

MEMO# 23781

September 10, 2009

Draft ICI Letter on SEC Proposal to Enhance Compensation and Governance Disclosure in Proxy and Registration Statements; Comments Requested by September 14th

[23781]

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 15-09
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 17-09
RISK MANAGEMENT ADVISORY COMMITTEE No. 9-09
SEC RULES COMMITTEE No. 52-09 RE: DRAFT ICI LETTER ON SEC PROPOSAL TO ENHANCE
COMPENSATION AND GOVERNANCE DISCLOSURE IN PROXY AND REGISTRATION
STATEMENTS; COMMENTS REQUESTED BY SEPTEMBER 14TH

As you know, the Securities and Exchange Commission has proposed amendments to a number of rules and registration forms (including some that are specifically applicable to registered investment companies) to enhance the compensation and corporate governance disclosures registrants are required to make about various elements of executive compensation and corporate leadership. [\[1\]](#) Comments on the proposal are due on Tuesday, September 15th.

A draft of the Institute's comment letter on the proposal is attached. The letter focuses on the one element of the proposal that drew the most member interest on our July 29th call and in our subsequent conversations with ICI members—a proposal to require funds to “disclose the extent of the board's role in the fund's risk management and the effect that this has on the fund's leadership structure.” The new disclosure would be required in proxy

statements and statements of additional information (SAIs).

While noting that the Institute is firmly committed to supporting strong risk management practices and supporting improvements in fund disclosure, the letter questions the value of the proposed disclosure on the board's role in risk management. It argues that investors are likely to be far more interested in the types of risk disclosure that is already contained in fund prospectuses, and that even if the proposed disclosure were the type of information an investor might find useful, the generic requirement to "disclose the extent of the board's role" is likely to be interpreted differently by different funds and generate disclosure that will be of little substance or practical value.

The letter points out that, if the proposal were adopted, the disclosure requirement will serve as a "back door" way to impose substantive risk management requirements by signaling that the Securities and Exchange Commission expects funds to adopt certain practices. The letter takes issue with this result, and suggests that if it is the Commission's intent to impose specific requirements for risk management policies and practices, it should do so directly, by proposing a rule or issuing guidance on that topic.

As always, we appreciate your feedback on the draft letter. Please provide comments to me at (202) 371-5430 or rcg@ici.org no later than Monday, September 14th.

Robert C. Grohowski
Senior Counsel
Securities Regulation - Investment Companies

[Attachment](#)

endnotes

[\[1\]](#) See [Memorandum](#) No. 23651, dated July 23, 2009.