

## BOARD UPDATE

May 2, 2021

# Board Update February 2020

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## IDC News

### IDC's Fund Directors Workshop Is Coming Soon

On May 6–8, independent directors and fund industry professionals will gather for IDC's annual Fund Directors Workshop in Washington, DC—to hear insights from experts on critical issues facing fund boards today and to learn about developments in major business and policy matters affecting the fund industry.

IDC holds its Fund Directors Workshop alongside three concurrent ICI conferences—the General Membership Meeting, Operations and Technology Conference, and Mutual Fund Compliance Programs Conference—to give directors an opportunity to attend a broad array of panels and keynote speeches.

IDC will hold its workshop sessions on May 7, beginning with a roundtable discussion over breakfast, where directors can share insights and useful tips about effective fund governance and oversight practices. Over the rest of the day, panel discussions include:

- Business Developments in the Boardroom, where panelists from the morning General

Membership Meeting sessions will join IDC for a supplemental discussion of distribution, product development, and portfolio management trends, as well as how these factors affect the work and focus of fund boards.

- SEC Update—What Directors Need to Know, covering the SEC’s active regulatory agenda. The discussion will include the new exchange-traded fund (ETF) rule and recent rule proposals on auditor independence, funds’ use of derivatives, and proxy voting. Experts will discuss the effect of these and other regulatory developments and identify key elements with special relevance to fund board responsibilities.
- Practical Tips for Effective Board Meeting Preparation, offering an interactive discussion of practices that can help fund directors support good governance—from working with management to develop well-designed, useful, and timely reports to effective approaches to reviewing and digesting extensive materials.

Join your peers in DC at this stellar educational and networking opportunity, with special features for directors, including reserved seating at GMM sessions.

[Register for the workshop today.](#)

### **IDC Supports Goals of the SEC’s Proxy Voting Advice Proposal**

IDC filed a [comment letter](#) with the Securities and Exchange Commission (SEC) on its proxy voting advice proposal. IDC supports the proposal’s essential goal to help ensure that investors, like funds and fund advisers (fund complexes), that use proxy voting advice receive more accurate, transparent, and complete information on which to make their voting decisions, in a manner that does not impose undue costs or delays that could adversely affect the timely provision of proxy voting advice.

IDC expressed concern, however, that the proposed framework and timeline for companies to review and comment on proxy advisory firms’ draft advice before that advice is provided to clients (including fund complexes) would create delays in the delivery of finalized advice to fund complexes. IDC, thus, recommended that the Commission consider alternative approaches that would enable fund complexes to continue to receive the advice in a timely manner.

### **Register Now for *Foundations* in Los Angeles**

There’s still time to register for IDC’s popular *Foundations for Fund Directors*® orientation program, returning to Los Angeles on March 2–3!

This [unique program](#) provides newer fund directors the essential tool kit to become engaged boardroom contributors—and helps all directors refresh the skills and know-how that they will use throughout their career on fund boards.

To gain deeper understanding, build mastery over complex responsibilities, and perform the fullest in your oversight role, [register today](#).

### **IDC’s Next Webinar Topic: Securities Lending**

IDC hosts its next webinar on March 10 on Fund Board Oversight of Securities Lending. Expert panelists will discuss why (and how) funds use securities lending, how they manage the related risks, and a board’s oversight responsibilities. Don’t miss out on the discussion of this important topic.

Register [here](#).

## **Legislative and Regulatory News**

### **Proposed Diverse Investment Advisers Act Expected to Be Considered by House Committee**

The House Financial Services Committee is [expected to soon consider](#) proposed legislation, called the Diverse Investment Advisers Act (DIAA), which would require SEC registrants, including registered investment companies, and issuers of securities to follow certain procedures in contracting for the services of an investment adviser. Specifically, registrants and issuers would be required to publish a request for proposal (RFP) inviting diverse investment advisers to submit a proposal and to interview at least one qualified diverse investment adviser or certify to the SEC that no such applicant responded to the RFP. A diverse investment adviser is defined as a firm that is 51-percent owned by women, minorities, or veterans. The draft bill also would require SEC registrants and issuers to provide reports to the SEC about their diversity contracting practices and, for investment advisers, on Form ADV.

Currently, the draft bill applies to registered investment companies when contracting for unaffiliated sub-advisers when shareholder approval is not required. We understand the draft bill does not apply when a fund is renewing an existing investment adviser contract during its annual section 15 process. Although the bill is likely to pass out of Committee and maybe the House, its future is uncertain in the Senate.

ICI's Government Affairs team will continue to engage with key public policymakers and stakeholders in the private sector on this matter.

### **SEC Grants Exemptive Relief from Board In-Person Voting Requirement**

The SEC has granted a fund an exemption from the in-person voting requirement of Section 15(c) of the Investment Company Act of 1940 when approving subadvisory agreements. Under the exemptive order, the fund's board, including the independent trustees, could approve a subadvisory agreement at a meeting at which board members participate by any means of communication that allows them to hear each other simultaneously during the meeting, rather than at an in-person meeting, subject to certain conditions.

This relief builds upon the [no-action position](#) the SEC staff issued to IDC last year that permits directors to give their approvals by phone, video conference, or other means in which all directors needed for approval can participate and communicate with one another simultaneously during a meeting—instead of meeting in person—when the directors needed for the approval cannot meet in person due to unforeseen or emergency situations.

## **ICI News and Research**

### **ICI Comments on the SEC's Proxy Voting Proposals**

In a separate [comment letter](#) on the SEC's proxy voting proposals, ICI [expressed support](#) for the SEC's examinations of proxy advice and the shareholder proposal rule, and said that its comments seek to assist the Commission in striking the right balance between the interests of companies and shareholders. While ICI agrees with the SEC that proxy advice should be accurate, transparent, and complete, it does not support the proposal's set of provisions

that would grant companies the right to review and comment on proxy advisory firms' draft advice before fund complexes and other clients receive it. The proposed framework would substantially and adversely affect the timeliness and cost of proxy advisory firms' advice, and thus its overall value to funds and their shareholders, the letter stated. If the SEC insists on a mandatory review framework of some kind, then [ICI has recommended an alternative](#) timeline so that funds and other clients would receive proxy reports at the same time companies receive them for review and comment.

ICI supports the proposed changes to the eligibility and resubmission standards in the shareholder proposal rule. It regards these changes as reasonable regulatory line drawing, which will preserve access to the company proxy for smaller shareholders while also seeking to align the interests of shareholder proponents with those of long-term shareholders generally.

## The Latest ICI Research

The majority of Americans are confident that 401(k)s and other defined contribution (DC) retirement accounts can help people meet their retirement goals, according to [a study released by ICI](#). Confidence was highest, 81 percent, among individuals who hold DC accounts or individual retirement accounts (IRAs). Even among individuals who did not hold either DC accounts or IRAs, 66 percent were confident that DC plans can help individuals meet their retirement goals. The study, "[American Views on Defined Contribution Plan Saving, 2019](#)," also found that 76 percent of Americans had a favorable impression of DC plan accounts.

The Japanese Investment Trusts Association (JITA) published a Japanese-language edition of [a book written by ICI Senior Economic Adviser Peter J. Brady](#), which illustrates how the US Social Security system and retirement tax incentives combine to benefit all working Americans. The book, *How America Supports Retirement: Challenging the Conventional Wisdom on Who Benefits*, also dispels myths about tax deferral, a critical component of the voluntary employer-sponsored retirement plan system in the United States.

## Upcoming Events

### IDC

**Orientation Program: *Foundations for Fund Directors*®** In-Person Session

Los Angeles March 2-3 In-Person Session

Washington, DC September 16-17 Conferences [2020 Fund Directors Workshop](#)

Washington, DC May 6-8 **Webinars** Fund Board Oversight of Securities Lending March 10

Chapter Meetings [Philadelphia](#) March 4 [Palm Beach Gardens, Florida](#) March 11 [Denver](#)

March 26 [New York](#) April 23 Chicago April 30 San Francisco June 2 Los Angeles June 3 Ohio

June 9 North Carolina June 10 **Industry Segment Calls** Board Leaders June 11 Audit

Committee Chairs June 15 Directors of ETFs June 16 Governance Committee Chairs June 17

Directors of Small Fund Complexes June 18

### ICI

Mutual Funds and Investment Management Conference

Palm Desert March 22-25 [2020 General Membership Meeting](#)

Washington, DC May 6-8

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