

**MEMO# 11092**

July 1, 1999

# **DRAFT RESOLUTION ENDORSING REPORT ON BEST PRACTICES FOR FUND DIRECTORS**

[11092] July 1, 1999 TO: BOARD OF GOVERNORS No. 44-99 RE: DRAFT RESOLUTION  
ENDORSING REPORT ON BEST PRACTICES FOR FUND DIRECTORS

\_\_\_\_\_ As you know, the Advisory Group on Best Practices for Fund Directors released its report on June 24th. The Report, a copy of which you have received, contains 15 recommended best practices to enhance the independence of independent directors and the effectiveness of fund boards as a whole. On July 7th the Institute's Board will meet to determine whether or not to recommend the adoption of the best practices by the Institute's membership. The issue of best practices for fund directors was first considered by the Board at its meeting this past January. At that time, the Board instructed the Institute staff to begin work on a best practices paper. Shortly thereafter, in February, the SEC convened a Roundtable on the Role of Independent Investment Company Directors. Several participants in the Roundtable called for the formulation of best practices for the industry. Following the Roundtable, many members and independent directors approached me and urged the Institute to take the lead in this area. We also became aware that third parties, including industry consultants and accounting firms, intended to develop best practices if the Institute declined to act. In response to these developments, the Institute's Executive Committee appointed an Advisory Group of three senior industry executives and three independent directors to consider existing industry practices in this area and identify those practices that would enhance the independence of independent directors and the effectiveness of fund boards. In the course of developing its paper, the Advisory Group consulted with numerous industry experts and Institute committees. In addition, at the Advisory Group's request, Craig Tyle and I contacted members of the Board to seek your input on the recommendations. I believe that the Advisory Group was successful in identifying industry best practices and balancing the diversity of the industry with the need for high standards industry-wide. Attached is a draft resolution that endorses the Advisory Group's Report and recommends that all ICI members adopt the practices recommended. It is attached for your consideration prior to the Board meeting. Since I am away from the office until July 6th, please contact Craig Tyle if you have questions about the draft resolution or the July 7th meeting. I look forward to seeing you on July 7th. Matthew P. Fink President Attachment

should not be considered a substitute for, legal advice.