

BOARD UPDATE

May 2, 2021

Board Update May 2020

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Upcoming Events

IDC News

A Message from Tom Kim About a New IDC Program: Virtual Roundtables

Peer-to-peer engagement is a hallmark of IDC's programming in service to fund directors. IDC's regional chapter meetings have been a central part of these efforts, offering directors the opportunity to discuss fund governance practices and the issues of the day.

While the pandemic has placed on hold our in-person chapter meetings, we are launching Virtual Roundtables to enable the continuation and expansion of these director-only conversations during the COVID-19 crisis. The roundtables will be held via videoconference and will be kept to a relatively small group of directors to encourage interaction and peer-to-peer exchange.

The Virtual Roundtables, like IDC's signature chapter meetings, will be based on geographic location. We have grouped various regions throughout the country to include all directors who want to participate. The first two regional Virtual Roundtables will be:

- Illinois/Wisconsin: June 2
- Massachusetts/Maine: June 4

If you are in one of these regions, you should have received an invitation with registration instructions. Please contact paul.mussoni@ici.org to register, if you have not yet registered.

If you are in another region, please be on the lookout for an email invitation to participate.

Thomas Kim

Managing Director

Independent Directors Council

Check Out IDC's Webinar Recordings Online

If you missed an IDC webinar, you can catch it online. IDC's most recent webinars—on [fund board oversight in the age of COVID](#) and the [SEC's emergency relief in light of COVID-19](#) are available on IDC's website for viewing at your convenience. You can also access [archived recordings](#) of previous IDC webinars on topics including [fair valuation trends and practices](#), [oversight of securities lending](#), the [new ESG landscape](#), and [proxy voting](#).

Regulatory and Legislative News

Update on SEC COVID-19 Market Monitoring Group Initiatives

On May 13, 2020, SEC Chairman Jay Clayton and Chief Economist S.P. Kothari [issued a statement](#) to update investors, other market participants, and the public generally on the work of the SEC's COVID-19 Market Monitoring Group (MMG). The SEC formed the MMG as a senior-level, cross-divisional team to study the effects of COVID-19 on markets, issuers, and investors. The statement describes two separate initiatives underway to: (1) identify interconnections across key segments of the financial markets; and (2) analyze the risks and effects of investment strategies that include mechanistic portfolio management rules, guidelines, or restrictions.

According to the Statement, the principal objective of the interconnectedness initiative is "to identify, analyze and clarify significant channels of risk exposure and risk transfer in our domestic and global financial system with an eye toward identifying areas of vulnerability and stability." With a general focus on capital markets instruments and flows and their interaction with the broader financial system, the MMG is examining interconnections between credit origination, risk transmission, and investment and risk exposure, among other things. The MMG is seeking "to identify circumstances where shifts in risk assessment in one area may amplify risk-based price movements and capital flows in other areas."

SEC Staff Issues Additional FAQs on Reg BI and Form CRS

The SEC staff recently issued [additional FAQs on Regulation Best Interest \(Reg BI\) and Form CRS](#), which were adopted last June as part of the SEC's standards of conduct rulemakings. The staff's recent FAQs supplement the FAQs the staff issued in January and February 2020, and in November 2019. While the recent FAQs do not have direct relevance to registered investment companies, they include many highlights. For example, the SEC staff issued several new FAQs regarding the ability of a broker-dealer or associated person to use the terms advisor or adviser in its name or title consistent with Reg BI's Disclosure Obligation. The staff stated that an associated person of a broker-dealer who is not also a supervised person of a registered investment adviser generally may not use these terms. Similarly, an associated person of a broker-dealer with an affiliated investment adviser may not use the terms if the associated person is not a supervised person of an investment adviser. The

staff stated, however, that a broker-dealer who is a state-registered investment adviser may use the title advisor/adviser.

ICI And ICI Mutual News and Research

ICI's Work with Members and Regulators in Response to COVID-19

As fund firms continue to provide the very best service to shareholders during this critical time, ICI is exerting maximum effort to support members as they cope with novel challenges and heightened risks. ICI's staff is bringing together the collective expertise of its members to identify threats, share information, and seek solutions. ICI is bolstering connections between the industry and key utilities, vendors, and suppliers. And ICI is in constant contact with regulators to make them aware of challenges and to facilitate any needed efforts to clear bottlenecks and ease strains.

ICI has established a [COVID-19 resource center](#), which includes a wealth of information to help you stay informed about the latest developments. The resource page includes the special reports that ICI President and CEO Paul Schott Stevens has communicated directly via email to members, including fund directors, to provide updates and additional information.

ICI's 2020 Fact Book Is Available Now

The [2020 edition of ICI's Investment Company Fact Book](#) is out. The 60th edition of this comprehensive review of trends and activities in the regulated fund industry offers more publicly available data on this sector than any other private source. The Fact Book offers both breadth and depth of statistics and financial analysis covering the US and global industries and the retirement system.

ICI Mutual Publishes Annual Claims Trends

ICI Mutual's annual [Claims Trends](#) reports on significant civil lawsuits, regulatory enforcement proceedings, and operational errors affecting the fund industry. ICI Mutual measures claims activity by both frequency and severity. This publication is designed to assist insureds in better assessing and managing the risks associated with such matters, thereby reducing the potential for associated losses and reputational damage.

The Latest ICI Research

[A new Investment Company Institute \(ICI\) analysis](#) shows a high rate of retirement plan participation. According to the study, "[Who Participates in Retirement Plans, 2017](#)," 65 percent of workers aged 26 to 64 participated in an employer-sponsored retirement plan in 2017 either directly or through a spouse. The study uses data recently published by the IRS Statistics of Income (SOI) Division to analyze participation in employer-sponsored retirement plans.

The vast majority of defined contribution (DC) plan participants [continued contributing](#) to their retirement savings during 2019, according to ICI's "[Defined Contribution Plan Participants' Activities, 2019](#)." The latest DC plan recordkeeper data, covering more than 30 million participant accounts in employer-based DC plans, indicate that savers remained committed to saving for their futures by continuing to contribute to their DC plans. Only 2.3 percent of DC plan participants discontinued their contributions during calendar year 2019.

Upcoming Events

Virtual Roundtables

Illinois/Wisconsin June 2 Massachusetts/Maine June 4

Webinar

SEC's Proposed Fund Valuation Rule: An Overview for Fund Directors June 10

Industry Segment Conference Calls

Board Leaders June 11 Audit Committee Chairs June 15 Governance Committee Chairs June 17 Directors of ETFs June 18 Directors of Small Fund Complexes June 18

Foundations for Fund Directors®

Foundations for Fund Directors®
Washington, DC September 16-17

Conference

2020 Fund Directors Conference
Chicago October 21-23

Source URL: <https://icinew-stage.ici.org/BoardUpdate/BoardUpdateMay2020>

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