

CENTRAL EUROPE & RUSSIA FUND, INC.

Form DEF 14A

May 21, 2010

**Table of Contents**

**SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary proxy statement.

**Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).**

Definitive proxy statement.

Definitive additional materials.

Soliciting material under Rule 14a-12.

**THE CENTRAL EUROPE AND RUSSIA FUND, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

PROPOSALS 1 AND 2: ELECTION OF DIRECTORS

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSALS 1 AND 2.

PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 3.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

ADDRESS OF INVESTMENT ADVISER AND MANAGER

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

OTHER MATTERS

STOCKHOLDER PROPOSALS

EXPENSES OF PROXY SOLICITATION

ANNUAL REPORT DELIVERY

THE CENTRAL EUROPE AND RUSSIA FUND, INC. EXCERPTS OF BY-LAWS

---

**Table of Contents**

**THE CENTRAL EUROPE AND RUSSIA FUND, INC.**

**345 Park Avenue  
New York, New York 10154**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
June 28, 2010**

To our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the Meeting ) of The Central Europe and Russia Fund, Inc., a Maryland corporation (the Fund ), will be held at 3:00 p.m., New York time, on June 28, 2010 at the New York Marriott East Side Hotel, 525 Lexington Avenue, New York, New York 10017 for the following purposes:

1. To elect three (3) Class I Directors, each to serve for a term of three years and until their successors are elected and qualify.
2. To elect one (1) Class II Director to serve for a term of one year and until his successor is elected and qualifies.
3. To ratify the appointment by the Audit Committee and the Board of Directors of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as independent auditors for the fiscal year ending October 31, 2010.
4. To transact such other business as may properly come before the Meeting or any postponement or adjournment thereof.

Only holders of record of Common Stock at the close of business on May 14, 2010 are entitled to notice of, and to vote at, this Meeting or any postponement or adjournment thereof.

If you have any questions or need additional information, please contact The Altman Group, Inc., at 1200 Wall Street West, 3<sup>rd</sup> Floor, Lyndhurst, New Jersey 07071.

By Order of the Board of Directors

David Goldman  
Secretary

Dated: May 21, 2010

**Whether or not you expect to attend the Meeting, please sign the enclosed Proxy Card and promptly return it to the Fund. We ask your cooperation in mailing in your Proxy Card promptly, so that the Fund can avoid additional expenses of solicitation of proxies.**

---

**Table of Contents**

**THE CENTRAL EUROPE AND RUSSIA FUND, INC.  
345 Park Avenue  
New York, New York 10154**

**Annual Meeting of Stockholders  
June 28, 2010**

**PROXY STATEMENT**

This Proxy Statement is furnished by the Board of Directors of The Central Europe and Russia Fund, Inc. (the Board of Directors or Board ), a Maryland corporation (the Fund ), in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders (the Meeting ) to be held at 3:00 p.m., New York time, on June 28, 2010 at the New York Marriott East Side Hotel, 525 Lexington Avenue, New York, New York 10017. The purpose of the Meeting and the matters to be considered are set forth in the accompanying Notice of Annual Meeting of Stockholders.

If the accompanying Proxy Card is executed properly and returned, shares represented by it will be voted at the Meeting, and any postponement or adjournment thereof, in accordance with the instructions on the Proxy Card. However, if no instructions are specified, shares will be voted FOR the election of three (3) Class I directors and one (1) Class II director of the Fund ( Directors ) nominated by the Board (Proposals 1 and 2) and FOR the ratification of the appointment by the Audit Committee and the Board of PricewaterhouseCoopers LLP, an independent public accounting firm, as independent auditors for the Fund (Proposal 3). A proxy may be revoked at any time prior to the time it is voted by written notice to the Secretary of the Fund, by submitting a subsequently executed and dated proxy or by attending the Meeting and voting in person.

If a stockholder owns shares of the Fund in violation of applicable law, including the Investment Company Act of 1940, as amended (the Investment Company Act ), the Fund may determine that any vote attributable to such shares shall not be counted, or that such shares will not be counted for quorum purposes, or both. Under Section 12(d)(1) of the Investment Company Act, the acquisition of more than 3% of the Fund's common stock by another fund (whether registered, private or offshore) is unlawful. There is legal uncertainty about the operation of Section 12(d)(1) and about the Fund's right under federal and state law to invalidate votes cast by any person whose Fund shares are held in violation of law. The Fund is prepared, if necessary, to seek judicial resolution of the uncertainty in any particular case.

The close of business on May 14, 2010 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting. On that date, the Fund had 13,917,141.34 shares of Common Stock outstanding and entitled to vote. Each share will be entitled to one vote on each matter that comes before the Meeting. It is expected that the Notice of Annual Meeting, this Proxy Statement and the form of Proxy Card will first be mailed to stockholders on or about May 24, 2010.

A quorum is necessary to hold a valid meeting. If stockholders entitled to cast one-third of all votes entitled to be cast at the Meeting are present in person or by proxy, a quorum will be established. The Fund intends to treat properly executed proxies that are marked abstain and broker non-votes (defined below) as present for the purposes of determining whether a quorum has been achieved at the Meeting. Under Maryland law, abstentions do not constitute a vote for or

## **Table of Contents**

against a matter and will be disregarded in determining the votes cast on an issue. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular matter because the broker does not have discretionary voting power with respect to that matter and has not received instructions from the beneficial owner.

### **PROPOSALS 1 AND 2:**

#### **ELECTION OF DIRECTORS**

The Fund's charter (the Charter) provides that the Board of Directors be divided into three classes of Directors serving staggered three-year terms and until their successors are elected and qualify. The term of office for Directors in Class I expires at the 2010 Annual Meeting, Class II at the next succeeding annual meeting and Class III at the following succeeding annual meeting. Three Class I nominees are proposed for election in this Proxy Statement, Mr. Detlef Bierbaum, Mr. John H. Cannon and Mr. Richard Karl Goeltz. If elected, each of the three Class I nominees will serve a three-year term of office until the Annual Meeting of Stockholders in 2013 and until his respective successor is elected and qualifies. In addition, Mr. Richard R. Burt, who is a current Class I Director of the Fund, is a nominee for election as a Class II Director. If elected as a Class II Director, Mr. Burt would serve until the Annual Meeting of Stockholders in 2011 and until his successor is elected and qualifies.

As a result of retirements from the Board over the past year, each class of Directors of the Board would not be of approximate equal size if no further action were taken. Under the Fund's By-laws and the New York Stock Exchange Listed Company Manual Rule 304 ( NYSE Rule 304 ), the classes of the Fund's board should be of approximately equal size. Accordingly, the Fund's Nominating Committee nominated Mr. Burt, as a member of one of the largest classes of Directors of the Fund (Class I), to fill a Class II vacancy created by recent retirements with Mr. Burt's resignation from Class I contingent upon his election to the Board as a member of Class II. If each nominee is elected, each class of Directors of the Board would be of approximately equal size and in compliance with the requirements of the Fund's Bylaws and NYSE Rule 304.

Should any vacancy occur on the Board of Directors, the remaining Directors would be able to fill that vacancy by the affirmative vote of a majority of the remaining Directors in office, even if the remaining Directors do not constitute a quorum. Any Director elected by the Board to fill a vacancy would hold office until the remainder of the full term of the class of Directors in which the vacancy occurred and until a successor is elected and qualifies. If the size of the Board is increased, additional Directors will be apportioned among the three classes to make all classes as nearly equal as possible.

Unless authority is withheld, it is the intention of the persons named in the accompanying form of Proxy Card to vote each Proxy Card for the election of our four nominees listed above. Each nominee has indicated that he will continue to serve as a Director if elected, but if any nominee should be unable to serve, proxies will be voted for any other person determined by the persons named in the form of Proxy Card in accordance with their discretion. The Board of Directors has no reason to believe that any of the above nominees will be unable to serve as a Director.

#### **Board of Directors Information**

The management of the business and affairs of the Fund is overseen by the Board of Directors. Directors who are not interested persons of the Fund as defined in the 1940 Act, are referred to as Independent Directors, and Directors who are interested persons of the Fund are referred to as Interested Directors. Certain information concerning the Fund's governance structure and each Director is set forth below.

*Experience, Skills, Attributes, and Qualifications of the Fund's Directors.* The Nominating and Governance Committee of the Fund's Board, which is composed entirely of Independent Directors, reviews the experience,

qualifications, attributes and skills of potential candidates for

2

---



**Table of Contents**

nomination or election by the Board, and conducts a similar review in connection with the proposed nomination of current Directors for re-election by stockholders. When assessing a candidate for nomination it is the policy of the Nominating and Governance Committee to consider whether the individual's background, skills, and experience will complement the background, skills and experience of other nominees and will contribute to the diversity of the Board. The Nominating and Governance Committee assesses the effectiveness of this policy as part of its annual self assessment. Additional information concerning the Nominating and Governance Committee's consideration of nominees appears in the description of the Committee following the table below.

The Board has concluded that, based on each Director's experience, qualifications, attributes or skills on an individual basis and in combination with those of the other Directors, that each Director is qualified and should continue to serve as such. In determining that a particular Director was and continues to be qualified to serve as a Director, the Board has considered a variety of criteria, none of which, in isolation, was controlling. In addition, the Board has taken into account the actual service and commitment of each Director during his tenure (including the Director's participation in Board and committee meetings, as well as his current and prior leadership of standing and ad hoc committees) in concluding that each should continue to serve. Information about the specific experience, skills, attributes and qualifications of each Director, which in each case led to the Board's conclusion that the Director should serve (or continue to serve) as a director of the Fund, is provided in the table following the Risk Oversight section below.

The Board believes that, collectively, the Directors have balanced and diverse experience, qualifications, attributes, and skills, which allow the Board to operate effectively in governing the Fund and protecting the interests of shareholders. Among other attributes common to all Directors are their willingness and ability to commit the necessary time and attention to their duties as Directors, their ability to review critically, evaluate, question and discuss information provided to them (including information requested by the Directors), to interact effectively with each other and with Deutsche Investment Management Americas Inc., the fund's investment manager (the Investment Manager), Deutsche Asset Management International GmbH (the Investment Adviser) and other service providers, counsel and the Fund's independent registered public accounting firm, to exercise effective business judgment in the performance of their duties as Directors. References to the qualifications, attributes and skills of Directors are pursuant to requirements of the Securities and Exchange Commission, do not constitute holding out of the Board or any Director as having special expertise or experience and shall not be deemed to impose any greater responsibility or liability on any Director or on the Board by reason thereof.

***Board Structure and Oversight Function.*** The Board is responsible for oversight of the Fund. The Fund has engaged the Investment Manager and the Investment Adviser to manage the Fund on a day-to-day basis. The Board is responsible for overseeing the Investment Manager and the Investment Adviser and the Fund's other service providers in the operations of each Fund in accordance with the Fund's investment objective and policies and otherwise in accordance with the requirements of the 1940 Act and other applicable Federal, state and other securities and other laws, and the Fund's charter and bylaws. The Board meets in person at regularly scheduled meetings four times throughout the year. In addition, the Directors may meet in person or by telephone at special meetings or on an informal basis at other times. The Directors also regularly meet outside the presence of any representatives of the Investment Manager and the Investment Adviser. As described below, the Board has established five standing committees—the Audit, Nominating and Governance, Advisory, Valuation and Executive Committees—and may establish ad hoc committees or working groups from time to time, to assist the Board in fulfilling its oversight responsibilities. Each committee other than the Executive Committee is composed exclusively of Independent Directors. Each year the Directors evaluate the performance of the Board and its committees. The

**Table of Contents**

responsibilities of each committee, including its oversight responsibilities, are described further below. The Independent Directors have also engaged independent legal counsel, and may from time to time engage consultants and other advisors, to assist them in performing their oversight responsibilities.

The Chairman's duties include setting the agenda for each Board meeting in consultation with management, presiding at each Board meeting, meeting with management between Board meetings, and facilitating communication and coordination between the Directors and management. Christian Strenger, the Chairman of the Fund's Board of Directors is an Interested Director as defined in the 1940 Act because he is a member of the Supervisory Board of a company that is affiliated with the Investment Manager and the Investment Adviser and because of his ownership of shares of the ultimate parent of the Investment Manager and the Investment Adviser. The Directors believe that it is appropriate for Mr. Strenger to serve as Chairman and that his service benefits shareholders because of his extensive knowledge of the investment management industry, the Deutsche Bank organization and the Funds. In addition, the Directors note that, although Mr. Strenger is an Interested Director as defined in the 1940 Act, he is not involved in the management of the Fund and is not an officer or director of the Investment Manager or the Investment Adviser. The Independent Directors are satisfied that they can act independently and effectively without having an Independent Director serve as Chairman and note that a key structural component for ensuring that they are in a position to do so is for the Independent Directors to constitute a substantial majority of the Board. Richard Karl Goeltz, an Independent Director and Chairman of the Nominating and Governance Committee, serves as Lead Independent Director for the Fund and as such is available to act as liaison between the Independent Directors and management and to consult with the Chairman to the extent deemed appropriate.

*Risk Oversight.* The Fund is subject to a number of risks, including investment, compliance and operational risks. Day-to-day risk management with respect to the Fund resides with the Investment Manager and the Investment Adviser or other service providers (depending on the nature of the risk), subject to supervision by the Investment Manager. The Board has charged the Adviser and its affiliates with (i) identifying events or circumstances the occurrence of which could have demonstrable and material adverse effects on the Fund; (ii) to the extent appropriate, reasonable or practicable, implementing processes and controls reasonably designed to lessen the possibility that such events or circumstances occur or to mitigate the effects of such events or circumstances if they do occur; and (iii) creating and maintaining a system designed to evaluate continuously, and to revise as appropriate, the processes and controls described in (i) and (ii) above.

Risk oversight forms part of the Board's general oversight of each Fund's investment program and operations and is addressed as part of various regular Board and committee activities. Each of the Investment Manager, the Investment Adviser, and the Fund's other principal service providers has an independent interest in risk management but the policies and the methods by which one or more risk management functions are carried out may differ from the Fund's and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. Oversight of risk management is provided by the Board and the Audit Committee. The Directors regularly receive reports from, among others, management, the Fund's Chief Compliance Officer, its independent registered public accounting firm, counsel, and internal auditors for the Investment Manager, as appropriate, regarding risks faced by the Fund and the Investment Manager's risk management programs.

Not all risks that may affect the Fund can be identified, nor can controls be developed to eliminate or mitigate their occurrence or effects. The processes and controls employed to address certain risks may be limited in their effectiveness, and some risks are simply beyond the reasonable

**Table of Contents**

control of the Fund or the Investment Manager, its affiliates or other service providers. Moreover, it is necessary to bear certain risks (such as investment-related risks) to achieve the Fund's goals.

**Information Regarding Directors and Officers**

The following tables show certain information about the nominees for election as Directors and about Directors whose terms will continue, including beneficial ownership of Common Stock of the Fund, and about all officers of the Fund. Most current directors resident in the United States own Fund shares. Directors who are German residents would be subject to adverse German tax consequences if they owned shares of a fund organized outside of Germany, such as the Fund, that is not subject to German regulation or tax reporting.

**Nominees Proposed for Election:**

<b>Class I Directors</b>						
<b>(Term will Expire in 2010; Nominees for Term Expiring in 2013)</b>						
<b>Name, Address<sup>(1)</sup> &amp; Age</b>	<b>Position(s) with Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years or Longer and Other Relevant Qualifications*</b>	<b>Number of Portfolios in Fund Complex<sup>(2)</sup> Overseen by Director</b>	<b>Other Directorships Held by Director During Past Five Years<sup>(3)</sup></b>	<b>Shares of Common Stock Beneficially Owned at March 31, 2010<sup>(4)</sup></b>
<b>Non-Interested Directors</b>						
Detlef Bierbaum, 67	Director	Since 1990	Vice Chairman of the Supervisory Board of Oppenheim KAG GmbH (asset management) and a member of the Supervisory Board of Bank Sal. Oppenheim Jr. & Cie. (österreich) AG (private bank) for more than five years. Mr. Bierbaum also serves as a member of the Board or Supervisory Board of a number of non-U.S. investment companies and of	3	Director of The New Germany Fund, Inc. (since 2008) and The European Equity Fund, Inc. (since 1986). <sup>(2)</sup>	None

			companies in diverse businesses including insurance, reinsurance, real estate, and retailing. He is a former member of the Supervisory Board of Sal. Oppenheim Jr. & Cie KGaA (private bank) (2008 to March 2010) and was formerly a partner of that firm. He is also a former member of the Supervisory Board of DWS Investment GmbH (asset management) (2005-2008).		
John H. Cannon, 68	Director	Since 2004	Consultant (since 2002). Formerly, Vice President and Treasurer, Venator Group/Footlocker, Inc. (footwear retailer) (1982-2002).	3	Director of The European Equity Fund, Inc. (since 2004) and The New Germany Fund, Inc. (since 1990). <sup>(2)</sup>

**Table of Contents**

**Class I Directors**  
**(Term will Expire in 2010; Nominees for Term Expiring in 2013)**

<b>Name, Address<sup>(1)</sup> &amp; Age</b>	<b>Position(s) with Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years or Longer and Other Relevant Qualifications*</b>	<b>Number of Portfolios in Fund Complex<sup>(2)</sup> Overseen by Director</b>	<b>Other Directorships Held by Director During Past Five Years<sup>(3)</sup></b>	<b>Shares of Common Stock Beneficially Owned at March 31, 2010<sup>(4)</sup></b>
Richard Karl Goeltz, 67	Director	Since 2008	Retired. Formerly, Vice Chairman and Chief Financial Officer of American Express Co. (financial services) (1996-2000) and previously served as chief financial officer of two other major multi-national corporations. Mr. Goeltz is also a member of the Court of Governors of the London School of Economics and Political Science, Trustee of the American Academy in Berlin and of other charitable organizations.	3	Director of The European Equity Fund, Inc. (since 2008) and The New Germany Fund, Inc. (since 1990). <sup>(2)</sup> Independent Non-Executive Director of Aviva plc (financial services) and The Warnaco Group, Inc. (apparel). Formerly director of Federal Home Loan Mortgage Corporation and Delta Air Lines, Inc. (air transport).	None

**Table of Contents**

Name, Address <sup>(1)</sup> & Age	Position(s) with Fund	Length of Time Served	Class II Director (Nominee for Term Expiring in 2011)			Other Directorships Held by Director During Past Five Years <sup>(3)</sup>	Shares of Common Stock Beneficially Owned at March 31, 2010 <sup>(4)</sup>
			Principal Occupation(s) During Past Five Years or Longer and Other Relevant Qualifications*	Number of Portfolios in Fund Complex <sup>(2)</sup> Overseen by Director			
			<b>Non-Interested Director</b>				
Ambassador Richard R. Burt, 63	Director	Since 2000	Managing Director, McLarty Associates (international strategic advisory). Formerly, Chairman, Diligence, Inc. (international information and risk management firm) (2002-2007); Chairman of the Board, Weirton Steel Corp. (1996-2004); Partner, McKinsey & Company (consulting firm) (1991-1994); State Department Chief Negotiator in charge of negotiating the Arms Treaty with Russia (1989-1991); U.S. Ambassador to	3	Director of The New Germany Fund, Inc. (since 2004) and The European Equity Fund, Inc. (since 2000). <sup>(2)</sup> Director, UBS family of mutual funds (since 1995).	5,262	

the Federal  
Republic of  
Germany  
(1985-1989).  
Mr. Burt is also  
Director, IGT,  
Inc. (gaming  
technology)  
(since 1995),  
and HCL  
Technologies  
Inc.  
(information  
technology and  
product  
engineering)  
(since 1999) and  
member,  
Textron Inc.  
International  
Advisory  
Council  
(aviation,  
automotive,  
industrial  
operations and  
finance)  
(since 1996).

7

---

Table of Contents

## Directors whose terms will continue:

Name, Address <sup>(1)</sup> & Age	Position(s) with Fund	Length of Time Served	Class II Directors (Term will Expire in 2011)			Other Directorships Held by Director During Past Five Years <sup>(3)</sup>	Shares of Common Stock Beneficially Owned at March 31, 2010 <sup>(4)</sup>
			Principal Occupation(s) During Past Five Years or Longer and Other Relevant Qualifications*	Number of Portfolios in Fund Complex <sup>(2)</sup> Overseen by Director			
<b>Non-Interested Directors</b>							
Dr. Friedbert H. Malt, 68	Director	Since 2007	Vice Chairman and Member of the Executive Committee of NOL Neptune Orient Lines Ltd., Singapore ( NOL ) (since 2002). He currently is also a Director of NOL (since 2000) and TÜV Rheinland of North America, Inc., a company offering independent testing and assessment services. Formerly, Dr. Malt was a Member of the Executive Board of DG Bank (now DZ Bank), Frankfurt (until 2001).	3	Director of The New Germany Fund, Inc. (since 2007) and The European Equity Fund, Inc. (since 2007). <sup>(2)</sup>	None	
<b>Interested Director<sup>(5)</sup></b>							
John Bult, 74	Director	Since 1990	Chairman, PaineWebber International (financial	3	Director of The New Germany Fund, Inc. (since 1990) and The European Equity	4,331	



services holding company) (since 1985). Mr. Bult has many years of experience in the securities industry.

Fund, Inc. (since 1986).<sup>(2)</sup> Director of The Greater China Fund, Inc. (closed-end fund) (since 1992).

**Table of Contents**

Name, Address <sup>(1)</sup> & Age	Position(s) with Fund	Length of Time Served	Class III Directors (Term will Expire in 2012)			Other Directorships Held by Director During Past Five Years <sup>(3)</sup>	Shares of Common Stock Beneficially Owned March 31, 2010 <sup>(4)</sup>
			Principal Occupation During Past Five Years or Longer and Other Relevant Qualifications*	Number of Portfolios in Fund Complex <sup>(2)</sup> Overseen by Director			
<b>Non-Interested Directors</b>							
Franz Wilhelm Hopp,	Director	Since 2008	Member of the Board of Management of KarstadtQuelle Pension Trust e.V. (February 2007-September 2009). Former Member of the Boards of Management of ERGO Insurance Group AG, ERGO Europa Beteiligungsgesellschaft AG, and ERGO International AG (insurance) (over five years until 2004). Former Member of the Boards of Management of VICTORIA Holding, VICTORIA Lebensversicherung AG (life insurance), VICTORIA Versicherung AG (insurance), VICTORIA International, VICTORIA Rückversicherung AG (reinsurance) and D.A.S. Versicherungs-AG. (insurance).	3	Director of The European Equity Fund, Inc. (since 2008) and The New Germany Fund, Inc. (since 1993). <sup>(2)</sup>	None	
Robert H. Wadsworth, 70	Director	Since 1990	President, Robert H. Wadsworth Associates, Inc. (consulting firm) (1983 to present). Mr. Wadsworth also has experience as an owner	129	Director of The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1992), <sup>(2)</sup> as well as other funds in the Fund	None	

and chief executive officer of various businesses serving the mutual fund industry, including a registered broker-dealer and a registered transfer agent, and has served as a senior executive officer of several mutual funds.

Complex as indicated.<sup>(6)</sup>

Table of Contents

<b>Class III Directors</b> <b>(Term will Expire in 2012)</b>						
<b>Position(s)</b> <b>with Fund</b>	<b>Length of</b> <b>Time</b> <b>Served</b>	<b>Principal</b> <b>Occupation</b> <b>During Past</b> <b>Five Years</b> <b>or Longer</b> <b>and Other</b> <b>Relevant</b> <b>Qualifications*</b>	<b>Number of</b> <b>Portfolios in</b> <b>Fund</b> <b>Complex<sup>(2)</sup></b> <b>Overseen by</b> <b>Director</b>	<b>Other Directorships</b> <b>Held by Director</b> <b>During Past Five Years<sup>(3)</sup></b>	<b>Shares of</b> <b>Common</b> <b>Stock</b> <b>Beneficial</b> <b>Owned as</b> <b>March 31,</b> <b>2010<sup>(4)</sup></b>	
<b>Name, Address<sup>(1)</sup> &amp; Age</b>						
erner Walbröl, 72	Director	Since 1990	Delegate for North American Humboltt Universitat (Berlin). Formerly, President and Chief Executive Officer, The European American Chamber of Commerce, Inc. (2004-2008); President and Chief Executive Officer, The German American Chamber of Commerce, Inc. (until 2003). Mr. Walbröl is also a Director of The German American Chamber of Commerce, Inc. President and Director, German-American Partnership Program (student exchange programs), and a Director of an independent testing and assessment company.	3	Director of The New Germany Fund, Inc. (since 2004) and The European Equity Fund, Inc. (since 1986). <sup>(2)</sup>	3,955
			<b>Interested Director<sup>(5)</sup></b>			

Christian H. Strenger, 66	Director and Chairman	Since 1990	Member of Supervisory Board (since 1999) and formerly Managing Director (1991-1999) of DWS Investment GmbH (investment management), a subsidiary of Deutsche Bank AG. Mr. Strenger is also Member, Supervisory Board, Evonik Industries AG (chemical, utility and property business), Fraport AG (international airport business) and Hermes Equity Ownership Services Ltd. (governance advisory).	3	Director of The European Equity Fund, Inc. (since 1986) and The New Germany Fund, Inc. (since 1990). <sup>(2)</sup>	588
---------------------------	--------------------------	------------	--	---	---	-----

\* The information above includes each Director's principal occupation during the last five years and other information relating to the experience, attributes and skills relevant to each Director's qualifications to serve as a Director, which led (together with the Director's current and prior experience as a Director of other SEC reporting companies, if any, as indicated elsewhere in the table) to the conclusion that each Director should serve as a Director for the Fund.

**Table of Contents****Executive Officers<sup>(7)</sup>**

<b>Name, Address<sup>(1)</sup> &amp; Age</b>	<b>Position(s) with Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years or Longer</b>	<b>Shares of Common Stock Beneficially Owned at March 31, 2010<sup>(4)</sup></b>
Michael G. Clark, 44 <sup>(8)</sup>	President and Chief Executive Officer	Since 2006	Managing Director, Deutsche Asset Management (since 2006); President of DWS family of funds. Formerly, Director of Fund Board Relations (2004-2006) and Director of Product Development, Merrill Lynch Investment Managers (2000-2004).	None
Paul H. Schubert, 47 <sup>(8)</sup>	Chief Financial Officer and Treasurer	Since 2004	Managing Director, Deutsche Asset Management (since 2004). Formerly, Executive Director, Head of Mutual Fund Services and Treasurer for UBS Family of Funds at UBS Global Asset Management (1998-2004).	None
David Goldman, 36 <sup>(8)</sup>	Secretary	Since 2006	Director, Deutsche Asset Management (since 2008). Formerly, Vice President, Deutsche Asset Management (2002-2008).	None
John Millette, 47 <sup>(8)</sup>	Assistant Secretary	Since 2006	Director, Deutsche Asset Management (since 2002).	None
Rita Rubin, 39	Chief Legal Officer	Since 2008	Vice President and Counsel, Deutsche Asset Management (since 2007). Formerly, Vice President, Morgan Stanley Investment Management Inc. (2004-2007).	None
Alexis Kuchinsky, 34	Chief Compliance Officer	Since 2009	Vice President, Deutsche Asset Management (since 2002); Head of Compliance Program Oversight of Deutsche Asset Management.	None
John Caruso, 45	Anti-Money Laundering Compliance Officer	Since 2010	Managing Director, Deutsche Asset Management.	None
Rainer Vermehren, 42	Vice President	Since 2010	Director, DWS Investment GmbH (since 2007). Fund	None

Manager, DWS Investment  
GmbH (since 1997).

- (1) The mailing address of all directors and officers with respect to Fund operations is c/o Deutsche Investment Management Americas Inc., 345 Park Avenue, NYC20-2799, New York, New York 10154.
- (2) The Fund Complex includes The European Equity Fund, Inc. and The New Germany Fund, Inc., which are the other closed-end registered investment companies for which Deutsche Investment Management Americas Inc. acts as manager. It also includes 126 other open- and closed-end funds advised by wholly owned entities of the Deutsche Bank Group in the United States.
- (3) Directorships are only for companies that file reports with the SEC.
- (4) As of March 31, 2010, all Directors and Executive Officers as a group (18 persons) owned 14,567 shares, which constitutes less than 1% of the outstanding Common Stock of the Fund. Share numbers in this Proxy Statement have been rounded to the nearest whole share.
- (5) Indicates Interested Person , as defined in the Investment Company Act. Mr. Bult is an interested Director because of his affiliation with PaineWebber International, an affiliate of

**Table of Contents**

UBS Securities LLC, a registered broker-dealer, and Mr. Strenger is an interested Director because of his affiliation with DWS-Deutsche Gesellschaft für Wertpapiersparen mbH ( DWS ), a majority-owned subsidiary of Deutsche Bank AG, and because of his ownership of Deutsche Bank AG shares. Prior to April 2010, Mr. Bierbaum was interested because of his prior relationship with Sal. Oppenheim Jr. & Cie KGaA, which executed portfolio securities transactions for the Fund and certain affiliated persons, and because of his former ownership of Deutsche Bank AG shares.

- (6) Mr. Wadsworth oversees all 129 funds in the Fund Complex.
- (7) Each also serving as an officer of The European Equity Fund, Inc. and The New Germany Fund, Inc. The officers of the Fund are elected annually by the Board of Directors at its meeting following the Annual Meeting of Stockholders. Each of Mr. Clark, Mr. Schubert, Mr. Millette, Mr. Caruso and Ms. Rubin also serve as officers of the other Funds in the Fund Complex.
- (8) Indicates ownership of securities of Deutsche Bank AG either directly or through Deutsche Bank's deferred compensation plan.

The following table contains additional information with respect to the beneficial ownership of equity securities by each Director or Nominee in the Fund and, on an aggregated basis, in any registered investment companies overseen by the Director or Nominee within the same Family of Investment Companies as the Fund:

Name of Director or Nominee	Dollar Range of Equity Securities in the Fund <sup>(1)</sup>	Aggregate Dollar Range of Equity Securities in all Funds Overseen by Director or Nominee in Family of Investment Companies <sup>(1),(2)</sup>
Detlef Bierbaum	None	None
John Bult	Over \$100,000	Over \$100,000
Ambassador Richard R. Burt	Over \$100,000	Over \$100,000
John H. Cannon	\$10,001-\$50,000	\$50,001-\$100,000
Richard Karl Goeltz	None	Over \$100,000
Dr. Franz Wilhelm Hopp	None	None
Dr. Friedbert H. Malt	None	None
Christian H. Strenger	\$10,001-\$50,000	\$10,001-\$50,000
Robert H. Wadsworth	None	Over \$100,000
Werner Walbröl	Over \$100,000	Over \$100,000

(1) Valuation date is March 31, 2010. Directors who are German residents would be subject to adverse German tax consequences if they owned shares of a fund organized outside of Germany, such as the Fund, that is not subject to German regulation or tax reporting.

(2) The Family of Investment Companies consists of the Fund, The European Equity Fund, Inc. and The New Germany Fund, Inc., which are closed-end funds that share the same investment adviser and manager and



hold themselves out as related companies.

The Board of Directors presently has five standing committees including an audit committee (the Audit Committee ), an advisory committee (the Advisory Committee ), an executive committee (the Executive Committee ), a nominating and governance committee (the Nominating and Governance Committee ) and a valuation committee (the Valuation Committee ).

**Table of Contents**

The Audit Committee, currently comprising Messrs. Burt, Cannon (Chair), Goeltz, Wadsworth and Walbröl and Dr. Malt, operates pursuant to a written charter. The Audit Committee charter is currently available on the Fund's website, [www.dws-Investments.com](http://www.dws-Investments.com). The Audit Committee's organization and responsibilities are contained in the Audit Committee Report, which is included in this Proxy Statement, and in its written charter. The members of the Audit Committee are independent as required by the independence standards of Rule 10A-3 under the Securities Exchange Act of 1934. The Board of Directors has determined that each member of the Audit Committee is financially literate and has determined that each of Messrs. Cannon, Goeltz and Wadsworth meets the requirements for an audit committee financial expert under the rules of the Securities and Exchange Commission (SEC). Although the Board has determined that all three meet the requirements for an audit committee financial expert, their responsibilities are the same as those of the other audit committee members. Messrs. Cannon, Goeltz and Wadsworth are not auditors or accountants, do not perform field work and are not full-time employees. The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee financial expert. The Audit Committee met six times during the fiscal year ended October 31, 2009.

The Advisory Committee, currently comprising Messrs. Cannon, Goeltz and Wadsworth (Chair), makes recommendations to the full Board with respect to the Management Agreement between the Fund and Deutsche Investment Management Americas Inc., and the Investment Advisory Agreement between the Fund and Deutsche Asset Management International GmbH. The Advisory Committee met twice during the past fiscal year, in connection with the annual continuance of those agreements.

The Executive Committee, currently comprising Messrs. Burt, Cannon, Goeltz, Strenger, Wadsworth and Walbröl, has the authority to act for the Board on all matters between meetings of the Board subject to any limitations under applicable state law. During the past fiscal year the Executive Committee did not meet.

The Valuation Committee, currently comprising Messrs. Cannon, Wadsworth (Chair) and Walbröl, reviews the Fund's valuation procedures and makes recommendations with respect thereto and, to the extent required by such procedures, determines the fair value of the Fund's securities or other assets. During the past fiscal year, the Valuation Committee met once.

The Nominating and Governance Committee is currently comprised of Messrs. Burt, Cannon, Goeltz (Chair), Wadsworth and Walbröl. The Board has determined that each of the members of the Nominating and Governance Committee is not an interested person as the term is defined in Section 2(a)(19) of the Investment Company Act. Generally, the Nominating and Governance Committee identifies, evaluates and selects and nominates, or recommends to the Board of Directors, candidates for the Board or any committee of the Board, and also advises the Board regarding governance matters generally and confirms that the Board and Audit Committee undertake annual self-evaluations. To be eligible for nomination as a Director a person must, at the time of such person's nomination, have Relevant Experience and Country Knowledge and must not have any Conflict of Interest, as those terms are defined in the Fund's Bylaws. The relevant portions of the Fund's Bylaws describing these requirements are included as Annex A. The Nominating and Governance Committee may also take into account additional factors listed in the Nominating and Governance Committee Charter, which generally relate to the nominee's industry knowledge, business experience, education, ethical reputation, special skills, ability to work well in group settings and the ability to qualify as an independent director. When assessing a candidate for nomination, the Nominating and Governance Committee considers whether the individual's

**Table of Contents**

background, skills and experience will complement the background, skills and experience of other nominees and will contribute to the diversity of the Board.

The Nominating and Governance Committee will consider nominee candidates properly submitted by stockholders in accordance with applicable law, the Fund's Charter or Bylaws, resolutions of the Board and the qualifications and procedures set forth in the Nominating and Governance Committee Charter, which is currently available on the Fund's website, [www-dws-investments.com](http://www-dws-investments.com). A stockholder or group of stockholders seeking to submit a nominee candidate (i) must have beneficially owned at least 5% of the Fund's common stock for at least two years, (ii) may submit only one nominee candidate for any particular meeting of stockholders, and (iii) may submit a nominee candidate for only an annual meeting or other meeting of stockholders at which directors will be elected. The stockholder or group of stockholders must provide notice of the proposed nominee pursuant to the requirements found in the Fund's Bylaws. Generally, this notice must be received not less than 90 days nor more than 120 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting. Such notice shall include the specific information required by the Fund's Bylaws. The relevant portions describing these requirements are included as Annex C. The Nominating and Governance Committee will evaluate nominee candidates properly submitted by stockholders on the same basis as it considers and evaluates candidates recommended by other sources. The Nominating and Governance Committee met four times during the past fiscal year.

All members on each of the five committees of the Board are not interested persons as the term is defined in the Investment Company Act, with the exception of Mr. Strenger, who is a member of the Executive Committee.

During the past fiscal year, the Board of Directors had four regular meetings. Each incumbent Director who served as a Director during the past fiscal year attended at least 75% of the aggregate number of meetings of the Board and meetings of Board Committees on which that Director served. The Board has a policy that encourages Directors to attend the Annual Meeting of Stockholders, to the extent that travel to the Annual Meeting of Stockholders is reasonable for that Director. Two Directors attended the 2009 Annual Meeting of Stockholders.

To communicate with the Board of Directors or an individual Director of the Fund, a stockholder must send a written communication to the Fund's principal office at 345 Park Avenue, NYC20-2799, New York, New York 10154 (c/o The Central Europe and Russia Fund, Inc.), addressed to (i) the Board of Directors of the Fund or an individual Director, and (ii) the Secretary of the Fund. The Secretary of the Fund will direct the correspondence to the appropriate parties.

The Fund pays each of its Directors who is not an interested person of the Fund, of the investment adviser or of the manager an annual fee of \$6,000 plus \$750 for each Board and Committee meeting attended. Each such Director who is also a Director of The European Equity Fund, Inc. or The New Germany Fund, Inc. also receives the same annual and per-meeting fees for services as a Director of each such fund. These compensation arrangements were effective as of January 1, 2010. Each of the Fund, The European Equity Fund, Inc. and The New Germany Fund, Inc. reimburses the Directors (except for those employed by the Deutsche Bank Group) for travel expenses in connection with Board meetings. These three funds, together with 126 other open- and closed-end funds advised by wholly owned entities of the Deutsche Bank Group in the United States, represent the entire Fund Complex within the meaning of the applicable rules and regulations of the SEC. The following table sets forth (a) the aggregate compensation from the Fund for the fiscal year ended October 31, 2009, and (b) the total compensation from each fund in the Fund Complex that

**Table of Contents**

includes the Fund, for the 2009 fiscal year of each such fund, (i) for each Director or Nominee for Director who is not an interested person of the Fund, and (ii) for all such Directors as a group]:

Name of Director	Aggregate Compensation from Fund	Total Compensation from Fund Complex
Detlef Bierbaum	\$ 0	\$ 0
Ambassador Richard R. Burt	\$ 11,833	\$ 32,500
John H. Cannon	\$ 13,248	\$ 36,000
Richard Karl Goeltz	\$ 0	\$ 14,250
Dr. Franz Wilhelm Hopp	\$ 0	\$ 10,500
Dr. Friedbert H. Malt	\$ 10,500	\$ 28,500
Robert H. Wadsworth	\$ 12,000	\$ 33,000
Werner Walbröl	\$ 12,333	\$ 34,000
<b>Total</b>	<b>\$ 59,914</b>	<b>\$ 188,750</b>

No compensation is paid by the Fund to Directors who are interested persons of the Fund or of any entity of the Deutsche Bank Group or to officers. Mr. Bierbaum was an interested person of the Fund during the fiscal year ended December 31, 2009 and, as such, received no compensation from the Fund Complex.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSALS 1 AND 2.**

*Required Vote.* Provided a quorum has been established, the affirmative vote of a majority of the votes entitled to be cast at the Meeting is required for the election of each Director. For purposes of the election of Directors, abstentions and broker non-votes will have the same effect as a vote against a Director.

**PROPOSAL 3:**

**RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee has approved PricewaterhouseCoopers LLP (the Firm or PwC), an independent registered public accounting firm, as independent auditors for the Fund for the fiscal year ending October 31, 2010. A majority of members of the Board of Directors, including a majority of the members of the Board of Directors who are not interested Directors (as defined in the Investment Company Act) of the Fund, have ratified the appointment of PwC as the Fund's independent auditors for that fiscal year. Based principally on representations from the Firm, the Fund knows of no direct financial or material indirect financial interest of such Firm in the Fund. That Firm, or a predecessor firm, has served as the independent auditors for the Fund since inception.

Neither our Charter nor Bylaws require that the stockholders ratify the appointment of PwC as our independent auditors. We are doing so because we believe it is a matter of good corporate practice. If the stockholders do not ratify the appointment, the Audit Committee and the Board of Directors will reconsider whether or not to retain PwC, but may retain such independent auditors. Even if the appointment is ratified, the Audit Committee and the Board of Directors in their discretion may change the appointment at any time during the year if they determine that such change would be in the best interests of the Fund and its stockholders. It is intended that the persons named in the accompanying form of proxy will vote for PwC. A representative of PwC will be



**Table of Contents**

present at the Meeting and will have the opportunity to make a statement and is expected to be available to answer appropriate questions concerning the Fund's financial statements.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 3.**

*Required Vote.* Provided a quorum has been established, the affirmative vote of a majority of the votes cast at the Meeting is required for the ratification of the appointment by the Audit Committee and the Board of Directors of PwC as independent auditors for the Fund for the fiscal year ending October 31, 2010. For purposes of Proposal 3, abstentions will have no effect on the result of the vote.

**Information With Respect To The Fund's Independent Auditors**

The following table shows fees paid to PwC by the Fund during the Fund's two most recent fiscal years: (i) for audit and non-audit services provided to the Fund, and (ii) for engagements for non-audit services pre-approved by the Audit Committee for the Fund's manager and investment adviser and certain entities controlling, controlled by, or under common control with the manager and investment adviser that provide ongoing services to the Fund (collectively, the Adviser Entities), which engagements relate directly to the operations and financial reporting of the Fund. The Audit Committee of each board will review, at least annually, whether PwC's receipt of non-audit fees from the Fund, the Fund's manager, the Fund's investment adviser and all Adviser Entities is compatible with maintaining PwC's independence.

Fiscal Year	Audit Fees <sup>(1)</sup>		Audit Related Fees <sup>(2)</sup>		Tax Fees <sup>(3)</sup>		All Other Fees <sup>(4)</sup>	
	Fund	Adviser Entities	Fund	Adviser Entities	Fund	Adviser Entities	Fund	Adviser Entities
2009	\$ 85,000	\$ 0	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2008	\$ 86,500	\$ 0	\$ 0	\$ 9,630	\$ 19,000	\$ 0	\$ 0	\$ 0

- (1) Audit Fees are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.
- (2) Audit Related Fees are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under Audit Fees.
- (3) Tax Fees are the aggregate fees billed for professional services for tax compliance and tax planning.
- (4) All Other Fees are the aggregate fees billed for products and services other than Audit Fees, Audit Related Fees and Tax Fees.

*Audit Committee Pre-Approval Policies and Procedures.* Generally, the Audit Committee must pre-approve (i) all services to be performed for the Fund by the Fund's independent auditors and (ii) all non-audit services to be performed by the Fund's independent auditors for the Fund's investment adviser or any Adviser Entities with respect to operations and financial reporting of the Fund. Any member of the Audit Committee may pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting. The auditors shall report to the Audit Committee at each of its regular meetings all audit or non-audit services to the Fund and all non-audit services to the Adviser Entities that relate directly to the Fund's operations and financial reporting initiated since



**Table of Contents**

the last such report was rendered, including a general description of the services and projected fees and the means by which such services were approved by the Audit Committee.

*All Non-Audit Fees.* The table below shows the aggregate non-audit fees billed by PwC for services rendered to the Fund and to the Adviser Entities that provide ongoing services to the Fund, whether or not such engagements relate directly to the operations and financial reporting of the Fund, for the two most recent fiscal years for the Fund.

<b>Fiscal Year</b>	<b>Aggregate Non-Audit Fees</b>
2009	\$ 0
2008	\$ 619,000

**Audit Committee Report**

The purposes of the Audit Committee are 1) to assist the Board of Directors in its oversight of (i) the integrity of the Fund's financial statements; (ii) the Fund's compliance with legal and regulatory requirements; (iii) the independent auditors' qualifications and independence; and (iv) the performance of the independent auditors; and 2) to prepare this report. Each Member of the Audit Committee is independent, as required by the independence standards of Rule 10A-3 under the Securities Exchange Act of 1934. The Audit Committee operates pursuant to a written charter. As set forth in the Audit Committee Charter, management of the Fund and applicable service providers are responsible for the preparation, presentation and integrity of the Fund's financial statements and for the effectiveness of internal control over financial reporting. Management and applicable service providers are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal control over financial reporting and other procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out a proper audit of the Fund's annual financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

In the performance of its oversight function, the Audit Committee has considered and discussed the audited financial statements with management and the independent auditors of the Fund. The Audit Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect. The Audit Committee has also considered whether the provision of any non-audit services not pre-approved by the Audit Committee provided by the Fund's independent auditors to the Fund's investment adviser, manager or to any entity controlling, controlled by or under common control with the Fund's investment adviser or manager that provides ongoing services to the Fund is compatible with maintaining the auditors' independence. Finally, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect, and has discussed with the auditors their independence.

The members of the Audit Committee are not full-time employees of the Fund and are not performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Audit Committee necessarily rely on the information provided to them by management and the independent auditors. Accordingly, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Fund's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that the Fund's auditors are in fact independent.





**Table of Contents**

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Charter, the Audit Committee recommended to the Board of Directors of the Fund that the audited financial statements of the Fund be included in the Fund's annual report to stockholders for the fiscal year ended October 31, 2009.

Submitted by the Audit Committee  
of the Fund's Board of Directors

John H. Cannon, Chair  
Richard R. Burt  
Richard Karl Goeltz  
Dr. Friedbert Malt  
Robert H. Wadsworth  
Werner Walbröl

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

As of May 14, 2010, no person, to the knowledge of management, owned of record or beneficially more than 5% of the outstanding Common Stock of the Fund, other than as set forth below:

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Outstanding Common Stock</b>
City of London Investment Group PLC/ City of London Investment Management Company Limited <sup>(1)</sup> 77 Gracechurch Street, London, EC3V 0AS England	3,659,643 shares	25.14%
Lazard Asset Management LLC <sup>(2)</sup> 30 Rockefeller Plaza, New York, NY 10112	1,519,339 shares	10.80%

(1) This information is based exclusively on information provided by such entity on Schedule 13G/A filed with respect to the Fund on February 9, 2010.

(2) This information is based exclusively on information provided by such entity on Schedule 13G/A filed with respect to the Fund on May 10, 2010.

**ADDRESS OF INVESTMENT ADVISER AND MANAGER**

The principal office of Deutsche Asset Management International GmbH, the Fund's investment adviser, is located at Mainzer Landstrasse 178-190, D-60327 Frankfurt am Main, Federal Republic of Germany. The corporate office of Deutsche Investment Management Americas Inc., the Fund's manager, is located at 345 Park Avenue, New York, New York 10154.

**SECTION 16(a) BENEFICIAL OWNERSHIP  
REPORTING COMPLIANCE**

Based on a review of reports filed by the Fund's directors and executive officers, the investment adviser, officers and directors of the investment adviser, affiliated persons of the investment adviser and beneficial holders of 10% or more of the Fund's outstanding stock, and written representations by the Reporting Persons that no year-end reports were required for such persons, all filings required by Section 16(a) of the Securities and Exchange Act of 1934 for the fiscal year ended October 31,

**Table of Contents**

2009 were timely, except that a late Form 3 was filed on behalf of each of Robert Kalin and Georg Schuh, officers of the Fund.

**OTHER MATTERS**

No business other than as set forth herein is expected to come before the Meeting, but should any other matter requiring a vote of stockholders properly come before the Meeting, including any question as to an adjournment of the Meeting, the persons named in the enclosed Proxy Card will vote thereon according to their discretion. Abstentions and broker non-votes shall have no effect on the outcome of a vote to adjourn the Meeting.

**STOCKHOLDER PROPOSALS**

In order for stockholder proposals otherwise satisfying the eligibility requirements of SEC Rule 14a-8 to be considered for inclusion in the Fund's proxy statement for the 2011 Annual Meeting, the proposals must be received at The Central Europe and Russia Fund, Inc., c/o Deutsche Investment Management Americas, 345 Park Avenue, NYC20-2799, New York, New York 10154, Attention: Secretary, on or before January 24, 2011.

In addition, the Fund's Bylaws currently provide that if a stockholder desires to bring business (including director nominations) before the 2011 Annual Meeting that is or is not the subject of a proposal timely submitted for inclusion in the Fund's proxy statement, written notice of such business as prescribed in the Bylaws must be delivered to the Fund's Secretary, at the principal executive offices of the Fund, between January 24, 2011 and February 23, 2011. For additional requirements, the stockholder may refer to the Bylaws, a current copy of which may be obtained without charge upon request from the Fund's Secretary. If the Fund does not receive timely notice pursuant to the Bylaws, the proposal may be excluded from consideration at the meeting, regardless of any earlier notice provided in accordance with SEC Rule 14a-8.

**EXPENSES OF PROXY SOLICITATION**

The cost of preparing, assembling and mailing material in connection with this solicitation will be borne by the Fund. In addition to the use of mails, proxies may be solicited personally by regular employees of the Fund or the manager or by telephone or telegraph. Brokerage houses, banks and other fiduciaries may be requested to forward proxy solicitation materials to their principals to obtain authorization for the execution of proxies, and they will be reimbursed by the Fund for out-of-pocket expenses incurred in this connection. The Fund has also made arrangements with The Altman Group, Inc. to assist in the solicitation of proxies, if called upon by the Fund, at an estimated fee of \$5,200 plus reimbursement of normal expenses.

**Table of Contents**

**ANNUAL REPORT DELIVERY**

The Fund will furnish, without charge, a copy of its annual report for the fiscal year ended October 31, 2009 and the most recent semi-annual report, if any, to any stockholder upon request. Such requests should be directed by mail to The Central Europe and Russia Fund, Inc., c/o Deutsche Investment Management Americas, 345 Park Avenue, NYC20-2799, New York, New York 10154 or by telephone to 1-800-437-6269. Annual reports are also available on the Fund's web site: [www.germanyfund.com](http://www.germanyfund.com).

David Goldman  
Secretary

Dated: May 21, 2010

**Stockholders who do not expect to be present at the Meeting and who wish to have their shares voted are requested to date and sign the enclosed Proxy Card and return it to the Fund as soon as practicable.**

**Table of Contents**

ANNEX A

**THE CENTRAL EUROPE AND RUSSIA FUND, INC.  
EXCERPTS OF BY-LAWS**

Article II

Section 13. Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals. (a) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice provided for in this Section 13(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 13, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of mailing of the notice for the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of mailing of the notice for the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the 90th day prior to the date of mailing of the notice for such annual meeting or the tenth day following the day on which disclosure of the date of mailing of the notice for such meeting is first made. In no event shall the public announcement of a postponement or adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and residence address of such person, (B) the class and number of shares of stock of the Corporation that are beneficially owned by such person, (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act or pursuant to the Investment Company Act and the rules thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (D) a statement specifying which of clauses (1)-(7) of the definition of "Relevant Experience and Country Knowledge" in Article III, Section 3 of the Bylaws the person being nominated satisfies, information relating to such person sufficient to support a determination that the person satisfies the specified clause or clauses of the definition and a representation that the person does not have a "Conflict of Interest" as defined in Article III, Section 3 of the Bylaws; (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder (including any anticipated benefit to the stockholder therefrom) and of each beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and each beneficial owner, if any, on whose behalf the nomination or proposal is made,

**Table of Contents**

(x) the name and address of such stockholder, as they appear on the Corporation's stock ledgers and a current name and address, if different, and of such beneficial owner, and (y) the class and number of shares of each class of stock of the Corporation which are owned beneficially and of record by such stockholder and owned beneficially by such beneficial owner.

(3) Notwithstanding anything in this subsection (a) of this Section 13 to the contrary, in the event the Board of Directors increases or decreases the maximum or minimum number of directors in accordance with Article III, Section 2 of these Bylaws, and there is no public announcement of such action at least 100 days prior to the first anniversary of the date of mailing of the preceding year's annual meeting, a stockholder's notice required by this Section 13(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 13 and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Section 13 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) *General.* (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 and Article III, Section 3 of these Bylaws shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 13 and, if any proposed nomination or business is not in compliance with this Section 13, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 13, (a) the date of mailing of the notice shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (b) public announcement shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act or the Investment Company Act.

**Table of Contents**

(3) Notwithstanding the foregoing provisions of this Section 13, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the Investment Company Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any right of stockholders to request inclusion of proposals in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

Article III

Section 3. Qualifications. Directors need not be stockholders. Each Director shall hold office until the earlier of: (a) the expiration of his term and his or her successor shall have been elected and qualifies, (b) his or her death, (c) his or her resignation, or (d) his or her removal. To be eligible for nomination as a director a person must, at the time of such person's nomination, (a) have Relevant Experience and Country Knowledge (as defined below), (b) not have any Conflict of Interest (as defined below) and (c) not be over 72 years of age; provided that clause (c) shall not apply to any person who was a Director on October 15, 1999 or to any person whom the Nominating Committee (or in the absence of such a Committee, the Board of Directors) determines to except from that clause on the basis that the person's prior public or government service or other broad-based activities in the business community make it essential that the Corporation continue to receive the benefit of the person's services as a Director. The determination described in the previous sentence shall be made on or before the time of nomination. Whether a proposed nominee satisfies the foregoing qualifications shall be determined by the Nominating Committee or, in the absence of such a Committee, by the Board of Directors, each in its sole discretion.

For purpose of the following definitions of Relevant Experience and Country Knowledge and Conflict of Interest, the term Specified Country means any one or more of the following countries: Czech Republic, Hungary, Germany, Poland or Russia.

Relevant Experience and Country Knowledge means experience in business, investment, economic or political matters of a Specified Country or the United States, through service for 10 of the past 20 years (except where a shorter period is noted) in one or more of the following principal occupations:

- (1) senior executive officer or partner of a financial or industrial business headquartered in a Specified Country and that has annual revenues of at least the equivalent of US \$500 million,
- (2) senior executive officer or partner of a financial or industrial business headquartered in the United States that has annual revenues of at least the equivalent of US \$500 million and whose management responsibilities include supervision of business operations in a Specified Country or other European country,
- (3) director (or the equivalent) for 5 of the past 10 years of one or more investment businesses or vehicles (including this Corporation) a principal focus of which is investment in one or more Specified Countries and that have at least the equivalent of US \$250 million in combined total assets of their own,
- (4) senior executive officer or partner of an investment management business having at least the equivalent of US \$500 million in securities of companies in one or more Specified Countries or securities principally traded in one or more Specified Countries under discretionary management for others,



**Table of Contents**

(5) senior executive officer or partner of a business consulting, accounting or law firm having at least 100 professionals and whose principal responsibility involves or involved providing services involving matters relating to a Specified Country or other European country for financial or industrial businesses, investment businesses or vehicles or investment management businesses as described in (1) (4) above,

(6) senior official (including ambassador or minister) (i) in the national government, a government agency or the central bank of a Specified Country or the United States, (ii) in a major supranational agency or organization of which a Specified Country or the United States is a member, or (iii) in a leading international trade organization relating to a Specified Country or the United States, in each case in the area of finance, economics, trade or foreign relations, or

(7) current director or senior officer (without regard to years of service) of an investment manager or adviser of the Corporation, or of any entity controlling or under common control with an investment manager or adviser of the Corporation.

For purposes of clauses (1)-(5) of the preceding sentence and clauses (1)-(2) of the next paragraph, the term "financial or industrial business" includes a financial or industrial business unit within a larger enterprise; the term "investment businesses or vehicles" includes an investment business unit or investment vehicle within a larger enterprise; the term "investment management business" includes an investment management business unit within a larger enterprise; and the term "investment vehicle" includes an investment vehicle within a larger enterprise; but in each case only to the extent the unit satisfies the revenue, asset and other requirements specified for the business or vehicle in clauses (1)-(5) of the preceding sentence or clauses (1)-(2) of the next paragraph.

Conflict of Interest means the presence of a conflict with the interests of the Corporation or its operations through any of the following:

(1) current position (a) as a director, officer, partner or employee of another investment vehicle a significant (*i.e.*, 25% or more of total assets) focus of which is securities of companies in one or more Specified Countries or securities principally traded in markets of one or more Specified Countries and that does not have the same investment adviser as the Corporation or an investment adviser affiliated with an investment adviser of the Corporation, and (b) having direct and regular responsibilities relating to that investment vehicle,

(2) current position as (a) a director, officer, partner or employee of the sponsor (or equivalent) of an investment vehicle described in the previous point and (b) having direct and regular responsibilities relating to that investment vehicle, or

(3) current position as an official of a governmental agency or self-regulatory body having responsibility for regulating the Corporation or the markets in which it proposes to invest.

**Table of Contents**

---

**Table of Contents**

**PROXY**

**THE CENTRAL EUROPE AND RUSSIA FUND, INC.**

**This proxy is solicited on behalf of the Board of Directors.**

The undersigned stockholder of The Central Europe and Russia Fund, Inc., a Maryland corporation (the Fund), hereby appoints John Millette, David Goldman and Rita Rubin, or any of them, as proxies for the undersigned, with full power of substitution in each of them, to attend the Annual Meeting of the Stockholders of the Fund to be held at 3:00 p.m., New York time, on June 28, 2010 at the New York Marriott East Side Hotel, 525 Lexington Avenue, New York, New York 10017, and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting, and otherwise to represent the undersigned at the meeting with all powers possessed by the undersigned if personally present at the meeting. The undersigned hereby acknowledges receipt of the Notice of the Annual Meeting of Stockholders and of the accompanying Proxy Statement, the terms of each of which are incorporated by reference herein, and revokes any proxy heretofore given with respect to such meeting.

**The votes entitled to be cast by the undersigned will be cast as instructed below. If this Proxy is executed but no instruction is given, the votes entitled to be cast by the undersigned will be cast For each of the nominees for director and For Proposal 3, as described in the Proxy Statement and in the discretion of the Proxy holder on any other matter that may properly come before the meeting or any adjournment or postponement thereof.**

**Election of Directors. The Board of Directors unanimously recommends a vote For the Class I nominees below.**

- |  |   |  |
|--|---|--|
| 1. <b>FOR</b> each of the nominees<br>for director listed below. <input type="radio"/> | <b>WITHHOLD AUTHORITY</b><br>as to all listed nominees. <input type="radio"/> | <b>FOR</b> all nominees except as<br>marked to the contrary below. <input type="radio"/> |
|--|---|--|

**(Instructions: To withhold authority for any individual nominee, strike a line through the nominee's name in the list below.)**

Mr. Detlef Bierbaum  
Mr. John H. Cannon  
Mr. Richard Karl Goeltz

**The Board of Directors unanimously recommends a vote For the Class II nominee below**

- |   |  |
|---|--|
| 2. <b>FOR</b> the nominee<br>for director listed below. <input type="radio"/> | <b>WITHHOLD AUTHORITY</b><br>as to the listed nominee. <input type="radio"/> |
|---|--|

Mr. Richard R. Burt

**The Board of Directors unanimously recommends a vote For Proposal 3**

3. To ratify the appointment by the Audit Committee and the Board of Directors of PricewaterhouseCoopers LLP, an independent public accounting firm, as independent auditors for the fiscal year ending October 31, 2010.

**FOR**       **AGAINST**       **ABSTAIN**

4. To vote and otherwise represent the undersigned on any other matter that may properly come before the meeting or any adjournment or postponement thereof in the discretion of the Proxy holder.

**Table of Contents**

Signature

Signature, if held jointly

Please sign exactly as name appears on the records of the Fund and date. If the shares are held jointly, each holder should sign. When signing as an attorney, executor, administrator, trustee, guardian, officer of a corporation or other entity or in another representative capacity, please give the full title under signature(s).

Dated: \_\_\_\_\_, 2010