

**MEMO# 22275**

February 27, 2008

# **IDC Recommendations for Enhancing Fund Board Effectiveness**

[22275]

February 27, 2008

TO: BOARD OF GOVERNORS No. 1-08

INVESTMENT COMPANY DIRECTORS No. 3-08

SEC RULES COMMITTEE No. 15-08 RE: IDC RECOMMENDATIONS FOR ENHANCING FUND BOARD EFFECTIVENESS

The Independent Directors Council submitted a letter to Andrew J. Donohue, Director of the Securities and Exchange Commission's Division of Investment Management, offering preliminary suggestions for rule modifications and clarifications of director functions that would enhance fund board effectiveness. Last year, Mr. Donohue launched a Director Outreach Initiative with the goal of determining what the Commission could or should do to aid fund directors in the performance of their duties and has visited with numerous fund boards over the past year.

IDC's recommendations are based on the premise that the appropriate role of fund directors – and the role in which they are most effective – is to provide oversight, and not to become involved in day-to-day management of a fund. IDC identified several rules that make fund boards responsible for routine, nondiscretionary matters, such as Rules 10f-3, 17a-7, and 17e-1 under the Investment Company Act of 1940, which require, among other things, quarterly reporting to the board. With respect to this and other examples, IDC recommended allowing fund boards to designate a person within fund management or, possibly, the fund chief compliance officer, as responsible for the routine matters. IDC stated that the suggested rule changes would enable fund boards to provide more focused and sharper oversight through reviews of tailored reports and allow them to focus to a greater extent on overseeing such important matters as the fund's performance and the quality and effective delivery of services provided to the fund.

Annette Capretta  
Deputy Managing Director

[Attachment](#)

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