



October 30, 2024

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: SR-NYSE-2024-35

Dear Mrs. Countryman,

This letter is in response to the request for written comments made in the Securities and Exchange Commission's recent release (Release No. 34-101257, File No. SR-NYSE-2024-35).

City of London Investment Management Company Limited (CLIM), an investment advisor registered with the Securities and Exchange Commission, has been a global investor in closed-end funds (CEFs) for more than thirty years. We are writing to urge the Commission to disapprove the proposed rule change to amend section 302.00 of the NYSE Listed Company Manual to exempt CEFs registered under the Investment Company Act of 1940 from the requirement to hold annual shareholder meetings. We have enumerated several reasons for this below:

- 1.) In Release No. 34-101257; File No. SR-NYSE-2024-35, it is stated that, "The corporate governance standards embodied in exchange listing standards play an important role in assuring that listed companies observe good governance practices". The removal of the annual meeting – the annual opportunity for Shareholders to make themselves heard – is the antithesis of good corporate governance practices, particularly for equity shareholders. Equity implies ownership. In America, we still believe ownership implies the ability to influence policy. The mechanism for equity investors to influence corporate policy is most obviously conveyed by their ability to vote on governance matters at an annual shareholder meeting. Removing this democratic process would permit Boards and Fund Management to be effectively unanswerable to their shareholders. Such a step would reduce credibility from these Funds and the market would likely react accordingly, leading to wider discounts, lower liquidity and a Shareholder base that is effectively disenfranchised.

17 East Market Street West Chester, PA 19382
Telephone: (610) 380-2110 Facsimile: (610) 380-2117 Website: www.citlon.com

Authorised and regulated by the Financial Conduct Authority.
Registered as an Investment Advisor with the United States Securities and Exchange Commission.
Registered Office: 77 Gracechurch Street London EC3V 0AS Registered in England No. 2851236 VAT No. 629 6908 93



- 2.) With regard to Section 6(b)(5) of the Exchange Act, we would argue that the removal of the annual meeting requirement would *not* “protect investors and the public good,” but in fact do the opposite. The Board of Directors of a closed-end fund exists to safeguard Shareholder interests. The annual meeting is an essential conduit via which shareholders hold the board to account for the performance of the company. If the Directors cannot be accessed via the annual meeting, if Shareholders have no opportunity to vote on their candidacy, how is the board otherwise incentivized to act in Shareholders’ best interests?
- 3.) As noted multiple times in the Release, Exchange Traded Funds (ETFs), which are not required to hold annual meetings, differ significantly from CEFs. The existence of discounts in the CEF space - the inability to redeem shares at NAV – adds a layer of risk to a CEF investment that an investment in an ETF does not share. The “closed” nature of closed-end funds means that management cannot address supply and demand issues in real time, as can be done with ETFs. Shares of the latter can be redeemed and created on a daily basis to adjust to market forces. Shares of CEFs are typically only created with a rights offering or distribution reinvestment and only reduced by open market buybacks and tender offers. We would argue that reducing supply via buybacks, particularly when discounts are wide, is a vital mechanism that protects the value of the shareholders’ investment. However, we have found that managers are reluctant to reduce the size of their funds as it reduces their fee revenue. It is at these moments that a strong, independent Board is critical to the survival of a CEF and to the well-being of its Shareholders. Directors must be willing to react appropriately in difficult situations or risk losing their positions. Without accountability to shareholders, their incentive to take actions that might prove unpopular with Fund Management would be weakened.
- 4.) One of the arguments cited in the Release as a reason to approve the rule change is that “activist” investors use the annual meeting to enact their own agendas. Our response to this is that closed-end funds that are well run, whose managers are meeting their stated performance goals and whose Boards effectively manage the discount do not attract activist attention. Funds that have gotten the attention of activist investors exhibit characteristics such as chronic underperformance or an excessive discount that is not being addressed. In those instances, the appearance of an activist investor signals to Fund Management and Boards that they have not adequately done their job, that measures need to be taken and they should act accordingly. The solution to Shareholder unhappiness is not to silence the Shareholders, it is to fix the problem.

17 East Market Street West Chester, PA 19382
Telephone: (610) 380-2110 Facsimile: (610) 380-2117 Website: www.citlon.com

Authorised and regulated by the Financial Conduct Authority.
Registered as an Investment Advisor with the United States Securities and Exchange Commission.
Registered Office: 77 Gracechurch Street London EC3V 0AS Registered in England No. 2851236 VAT No. 629 6908 93



The problem is best fixed by boards that are fully independent of the investment manager. This can only be achieved by giving shareholders a stronger say in the election of directors.

- 5.) Finally, we would note there seems to be no consideration given to existing Shareholders who, following this proposed rule change, would find themselves holding voting shares of a company that is under no obligation to hold annual elections. This is punitive to those existing Shareholders, who have done nothing to warrant having their votes nullified, and it will damage the attractiveness – and therefore viability – of all CEFs. Why would investors purchase shares in a product as potentially volatile as a closed-end fund, with the combination of risks presented by the possibility of price underperformance, NAV underperformance, dividend cuts, discount widening, etc., if they have absolutely no recourse in the face of it? If there is no opportunity to hold the Board and Fund Management to account unless and until the Board deems it necessary – which, with a lack of engaged shareholders, history suggests is very unlikely to occur – how attractive of an investment would any NYSE listed CEF ever be?

City of London Investment Management has published a Statement on Corporate Governance and Voting Policy for Closed-End Funds for twenty-five years. We vote pursuant to our fiduciary responsibilities as a steward of our investors' assets. Our vote is their voice. Removing the annual meeting requirement would cause massive damage to the interests of Shareholders and the CEF industry as a whole. We therefore urge the Commission to disapprove this proposed rule change.

Sincerely,

Carolyn Murphy-Lepore
Portfolio Manager

17 East Market Street West Chester, PA 19382
Telephone: (610) 380-2110 Facsimile: (610) 380-2117 Website: www.citlon.com

Authorised and regulated by the Financial Conduct Authority.
Registered as an Investment Advisor with the United States Securities and Exchange Commission.
Registered Office: 77 Gracechurch Street London EC3V 0AS Registered in England No. 2851236 VAT No. 629 6908 93