, typically choose not to vote, and in most cases, cannot be contacted by the issuers who would urge them to vote. As a result, if brokers are not permitted to vote on uncontested elections of directors, funds will have significant difficulties achieving quorums and getting directors elected.

ICI recommends that the NYSE continue to allow brokers to vote uninstructed shares on uncontested director elections until certain steps are taken. Educating shareholders about the proxy process and the importance of voting so as to improve shareholder responsiveness to proxies is the appropriate first response to this issue. In addition, SEC rules should be revised to permit issuers to contact their shareholders (or their nominees in certain cases).