

## IDC UPDATE

July 8, 2021

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## Save the Date: November Zoom Panel on Fund Boards and CCOs

IDC will team up with ICI's CCO (Chief Compliance Officer) Committee on Wednesday, November 10 at 2:00 p.m. (ET) to present a panel discussion on the board/CCO relationship. Experienced panelists will share board reporting practices and insights into how the relationship has evolved since the compliance program rule was adopted. Stay tuned for registration details!

## SEC's Asset Management Advisory Committee Approves Subcommittee Recommendations Regarding ESG and D&I

The SEC's [Asset Management Advisory Committee](#) (AMAC), a group of industry participants formed in 2019 to provide the SEC with diverse perspectives on asset management and related advice and recommendations, unanimously approved recommendations regarding environmental, social, and governance (ESG) investments and diversity and inclusion (D&I). These recommendations will now be considered by the SEC. With regard to [ESG investments](#), the AMAC recommended that the SEC "foster meaningful, consistent, and comparable disclosure of material ESG matters" by issuers, and "encourage issuers to adopt a framework for disclosing material ESG matters and provide an explanation if no disclosure framework is adopted." With respect to ESG investment product disclosures, the group recommended that the SEC suggest best practices to enhance ESG investment product disclosure, including adoption of the taxonomy developed by ICI.

The [D&I recommendations](#) included, among other things, enhanced disclosure requirements for advisory firms regarding gender and racial diversity within advisory firms, as well as enhanced disclosure requirements for funds regarding gender and racial diversity on the board(s) of each fund, and gender and racial diversity in the workforce, officer ranks, and ownership ranks of advisory and subadvisory firms employed by each fund.

## SEC Chairman Gensler on the SEC's Reform Agenda

In a [recent speech](#), SEC Chair Gary Gensler discussed three key areas of the SEC's [reform agenda](#): public company disclosure, market structure, and transparency initiatives. Gensler

said he asked SEC staff to prepare recommendations on mandatory company disclosures on climate risk and human capital. This includes, among other things, “potential requirements for companies that have made forward-looking climate commitments” and “the ways that funds are marketing themselves to investors as sustainable, green, and ‘ESG,’ and what factors undergird those claims.” Gensler also asked SEC staff to consider the impact that technology has made in the public equity and fixed-income markets, and “how [the SEC] can ensure that [it] bring[s] the greatest competition and efficiency to those markets for both investors and issuers.” Finally, Gensler noted that some transparency regimes may be updated to better reflect current business models and practices, such as beneficial ownership reporting deadlines, as well as disclosures relating to security-based swaps, short selling, and stock buybacks.

## **SEC Commissioner Lee Addresses Climate, ESG, and Corporate Boards**

SEC Commissioner Allison Herren Lee recently provided her [views](#) on how corporate boards of directors should navigate certain “fundamental” ESG-related issues. Lee observed that corporate directors are “increasingly require[d]...to think about and consider the impact of climate change and other ESG matters on the financial statements and other corporate disclosures. Because matters such as climate change may bear on the valuation of assets, inventory, supply chain, and future cash flows, board oversight of audits increasingly necessitates engagement on those issues.” Lee further noted the increasing expectation that corporate boards will play a key role in managing physical risk, transition risk, regulatory risk, reputational risk, and human capital risk. She identified three “key steps for boards that seek to maximize ESG opportunities” including enhancing board diversity, increasing board expertise, and inspiring management success. ICI’s memorandum summarizing Lee’s speech is available [here](#) (login required).

## **Gurbir Grewal Appointed Director of the SEC’s Division of Enforcement**

The SEC recently [announced](#) that Gurbir S. Grewal was appointed director of the Division of Enforcement, effective July 26, 2021. Grewal had served as New Jersey attorney general since January 2018. Before becoming attorney general, Grewal was the county prosecutor for Bergen County in New Jersey. Grewal also served as an assistant US attorney (AUSA) in the Criminal Division of the US attorney's office for the District of New Jersey, and as an AUSA in the Criminal Division of the US attorney's office for the Eastern District of New York.

## **US Representatives Introduce “Increasing Investor Opportunities Act”**

On June 30, 2021, the [Increasing Investor Opportunities Act](#) was introduced in the House of Representatives. The [bill](#) “would give retail investors access to private investments and close a loophole that activist investors exploit at the expense of long-term shareholders.” It would update restrictions prohibiting a closed-end fund (CEF) from investing a certain percentage of its net assets in privately offered funds, unless the CEF sells shares to accredited investors who make certain minimum initial investments. This would allow CEFs and their investors to get greater exposure to private investments. The bill also would restrict the amount of CEF shares activist investors and their affiliates could acquire.

# Financial Stability Board Requests Comments on Proposals to Enhance Money Market Fund Resilience

The [Financial Stability Board](#) (FSB), an international body that monitors and makes recommendations about the global financial system, recently issued a [Consultation Report](#) requesting comments on policy proposals to enhance money market fund resilience. The report discusses, among other things 1) forms, functions, and roles of money market funds, including with respect to short-term funding markets; 2) money market fund “vulnerabilities,” and the causes of dealer behavior in the short-term funding markets in March 2020; 3) options to address money market fund vulnerabilities; 4) potential measures aside from money market fund reform that may enhance risk identification and monitoring by fund managers and authorities, and improve the functioning of the short-term funding markets; and 5) considerations in selecting money market fund policy options. The deadline for comments is August 16, 2021. ICI’s memorandum summarizing the Consultation Report is available [here](#) (login required).

## Mark Your Calendar for Upcoming Events

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

### Panel Discussion

- Zoom Panel on Boards and CCOs: November 10, 2:00 p.m.

### **Foundations for Fund Directors®**

- September 13-14

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](#).