

**MEMO# 32900**

November 5, 2020

# **AMAC Recommends that SEC Change Default to E-Delivery, Eliminate Requirement for In-Person Board Meetings, and Update Other Operations Related Requirements**

[32900]

November 5, 2020 TO: ICI Members

Investment Company Directors

Operations Committee

SEC Rules Committee

Securities Operations Advisory Committee

Transfer Agent Advisory Committee SUBJECTS: COVID-19

Fund Governance

Operations

Transfer Agency RE: AMAC Recommends that SEC Change Default to E-Delivery, Eliminate Requirement for In-Person Board Meetings, and Update Other Operations Related Requirements

The SEC's Asset Management Advisory Committee (AMAC) met today to follow up on discussions at prior meetings, which focused on operational issues relating to asset management and brokerage processes that arose at the onset of the COVID-19 pandemic.[\[1\]](#) The AMAC voted to unanimously approve a number of recommendations urging the SEC to seek permanent regulatory changes, which recommendations are summarized below.

## **Recommendations Regarding Digital Delivery**

- The SEC should update its rules and interpretations, incorporating appropriate investor protection principles that include notice, choice and safeguards (with respect to invalid or inoperable digital contact information), to permit firms to use an investor's digital address, such as an email or smart phone telephone number, as the primary address when delivering regulatory documents, and should work closely with the Financial Industry Regulatory Authority (FINRA) and the Municipal Securities Rulemaking Board (MSRB) to evaluate and harmonize SRO rules with any changes to the SEC's approach to digital delivery.

- The SEC should amend its rules, and work with FINRA to amend its rules, to replace requirements in the regulatory text to provide or send investors “written notification” or notification “in writing” of certain information or to disclose certain information, with a requirement to “furnish” or “provide” such documents, which recognizes transmittal through digital means and addresses application of the Electronic Signatures in Global and National Commerce Act (E-Sign Act).

## **Recommendations Relating to Remote Work**

- The SEC should work with FINRA to modernize the internal inspection requirements of FINRA Rule 3110(c) to provide firms the flexibility to conduct remote technology-assisted inspections.<sup>[2]</sup>
- The SEC should work with FINRA, coordinating with state securities regulators where applicable, to revise its office registration and inspection requirements, including the definitions of broker dealer locations, office of supervisory jurisdiction and the inspection requirements that are attached to those designations, in light of advances in technology and communications. The SEC should coordinate with the North American Securities Administrators Association (NASAA) and FINRA to make permanent remote testing capabilities for the Series 6, 7, 63, 65 and 66 securities licenses, and expand online testing capabilities to cover all qualification exams.

## **Recommendation to Permit Virtual Fund Board Meetings**

The SEC should issue exemptive or interpretive relief to make permanent its existing relief from the in-person voting requirements for mutual fund boards.

## **Recommendation to Permit E-Authorizations**

The SEC should adopt rules that permanently allow for digitized methods of authorization, including those relating to manual wet signature requirements and notarizations, in coordination with FINRA, other regulators, and states where applicable.

## **Recommendation on a Dematerialization Roundtable**

The SEC should hold a roundtable on the topic of the dematerialization of physical (paper) security certificates, inviting the views of issuers, transfer agents, broker-dealers, clearing corporations, banks, investors, regulators, exchanges, underwriters, and industry experts, to help inform future SEC action on this topic.

Dorothy M. Donohue  
Deputy General Counsel - Securities Regulation

### **endnotes**

<sup>[1]</sup> See U.S. Securities and Exchange Commission Asset Management Advisory Committee Preliminary Recommendations of Operations Panel Regarding COVID-19 Operational Issues November 5, 2020, *available at* <https://www.sec.gov/spotlight/amac/operational-issues-amac-recommendations-final-110520.pdf>

<sup>[2]</sup> Joe Savage, Vice President and Counsel in FINRA’s Office of Regulatory Analysis (non-

voting AMAC member), expressed support during the meeting for enhanced online testing and said that FINRA will continue to work with SEC staff and stakeholders on issues related to electronic signatures, e-delivery, and remote office inspections.

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