

IDC UPDATE

October 28, 2021

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IDC Partners with the Robert Toigo Foundation and Diligent to Advance Diversity and Inclusion in the Boardroom

On October 18, 2021, IDC [announced](#) two initiatives to support a more diverse and inclusive fund director community. IDC is partnering with the Robert Toigo Foundation to develop educational programming and networking events to help diverse professionals learn about fund boards and the roles and responsibilities of fund independent directors. In addition, IDC is partnering with Diligent Corporation to provide a technology platform to connect fund boards with diverse potential candidates. Potential fund board candidates will be able to add their profiles to Diligent's Director Network, while fund boards in the IDC community will be able to access the Director Network to search for diverse candidates. We look forward to your engagement as we launch these initiatives in the coming months.

New IDC/ICI Report Highlights Trends in Governance Practices and Fund Board Demographics

IDC and ICI [recently released](#) the [Overview of Fund Governance Practices, 1994-2020](#), which highlights that fund boards continue to follow strong governance practices to best serve the interests of shareholders. For example, independent directors make up three-quarters of boards in 84 percent of fund complexes, and more than two-thirds of fund complexes report having an independent chair. The demographic data also demonstrate the director community's progress toward including more women and individuals of diverse backgrounds around the board table.

IDC Hosts 2021 Virtual Fund Directors Conference

IDC's successful 2021 [Fund Directors Conference](#) was held virtually on October 20-21. Conference attendees heard from experts on a wide range of topics, such as the global markets and the economy; current thinking from Securities and Exchange Commission (SEC) staff; and diversity, equity, and inclusion. In a session focused on environmental, social, and governance (ESG) issues from an economist's perspective, attendees learned about the origins of ESG, the economic reasons behind its growth, and whether its continued growth can be sustained. Directors also enjoyed a chance to learn from each other in discussion sessions focused on cybersecurity, digital assets, ESG, exchange-traded

funds (ETFs), and governance practices.

If you missed a session or would like to review a session again, on-demand recordings are available to registered attendees through the conference platform until November 20.

Register Now for IDC/ICI Panel on Fund Boards and CCOs on November 10

IDC will team up with ICI's Chief Compliance Officer (CCO) Committee on Wednesday, November 10 (2:00–3:15 p.m. ET) to discuss the board/CCO relationship and board reporting practices. The panelists—Stephanie Capistrone, partner at Dechert; CCOs Charles Park (BlackRock) and Katie Primas (Dodge & Cox); and independent directors Kathie Barr (William Blair Funds and Professionally Managed Portfolios) and John Boyer (Voya Funds)—will provide insights into how the relationship has evolved and how the remote environment has affected engagement between CCOs and fund boards. If you would like to participate, please email [Jennifer Odom](mailto:jennifer.odom@ici.com) to submit a question and receive a calendar invitation with the Zoom link for the session.

ICI's Securities Law Developments Conference Panel: What's Top of Mind for Independent Directors?

Join us virtually next week, on **November 1 and 3**, for ICI's [Securities Law Developments Conference](#) to learn about recent SEC activities that may increase the breadth of fund board oversight responsibilities. On November 3, IDC Managing Director Tom Kim will have a wide-ranging discussion with Tom Lemke, veteran independent director of the JP Morgan Exchange-Traded Fund Trust and SEI Funds. The conference will also feature ICI President and CEO Eric J. Pan in conversation with SEC Commissioner Hester M. Peirce. Other informative sessions will cover the implementation of significant new SEC rules on derivatives, valuation, and fund of funds. Check out the [program](#) for more details!

SEC Risk Alert Focuses on Board Oversight of Fund Compliance Programs

The SEC's Division of Examinations recently issued a [Risk Alert](#) setting forth its observations from some examinations of mutual funds and ETFs in which it assessed 1) the effectiveness of the compliance policies and procedures of funds and their advisers, as well as the oversight of funds' compliance programs by the funds' boards; 2) disclosures by the funds in certain filings and shareholder communications, and by advisers to funds' boards; and 3) fund governance practices related to deliberative processes used by funds and their boards when overseeing funds' compliance programs. In the Risk Alert, among other things, the staff reported that it had observed some funds that did not: 1) have appropriate policies, procedures, and processes for monitoring and reporting certain information to their boards; 2) ensure the annual report from the fund's CCO addressed the operation of the policies and procedures of the fund's adviser; and 3) adopt or maintain policies and procedures for their boards to exercise oversight where funds delegated responsibilities to their advisers that were not reflected in the advisers' compliance programs. The staff also identified practices that may help funds and their advisers to design and implement compliance programs.

Financial Stability Oversight Council Releases Report on Climate Risk Disclosures

The Treasury Department's Financial Stability Oversight Council (FSOC) recently released a [report](#) evaluating risks to the financial system related to climate change. The report includes recommendations for protecting the economy: formation of a Climate-Related Financial Risk Committee; filling climate-related data and methodological gaps; improvement of climate-related disclosures and reporting requirements; and mitigation of climate-related risks through scenario analysis. In related [remarks](#), SEC Chair Gary Gensler said he has asked SEC staff to work on two projects related to climate risk disclosures. First, the staff is developing a proposal to facilitate "consistent, comparable, and decision-useful disclosures" from public companies. Second, the Commission may update the rules governing the naming of funds that market themselves as "sustainable" and "green," and enhance disclosure requirements.

SEC Issues Report on Equity and Options Market Conditions in Early 2021

The SEC recently published a [Staff Report on Equity and Options Market Structure Conditions in Early 2021](#) focusing on trading activity in certain "meme stocks" whose share prices increased dramatically in January 2021 "as bullish sentiments of individual investors filled social media." The report provides an overview of US equity and options market structure and explains how individual investors' orders are typically handled. The report also identifies several issues for additional consideration [including](#): 1) events that may cause a brokerage to restrict trading, as well as clearing and settling matters; 2) the use of digital engagement practices (DEPs); 3) equity market structure and incentives, as well as the role of dark pools and wholesalers; and 4) the transparency and market dynamics of short selling.

Mark Your Calendar for Upcoming Events

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

Panel Discussion

- [IDC Panel on Boards and CCOs: November 10, 2:00 p.m.](#)

Please email [Jennifer Odom](#) to receive a calendar invitation with the Zoom link for the session.

Industry Segment Calls

- [Directors of ETFs: November 8, 2:00 p.m.](#)
- [Directors of Small Funds: November 11, 3:00 p.m.](#)

Conferences

- [ICI Securities Law Developments Conference: November 1 and 3](#)

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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