

## IDC UPDATE

May 2, 2021

# IDC Update: March 18, 2021

## IDC Launches New Speaker Series

IDC announced a new [IDC Speakers Series](#) to bring the latest thinking to the fund independent director community. This series will provide insights on the big ideas that are shaping the environment in which regulated funds and their boards are operating. The first event in the series will feature L. Song Richardson, dean and Chancellor's Professor of Law at the University of California, Irvine School of Law, on diversity, inclusion, and implicit bias, in an interview with Julie Hill, an independent director at Lord Abbett Funds. Richardson is a leading expert on implicit bias and will discuss how to foster a more diverse and inclusive fund director community.

## Senate Banking Committee Approves the Nomination of Gary Gensler as SEC Chair

On March 10, the Senate Committee on Banking, Housing, and Urban Affairs [voted to approve](#) the nomination of Gary Gensler as chairman of the Securities and Exchange Commission (SEC). Gensler was advanced for full Senate approval by a vote of 14-10. During his confirmation hearing on March 2, Gensler stated, among other things, that the SEC will consider disclosure requirements regarding items such as climate risk, political spending, and workplace diversity.

## SEC Acting Chair Lee Gives Speech on Climate and ESG Disclosure

On March 15, SEC Acting Chair Allison Herren Lee issued a [public statement](#) requesting public input from investors, registrants, and other market participants on climate change disclosures. Lee also gave a [speech](#) outlining the SEC's efforts with respect to climate and environmental, social, and governance (ESG), including in the areas of [disclosure](#), shareholder proposals and proxy voting, examinations and enforcement, and regulatory cooperation. Lee identified possible next steps concerning ESG disclosures, auditing of ESG disclosures, and credit rating agencies. ICI's review of Lee's statement is available [here](#), and ICI's memorandum summarizing Lee's speech may be found [here](#) (login required for both memoranda).

## SEC Acting Chair Lee Gives Speech on Disclosure of Fund Proxy Voting

On March 17, SEC Acting Chair Allison Herren Lee gave a [speech](#) at ICI's 2021 Virtual Mutual Funds and Investment Management Conference in which she addressed the importance of fund proxy voting and disclosure. Lee said she is concerned that SEC regulations may not fully account for the unprecedented role institutional investors play in "our economic future." She asked the conference attendees to help consider updates to the SEC rules and guidance governing fund proxy voting and disclosure. ICI's memorandum discussing Lee's speech is available [here](#) (login required).

## SEC Division of Corporation Finance Acting Director Coates Speech on ESG Disclosure

John Coates, acting director of the SEC's Division of Corporation Finance, recently spoke at the Annual Tulane Corporate Law Institute. Coates's [remarks](#) highlighted issues that, in his view, policymakers should consider when evaluating a possible ESG disclosure system. According to Coates, the SEC, among other things, should play a leading role in the development of an effective ESG disclosure system that is cost effective for companies, but also communicates information to investors that may help them make informed investment and voting choices. Read ICI's summary of Coates's speech [here](#) (login required).

## SEC Staff Issues Statement on Cross Trading

In December 2020, the SEC adopted Rule 2a-5 under the Investment Company Act (Valuation Rule) concerning the fair valuation responsibilities of funds and their boards and advisers. The [Adopting Release](#) discussed the implications of Rule 2a-5's definition of "readily available market quotations" for Rule 17a-7. A resulting issue has been whether certain fixed-income securities "qualify as having readily available market quotations under the definition of that term in the Valuation Rule," for purposes of cross trading. Last week, the SEC staff issued a [statement](#) on investment company cross trading reiterating these and other points. In the statement, the SEC requested feedback on potential "ways to enhance the regulatory regime governing investment company cross trading." ICI's memorandum addressing the statement can be accessed [here](#) (login required).

## DOL Issues Enforcement Policy Statement on ESG and Proxy Voting Final Rules

On March 10, the Department of Labor (DOL) issued an [enforcement policy statement](#) announcing that it will not seek to enforce two final rules, "Financial Factors in Selecting Plan Investments" and "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights," until further guidance is published. The accompanying [news release](#) includes commentary from Ali Khawar, principal deputy assistant secretary for the Employee Benefits Security Administration. Khawar explained that the DOL plans "to conduct significantly more stakeholder outreach to determine how to craft rules that better recognize the important role that [ESG] integration can play in the evaluation and management of plan investments, while continuing to uphold fundamental fiduciary obligations." ICI's summary of the statement is available [here](#) (login required).

## Mark Your Calendar for Upcoming Events

All times are shown in **eastern time (ET)**.

### IDC Speaker Series

- Diversity, Inclusion, and Implicit Bias: An Interview with Song Richardson: April 14, 2:00 p.m.
- Abby Joseph Cohen: A Conversation About the State of the Global Markets: May 19, 2:00 p.m.

### Conferences

- ICI Virtual Mutual Funds and Investment Management Conference: March 19
- [ICI Virtual General Membership Meeting: May 6 and May 13](#)
- [ICI Operations and Technology Conference: May 20](#)
- IDC Virtual Fund Directors Workshop: June 3

### Foundations for Fund Directors

- June 21–22
- September 13–14

### Virtual Roundtables for Fund Directors

- [Northern California, Oregon, and Washington: March 23, 2:00 p.m.](#)
- [Ohio, Michigan, Indiana, West Virginia, and Kentucky: March 25, 12:00 p.m.](#)
- [Colorado, Arizona, New Mexico, Utah, Wyoming, Idaho, and Montana: April 6, 3:00 p.m.](#)
- [New York: April 8, 2:00 p.m.](#)
- [Maryland, Virginia, Delaware, and DC: April 13, 2:00 p.m.](#)
- [New Jersey and Pennsylvania: April 15, 2:00 p.m.](#)
- [Florida: April 20, 2:00 p.m.](#)
- [Alabama, Georgia, North Carolina, and South Carolina: April 22, 2:00 p.m.](#)
- [Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas: April 27, 2:00 p.m.](#)
- [Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota: April 29, 2:00 p.m.](#)

If you cannot participate in the virtual roundtable in your region, please feel free to register for one in another region.

Please contact [Paul Mussoni](#) for additional information. A list of IDC events can be found on [IDC's website](#).

For more information about IDC, please contact [idc@ici.org](mailto:idc@ici.org). If you are experiencing technical problems, please contact the [webmaster@ici.org](mailto:webmaster@ici.org). To opt out of receiving IDC Update, please contact [ICI Member Services](#).