

MEMO# 28683

January 22, 2015

ICI and IDC Report on Funds' Use of Proxy Advisory Firms; February 9 Webinar

[28683]

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TO: COMPLIANCE MEMBERS No. 3-15

INVESTMENT ADVISER MEMBERS No. 2-15

INVESTMENT COMPANY DIRECTORS No. 2-15

OPERATIONS COMMITTEE No. 2-15

SEC RULES MEMBERS No. 4-15

SMALL FUNDS MEMBERS No. 2-15 RE: ICI AND IDC REPORT ON FUNDS' USE OF PROXY ADVISORY FIRMS; FEBRUARY 9 WEBINAR

ICI and IDC are pleased to present our "Report on Funds' Use of Proxy Advisory Firms," which can be found at www.ici.org/pdf/pub_15_proxy_advisory_firms.pdf. As previously reported, in June 2014 the SEC staff issued guidance about investment advisers' proxy voting responsibilities, particularly as they relate to use of proxy advisory firms. [1] The Bulletin recognizes that investment advisers may want or need to evaluate and as necessary make changes to their current systems and processes in light of the guidance. [2] To assist fund boards and advisers as they conduct these evaluations, ICI and IDC, in collaboration with a member working group, have prepared this report that focuses on funds' use of proxy advisory firms. [3] This report is organized in a question and answer format under the following broad topics: (i) proxy advisory firm services generally; (ii) board oversight of proxy advisory firms; and (iii) fund adviser due diligence and oversight of proxy advisory firms.

In addition, ICI and IDC will be hosting a webinar that will review the SEC staff's guidance and discuss practices related to fund board and adviser oversight of proxy advisory firms. The one-hour webinar will be held on February 9th at 2:00 p.m. (Eastern). You can find more detailed information and register for the webinar through this link: www.ici.org/events/upcoming/webinar_15_proxy_advisory_firms.

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Independent Directors Council

endnotes

[1] See Proxy Voting: Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms, Staff Legal Bulletin No. 20 (June 30, 2014) (the “Bulletin”), available at www.sec.gov/interps/legal/cfslb20.htm. See Institute [Memorandum](#) No. 28238, dated July 7, 2014, for a summary of the Bulletin and related background information.

[2] The SEC staff’s expectation is that this will be done “promptly, but in any event in advance of next year’s [i.e., the 2015] proxy season.”

[3] This report is not intended to reflect best practices or to be a model for funds, fund boards, and fund advisers to follow, nor is it intended to be comprehensive. Rather, the information is meant to assist funds, fund boards, and fund advisers as they consider how to fulfill their proxy advisory firm oversight responsibilities. Many of these entities already may be taking actions described in this report, while others may determine that some of the report’s information is not applicable or appropriate given their particular arrangements. Nothing contained in this report is intended to serve as legal advice. Each fund, fund board, and fund adviser should seek the advice of counsel for issues related to its individual circumstances.

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