

IDC UPDATE

August 6, 2021

IDC Update: August 5, 2021

Save the Date: IDC's 2021 Virtual Fund Directors Conference on October 20 and 21

Join IDC virtually on October 20 and 21 for our 2021 Fund Directors Conference, the premier event for the independent director community. A stellar lineup of expert speakers and panelists will address important issues facing fund directors and the fund industry at large. IDC's Core Responsibilities program will be offered to conference registrants the prior week on October 13 and 14. Stay tuned for registration details!

Registration Now Open: IDC's Closed-End Fund Webinar on August 31

On August 31, IDC will host a [webinar](#) on board oversight of closed-end funds. Nicole Baker (associate counsel, IDC) will moderate a panel discussion with Ken Fang (associate general counsel, ICI), Mark Holland (partner, Goodwin Procter), and Toby Serkin (partner, Morgan, Lewis & Bockius) on current issues facing closed-end funds and the role of board oversight. Panelists will provide a historical overview of investor activism in closed-end funds, and discuss statutory provisions implicating shareholder voting rights and recent litigation. [Register here.](#)

SEC Chair Gensler Remarks on Anticipated ESG Rulemaking

In a [recent speech](#), SEC Chair Gary Gensler indicated that the staff of the Securities and Exchange Commission (SEC) is developing a mandatory climate risk disclosure rule proposal for the Commission's consideration by year-end. Gensler noted that "investors increasingly want to understand the climate risks of the companies whose stock they own or might buy....[They] are looking for consistent, comparable, and decision-useful disclosures so they can put their money in companies that fit their needs." Gensler has asked the staff to consider, among other things, "qualitative and quantitative information about climate risk that investors either currently rely on or believe would help them make investment decisions going forward."

With respect to funds, Gensler observed that "[w]e've seen a growing number of funds market themselves as 'green,' 'sustainable,' 'low-carbon,' etc., and asked '[w]hat

information stands behind those claims?” Gensler has asked the staff to evaluate “recommendations about whether fund managers should disclose the criteria and underlying data they use,” and to consider whether to “take a holistic look at the Names Rule.” ICI’s summary of Gensler’s speech is available [here](#) (login required).

SEC’s Division of Examinations Publishes Risk Alert on Fixed-Income Principal and Cross Trades by Advisers

The SEC’s Division of Examinations published a [Risk Alert](#) regarding its observations from examinations of investment advisers’ fixed-income principal and cross trades. Most of the issues observed by the staff related to deficient compliance programs, conflicts of interest, and disclosure. Compliance program deficiencies included 1) policies and procedures that were inconsistent with the adviser’s practices, its disclosures, and/or regulatory requirements; 2) policies and procedures that lacked certain considerations or guidance, so the examined advisers’ personnel did not have all of the information that may be necessary to achieve compliance; and 3) policies and procedures that were not effectively tested. In addition, the staff “identified conflicts of interest associated with cross trades that were not identified by the advisers and mitigated, disclosed, or otherwise addressed by their compliance programs.” The Risk Alert also states that one-third of the cross-trade deficiencies documented by the staff involved inadequate disclosures. The staff also identified practices observed at the examined advisers that appeared to be effective. ICI’s memorandum regarding the Risk Alert is available [here](#) (login required).

SEC Chair Gensler Releases Statement on Cryptocurrency

In [recent remarks](#), SEC Chair Gensler offered his observations on “public policy goals related to the digital money system.” According to Gensler, “[w]e don’t have enough investor protection in crypto” and the asset class is “rife with fraud, scams, and abuse in certain applications.” Gensler said he has urged staff to continue to protect investors relative to the sale of unregistered securities, including tokens that are offered or sold as securities on trading, lending, and decentralized finance (DeFi) platforms, because “there are significant gaps in investor protection.” After addressing several other public policy goals related to the digital money system, Gensler said that, in his view, the “legislative priority should center on crypto trading, lending, and DeFi platforms.”

Mark Your Calendar for Upcoming Events

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

Webinar

- [Closed-End Funds: Board Oversight and Recent Developments: August 31, 2:00 p.m.](#)

Foundations for Fund Directors®

- [September 13-14](#)

Conference

- Core Responsibilities: October 13 and 14

- Virtual Fund Directors Conference: October 20 and 21

Panel Discussion

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

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. If you are experiencing technical problems, please contact webmaster@ici.org. To opt out of receiving *IDC Update*, please contact memberservices@ici.org.

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