

VIDEO

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Focus on Funds: The SEC Makes Notable Advances in Fund Regulation

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The US Securities and Exchange Commission (SEC) is moving ahead on a range of rules and rule proposals affecting mutual funds and exchange-traded funds. In the October 19, 2018, edition of *Focus on Funds*, ICI General Counsel Susan Olson provides an update on the SEC's agenda, and what it means for funds and their investors.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: The US Securities and Exchange Commission is moving at quite a clip; they have a number of regulatory proposals on the agenda that matter to funds and their investors. Recently, ICI's general counsel, Susan Olson, broke them down for me.

Susan Olson, ICI general counsel: Over the summer, they did in the early part of the summer propose an ETF [exchange-traded fund] rule, and this is going to bring greater transparency and consistency and efficiency to the regulatory framework of ETFs. ETFs have been around for more than 25 years, and they've enjoyed tremendous growth, but they've operated under a system of exemptive orders.

So, ETFs that meet the conditions of the rule would now be able to comply with the Investment Company Act without filing these individual orders. And they've also proposed some additional disclosure to help investors better understand the trading costs with ETFs.

Ortvals-Tibbs: What else have they been at work on, though? This is just a bit of it.

Olson: Right, right. So they also adopted amendments to the liquidity risk management rule. Now, I'll say, over the entire year, they really substantially improved that rule. They had issued some frequently asked questions at the beginning of the year, and also extended the compliance date. But in the summer, they adopted new narrative disclosure requirements that information will go into a fund's shareholder report that describes the operation and effectiveness of the fund's liquidity risk management program over the past year.

And this is a much better way for investors to understand liquidity risks in a fund, and how they're managing it.

Ortbals-Tibbs: So, they've also been at work on some other modernization of shareholder reporting more generally.

Olson: They did. They adopted Rule 30e-3, which allows funds to deliver notice to investors to let them know that the shareholder report is available online, and it also gives them a phone number that they can call if they want a paper copy. And this is going to save a lot of money for funds and their shareholders.

Ortbals-Tibbs: It's not the only step they're making toward modernization in terms of communication. What else is the SEC starting to look at?

Olson: At the same time, they also issued this release asking for questions. It was a bunch of questions on the content and the style and design of fund information. And they're looking to modernize that, and make it work better for investors, so they're asking questions about technology, content. Really, they're going back and asking: Are you getting the right information, and are you getting it in the way, you know, that's most useful for you?

And that's a really important initiative, because things have really changed in terms of how we access information, how we want to get information. Some people like paper; some people are using their smartphone. You've got the internet. So, sort of the interactive features of information are much more prevalent today, and it's great to see the SEC thinking about that.

Ortbals-Tibbs: So, looking ahead at the rest of the year, you have rules that are going to be getting close to coming into effect. You have rule proposals that they'll have to go ahead and move forward on.

Olson: Right.

Ortbals-Tibbs: And then as you say they have this concept release—this will be quite a busy time.

Olson: Oh, they have a lot of work ahead of them, and it's great to see this kind of momentum.

Additional Resources

- [Release: ICI Strong Supports Proposed SEC ETF Rule](#)
- [Release: ICI Supports SEC's Fund Liquidity Disclosure Proposal](#)
- [ICI Viewpoints: SEC Commissioner Michael Piwowar: A Commitment to Markets, Shareholders...and Facts](#)
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