

VIDEO

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Focus on Funds: SEC Has Ambitious Agenda for Funds

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U.S. Securities and Exchange Commission Chair Mary Jo White laid out a list of SEC priorities in her appearance at ICI's General Membership Meeting. In the May 26, 2016, edition of *Focus on Funds*, ICI General Counsel David Blass breaks down the list for funds and their investors.

Transcript

Stephanie Ortvals-Tibbs, ICI Director, Media Relations: SEC Chair Mary Jo White says the agency has a very full agenda set for this year and in the coming years ahead—much of it impacting the fund industry. What are some of the key takeaways from her discussion at the ICI General Membership Meeting? Here's ICI General Counsel David Blass.

David Blass, ICI General Counsel: Well, Chair White clearly is focused, and has focused the staff like a laser on completing the rulemaking agenda she's set for them. She said their target is—and their priority is—to adopt the three rules that have been proposed so far in 2016. So, that includes data modernization, the liquidity risk management proposal, and the derivatives risk management proposal.

She alluded to some other proposals that might come out this year. I think she had in mind transition planning, which was also part of her agenda, and she mentioned stress testing as well, as a proposal.

Ortvals-Tibbs: David, her agenda for this year is very proactive, but she she's not stopping there. She has a very proactive agenda laid out for the next several years beyond that, and she's going ahead and getting the staff and her colleagues looking at several significant issues for the industry.

Blass: Well, she had four items that she mentioned that she had directed the staff to take on. One was a review of fund disclosure effectiveness, and she pointed to disclosure of risks and expenses. And, as you know, the expense disclosure was an item that the Investor Advisory Committee recommended to the SEC to take on, and she mentioned that.

The second area of focus was market structure issues. So, on August 24 [when certain market disruptions occurred in 2015]—she mentioned the way that the market for underlying securities can play with an ETF portfolio—the interplay between those two. She mentioned the role of market makers and how they operate on a day where you have dislocations, like you did on August 24, and one could understand why she would make that a high priority for the Commission.

The third item was the use of technology and service providers by the fund industry. She pointed to cybersecurity—which is a high priority for the entire financial industry—and the use of single vendors who might, if there's a failure, cause problems for a number of funds. So that's a third area of focus.

And then fourth was valuation pricing around instruments that really don't trade very much or instruments that have contractual limits on when they trade, and being sure the pricing and valuation of those are appropriate.

So those are the four areas that she focused on, and said that she had directed her staff to spend time and effort working on those going forward in 2017 and beyond.

Ortbals-Tibbs: She picked up on a lot of issues that our funds and their investors really care about. You can see that they're firing on all cylinders over there, and that did not go unnoticed by our president and CEO, Paul Schott Stevens.

Blass: You're absolutely right. Our CEO and President Paul Schott Stevens introduced Chair White and really praised her leadership in moving the rulemaking agenda forward in the asset management space. He also [praised the SEC](#) in general as one of the reasons for the success of the fund industry over the last seven-plus decades. He called out the high competence that the SEC and its staff has, the independence they have, the bipartisan nature of the dialogue at the SEC, and the international presence that the SEC has really grown over the past decade and beyond.

Additional Resources

- [ICI Viewpoints: SEC Chair White Expects "Bright Spotlight" on Asset Management](#)
- [ICI's Policy Work on Fund Regulation](#)