

## VIDEO

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# Focus on Funds: It's Time to Update Fund Board Director Roles

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### It's Time to Update Fund Board Director Roles

Fund board directors are seeking to modernize the roles they have played in serving funds and their investors. In the March 23, 2018, edition of *Focus on Funds*, Amy Lancellotta, managing director of the Independent Directors Council, describes the changes that are needed.

## Transcript

**Stephanie Ortvals-Tibbs, ICI director, media relations:** After more than half a century, there could be an opportunity to modernize the rules governing how fund board directors do their job. Amy Lancellotta of the Independent Directors Council shared some insight on what regulators are looking at, and what the IDC is recommending.

**Amy Lancellotta, managing director, Independent Directors Council:** Directors' responsibilities have grown significantly since 1940, when the Investment Company Act was first adopted. Over all of these decades, no one has been able to really step back and take a look at those responsibilities, to determine whether any should be eliminated or modified to allow directors appropriate time to focus on those areas where they really add value.

Consequently, a number of directors now are tasked with checking the box or performing ritualistic, outdated, or duplicative tasks in many instances, where there may be other personnel within the advisory firm that's better suited to perform the responsibility. For example, a number of the responsibilities have been on the books way before a CCO was required.

**Ortvals-Tibbs:** And a CCO—a chief compliance officer—was required starting in 2004. That's a significant change, both to the industry and for the board responsibilities.

**Lancellotta:** The CCO requirement was a game changer for directors on many different levels. But most notably, directors and CCOs are now performing a lot of the same tasks.

**Ortvals-Tibbs:** So it's exciting, then, that the US Securities and Exchange Commission is

looking at this.

**Lancellotta:** We are very pleased that the Division of Investment Management has announced a director-outreach initiative to take a look at current responsibilities imposed on fund boards. In October, IDC submitted a letter to the division with some specific recommendations of our own.

**Ortbals-Tibbs:** And you all really are the experts on what fund board directors might look like. What are some of the things that you recommended?

**Lancellotta:** Our overall theme was, the role of fund boards is one of oversight, not management. We are hoping to develop a common understanding between the regulators, the independent director community, and the industry as to what the appropriate oversight role is for fund boards. That would apply to existing regulations as well as regulations going forward.

**Ortbals-Tibbs:** So this could really help fund boards keep their eye on the ball in ways they feel are the most valuable.

**Lancellotta:** Absolutely. It is time to modernize directors' responsibilities, and we are hopeful that we will see that happen.

## **Additional Resources**

- [Independent Directors Council \(IDC\) website](#)
- [ICI President and CEO Paul Schott Stevens on Fund Governance](#) (speech)
- [Virginia Law & Business Review: Fund Governance: A Successful, Evolving Model](#)