

**MEMO# 23642**

July 21, 2009

## **Institute Submission to SEC's Investor Advisory Committee**

[23642]

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TO: SEC RULES MEMBERS No. 78-09  
SMALL FUNDS MEMBERS No. 44-09  
EQUITY MARKETS ADVISORY COMMITTEE No. 33-09  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 31-09  
FIXED-INCOME ADVISORY COMMITTEE No. 18-09  
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 35-09      RE: INSTITUTE SUBMISSION TO  
SEC'S INVESTOR ADVISORY COMMITTEE

On June 3, 2009, the Securities and Exchange Commission announced the creation of an Investor Advisory Committee "to give investors a greater voice in the Commission's work."

[\[1\]](#) The Committee will hold its initial public meeting on July 27, 2009 at which it will consider, among other things, investor views of possible refinements to the disclosure regime. [\[2\]](#) The public was invited to submit written statements in advance of the Committee's meeting. The Institute's submission is attached, and is summarized briefly below.

The Institute's submission begins with an introduction of the ICI and its members. It explains that we are uniquely positioned to comment on issues affecting investors, as mutual funds are among the largest investors in the domestic financial markets, as well as issuers of securities held by more than 93 million individual investors. It states that we are pleased that the Committee has elected to consider refinements to the SEC's disclosure regime as its first substantive order of business. It then discusses our recommendations on the following specific disclosure-related issues:

## **Disclosure to Fund Investors**

- **Shareholder Reports:** The submission expresses the Institute's and members' support for a Commission initiative to streamline annual and semi-annual reports to shareholders, much like the recently adopted summary prospectus rules. It encourages the Committee to assist in this initiative.
- **XBRL and Structured Data Reporting:** The submission explains that while structured data has obvious benefits in the context of certain financial information, its application to narrative text is more challenging and the benefits are more speculative. It encourages the Committee to provide input to the Commission on the many ways investors access – and wish to access – fund information, and to carefully consider the full range of technological possibilities for disclosure.
- **Proxy Voting Records:** The submission suggests that, to the extent the Committee believes that the proxy vote disclosure required of mutual funds achieves important public policy purposes, it should support the Institute's recommendation to extend such disclosure to all institutional investors.

## **Disclosures Not Specific to Funds**

- **Point of Sale Disclosure:** The submission explains that the Institute has long supported the concept of enhanced point of sale disclosure to help investors assess and evaluate an intermediary's recommendations. It expresses our concern that such disclosure may be required only in connection with the sale of fund shares, particularly in light of the Obama Administration's recently proposed "Investor Protection Act of 2009." It urges the Committee to encourage Congress to broaden the scope of its point of sale directive to encompass all retail investment products. It also encourages the Committee to bring the investor's perspective to any point of sale rulemaking, to ensure that any requirements do not unnecessarily burden the investment process.
- **Municipal Securities Market Disclosure:** The submission explains that municipal investors do not currently receive the disclosure they need. The SEC's ability to improve disclosure in this market is limited by the Tower Amendment, which prohibits the SEC (and the Municipal Securities rulemaking Board) from directly or indirectly requiring issuers of municipal securities to file documents with them before the securities are sold. The submission recommends that the Committee endorse the SEC's need for further authority in this area, and support efforts to repeal or amend the Tower Amendment.
- **Credit Rating Agency Disclosure:** The submission makes specific recommendations for the SEC to improve the quality, accuracy, and integrity of credit ratings and the rating process, and urges the Committee to make credit rating agency reform a high priority.
- **Target Retirement Date Funds:** The submission expresses the Institute's view that the retirement industry and regulators can and should do more to enhance the public's understanding of these funds, including those that are not organized as mutual funds. It notes that the Committee could be an important voice in calling for disclosure about retirement products that assures that defined contribution plan investors have key

information about all plan investment options.

Mara Shreck  
Associate Counsel

## [Attachment](#)

### **endnotes**

[1] See “SEC Announces Creation of Investor Advisory Committee,” SEC Press Release 2009-126 (June 3, 2009), available at <http://www.sec.gov/news/press/2009/2009-126.htm>.

[2] See Notice of Meeting of SEC Investor Advisory Committee, SEC Release Nos. 33-9049 and 34-60260, File No. 265-25 (July 8, 2009), available at <http://www.sec.gov/rules/other/2009/33-9049.pdf> (“The agenda for the meeting includes opening remarks, introduction of Committee members, discussion of Committee agenda and organization, and discussion of investor views of possible refinements to the disclosure regime.”).

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