

## VIDEO

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# Focus on Funds: IDC Responds to SEC Overreach

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## IDC Responds to SEC Overreach

New proposals from the Securities and Exchange Commission are asking independent directors on fund boards to move beyond their traditional oversight role—but the Independent Directors Council is pushing back. In the July 22, 2016, edition of *Focus on Funds*, Amy Lancellotta, managing director of the Independent Directors Council, explains.

### Transcript

**Stephanie Ortbals-Tibbs, Director, ICI Media Relations:** For fund directors these days, the pressure is on. And the Independent Directors Council's responding with increased advocacy and new tools to help directors do their job.

**Amy Lancellotta, Managing Director, Independent Directors Council:** Right now, there are two SEC regulatory initiatives that are imposing responsibilities on fund boards that go beyond their role of oversight. You have the derivatives proposal and you have the liquidity risk management proposal. It's very important that the SEC, as well as other regulators, understand the role of fund boards. They are there to protect against potential conflicts of interest, as well as to provide oversight.

The SEC has been imposing additional responsibilities on fund boards and the IDC is making an effort to educate fund boards, with respect to what are their responsibilities and how to implement the new responsibilities. But boards are also relying heavily on independent counsel to help them. And in that regard, it's very important that boards receive materials that are comprehensible.

Take the recent SEC staff guidance update on distribution in guise. That's an example where the SEC, during their sweep exams, saw that fund boards were being provided [with] too much data; it was almost incomprehensible. So here's where they need executive summaries. A data dump is not helpful for fund boards. They really need material presented in a way that provides them—again, going back to distribution in guise—a holistic picture of the fees that are being paid to financial intermediaries in connection to the sub-TA services, the shareholder services that are being provided, as well as what is being provided to pay for distribution.

**Ortbals-Tibbs:** So, Amy, IDC is really working on two fronts—you're looking at the role of

fund directors and making sure it continues to be defined properly, and you're also giving fund directors new tools to do the job.

**Lancellotta:** IDC is trying to educate directors. We have a lot on our website. We have webinars throughout the year on various topics. We have our premier conference coming up in October. So, we will continue to provide educational tools to directors.

## **Additional Resources**

- *ICI Viewpoints:* [SEC Proposals Show the Need to Reexamine the Role of Fund Boards](#)
- [2016 Fund Directors Conference](#)
- [IDC Resources on Fund Governance](#)

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