

## BOARD UPDATE

May 2, 2021

# Board Update February 2021

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## Message from the Managing Director

This quarterly issue of *Board Update* features leadership changes in Washington.

In November 2020, ICI welcomed its 10th chief executive, [Eric J. Pan](#). Having hit the ground running as president and CEO, Eric discusses his observations thus far and priorities going forward.

The executive and legislative branches of our federal government are also undergoing transition. The Biden administration is swiftly selecting appointees, while new and incumbent committee chairs in Congress are prioritizing their legislative agenda. Our colleagues Dean Sackett and Kathleen Mellody in ICI's Government Affairs department share their insights on policy areas expected to be active in the year ahead.

In this period of change, IDC remains focused on advocating for the fund director perspective on behalf of the shareholders they serve. As always, I invite you to reach out to [me or the IDC team](#) with your feedback.

Best regards,

Tom

## A Conversation with ICI President and CEO Eric J. Pan

### Q: How have you found the experience of joining ICI?

A: The ICI staff, which includes the staff dedicated to supporting IDC, have done a tremendous job welcoming me. I've been able to hit the ground running because everyone has diligently brought me up to speed on the work of the organization. Working in the COVID-19 environment is challenging for all staff, which makes it all the more impressive how dedicated people are to the mission of ICI.

My first Board of Governors meeting in February was very positive. And I've now met one-on-one with all 61 members of ICI's Board of Governors, including the independent directors on the board. I also appreciated the opportunity to speak with IDC's Governing Council in

February. I'm very pleased with the level of enthusiasm that members have for ICI, and I want to make sure that our members feel a strong commitment to the work of ICI.

**Q: How has your academic work on governance shaped your view of fund independent directors and the role of IDC?**

A: I am deeply influenced by my prior work writing, teaching, and speaking about corporate governance and the role of independent directors. For five years, I was a law professor and the director of the Heyman Center on Corporate Governance at the Benjamin N. Cardozo School of Law in New York. During that time, I wrote several articles about the important role that independent directors play to ensure that corporate organizations are run in the interest of their shareholders.

Strong governance is an important attribute of 1940 Act funds, but the contribution of independent directors is not widely recognized outside of the regulated fund industry. As a result, I am pleased that IDC promotes a public understanding of the role of independent directors, including by submitting comment letters and engaging in consultations to educate policymakers about the role of independent directors. That's a key reason why regulated funds should be viewed by the public and investors as one of the best ways of investing in the future.

**Q: What are some of ICI's priorities today?**

A: ICI faces some immediate priorities as a result of the change in the administration and Congress in Washington and discussions about the need for additional regulation of money market and open-end funds in light of market disruptions last March. In addition, ICI will be focused on environmental, social, and governance investing; new legislation affecting the US retirement system; Securities and Exchange Commission efforts to modernize the 1940 Act framework, such as e-delivery; and our continued support of the independent director community through IDC.

In addition, one of our industrywide priorities is diversity and inclusion. ICI will be seeking to lead by example and to assist members to bring more diversity and inclusion to the regulated fund industry.

It's important also for ICI to maintain robust research and data analysis capabilities. Our strong voice in policy discussions comes from the fact that we can support our arguments with data and economic analysis.

I'd also like to see ICI do more on examining the role of technology and how it could be used by the fund industry to lower costs for investors and make fund operations more efficient.

Finally, the global arena is incredibly important. A lot of future growth for the industry is going to come from outside the United States, especially in places such as Asia. In addition, Europe has been very aggressive in developing new regulations in areas such as sustainable finance, data privacy, operational resiliency, and capital markets. Much of what happens in Brussels has an extraterritorial effect in the United States, so it is important that ICI, through ICI Global, is active in providing input in those developments. In addition, international bodies such as the Financial Stability Board and the International Organization of Securities Commissions are actively promulgating international financial regulatory standards that will affect regulated funds. We need to be heavily engaged in those

conversations.

**Insights from Dean R. Sackett III, Chief Government Affairs Officer,  
and Kathleen L. Mellody, Senior Government Affairs Officer,  
Investment Company Institute**

**Q: With a new administration and changes in Congress, what is the policy outlook for the asset management industry?**

Dean Sackett: We will see more questions about Wall Street and the investment management industry than in the last four years. In addition, the pandemic provides an opportunity to push policy agendas that have been gaining momentum, such as the notion of stakeholder capitalism. Some policymakers view stakeholders broadly, beyond the shareholders of a corporation, to include employees and the communities the company serves. This more egalitarian look at capitalism might lead to proposals that companies shouldn't pay dividends or should stop stock buybacks in a crisis like the pandemic. It's unclear whether these ideas will garner significant support, but we recognize that change is constant, and ICI is ready to advocate on these and other issues on behalf of its members.

**Q: Who are the major players to watch when it comes to initiatives and policies affecting our industry?**

DS: Gary Gensler, the nominee to chair the Securities and Exchange Commission (SEC), is well aware of the mutual fund industry, and is coming in at a time when the SEC has a robust set of issues to address that range from mandatory environmental, social, and governance (ESG) disclosures to modernizing the information mutual funds provide their investors and whether to allow e-delivery of such information. The SEC will likely review regulation of money market funds and products to ensure their stability during times of crises.

Kathleen Mellody: On Capitol Hill, committee chairs set the agenda and decide the focus of hearings. They include House Financial Services Committee Chair Maxine Waters (D-CA), House Ways and Means Committee Chair Richard Neal (D-MA), Senate Banking Committee Chair Sherrod Brown (D-OH), and Senate Finance Committee Chair Ron Wyden (D-OR).

ICI has a good working relationship with leaders in the administration and Congress, and we look forward to working with them.

**Q: What issues affecting funds and their shareholders will get more attention from the new administration and Congress?**

KM: ESG issues—particularly climate and diversity and inclusion—are front and center. We also expect oversight of financial market activities during the COVID-19 crisis.

DS: Retirement savings initiatives to bolster the private-sector retirement system and expand coverage, especially for lower-income workers, have bipartisan support, and we will work with Congress to further these goals. Tax policy and reform is also a priority of the new administration and Senate Finance Chair Wyden. There could be proposals that potentially affect shareholder interests, such as changes to the capital gains tax rate. ICI is monitoring these areas very closely.

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