

## IDC UPDATE

January 6, 2023

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## IDC Files Comment Letter on Investment Adviser Outsourcing Rule Proposal

IDC recently filed a [comment letter](#) on the Securities and Exchange Commission's (SEC) [rule proposal on "Outsourcing by Investment Advisers."](#) In the comment letter, IDC questions the need for the proposal, noting that the proposed due diligence and monitoring obligations for investment advisers overlap with elements of the board's oversight role under the existing regulatory regime. IDC also expresses concern that the SEC seeks to impose a burdensome, costly compliance regime on investment advisers, even though the SEC acknowledges that it does not have the information necessary to quantify the economic effects of the proposed rule. In IDC's view, the proposed prescriptive mandates do not justify the costs that may ultimately be borne by investors.

Separately, ICI filed a [comment letter](#) on the SEC's rule proposal in which ICI recommended that the SEC abandon the proposed rule because it is unnecessary and burdensome.

## IDC Encourages Board Engagement on Swing Pricing, Hard Close Proposal

As IDC actively prepares to advocate for the interests of shareholders by expressing our concerns about the SEC's swing pricing/hard close proposal, we encourage fund boards to consider also weighing in. IDC is developing tools to assist boards in this regard. Last month, IDC hosted a webinar with record attendance on the SEC's recent rule proposal on swing pricing and hard close. Panelists focused on the challenges the proposals pose for funds and their impact on shareholders. If you missed the webinar, the recording and slides are [now available](#) on IDC's website (login required). If your board is interested in this supporting this advocacy effort or if you have any questions, please reach out to Lisa Hamman at [lhamman@ici.org](mailto:lhamman@ici.org).

## IDC and ICI Update White Paper: Navigating Intermediary Relationships

IDC and ICI are pleased to announce an update to the [Navigating Intermediary Relationships](#) white paper describing the participation and effect of intermediaries on mutual fund distribution. The update was driven by a combination of market-, regulatory-, and technology-driven changes affecting the mutual funds industry, including how intermediaries offer mutual fund shares and are compensated for services provided to fund shareholders.

Key updates to the paper include the following:

- A deeper exploration of omnibus recordkeeping, now the predominant method for intermediaries to offer mutual fund shares to investors;
- An analysis of the regulatory changes leading many intermediaries to evaluate the business models used to advise and service fund shareholders;
- A discussion of how funds carry out their required oversight of intermediary activities, regardless of business model; and
- An expansion of the important role that technology plays in the ongoing support of fund shareholders – from streamlining back-office operations to the delivery of investment advice.

## **SEC's Fall 2022 Rulemaking Agenda Released**

The SEC's [Fall 2022 Unified Agenda of Regulatory and Deregulatory Actions](#) was published on January 4. The agenda identifies regulatory actions that the SEC plans to take between now and April 2023, as well as final rules expected by October 2023. Items for consideration by the Division of Investment Management include proposed changes to regulatory requirements relating to open-end fund liquidity and dilution management (currently scheduled for April 2023) and proposed changes to regulatory requirements relating to registered investment companies' fees and fee disclosure (currently scheduled for October 2023), as well as the adoption of reforms related to the regulation of money market funds (currently scheduled for April 2023), amendments to the investment company "Names Rule" (currently scheduled for October 2023), and disclosure requirements for investment companies and investment advisers related to environmental, social, and governance (ESG) factors (currently scheduled for October 2023).

## **Registration Now Open: IDC Board Leaders Call**

IDC will host its next one-hour conference call for independent chairs and lead independent directors on Friday, January 13 at 2:00 p.m. ET. This call will be an informal and interactive discussion among participants, rather than a formal presentation, facilitated by Gale Caruso, Independent Chair at Matthews Asia Funds. This call is open only to board leaders of ICI member funds. It is closed to all others, including regulators and the media. Register [here](#).

IDC will continue the Industry Segment Call series this year with meetings for Audit Committee Chairs, Governance Committee Chairs, Directors at Small Fund Complexes, Directors of ETFs, New Directors, and Directors of BDCs.

## **Register Now: IDC Chapter Meeting in Pompano Beach, Florida**

IDC will hold its next meeting of the Florida Directors Chapter on Thursday, February 9 at the Hilton Tru in Pompano Beach, Florida. IDC's chapter meetings are informal and interactive gatherings for both independent and interested fund directors. They are free and open to directors of ICI member funds. We will discuss current topics relating to your roles as fund directors, including governance practices and SEC regulatory initiatives. Register [here](#).

## **Coming Soon: IDC's *Foundations* Director Orientation Program on June 13-14**

IDC's January *Foundations for Fund Directors*® orientation program for newer fund directors has reached capacity. If you are interested in attending the next *Foundations* program, which will be held in-person in Washington DC on Tuesday, June 13 through Wednesday, June 14, please contact [Selina Lara](#) to reserve your spot. Participation is limited to directors of ICI member funds.

## Mark Your Calendar for Upcoming Events

*All times are shown in eastern time (ET), unless otherwise noted.*

### Chapter Meetings

- [Florida, February 9, 10:00 a.m.](#)
- Denver, March 7, 10:00 a.m. (Mountain Time)

### Industry Segment Calls

- [Board Leaders, January 13, 2:00 p.m.](#)
- New Director Engagement Call, January 26, 2:00 p.m.

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

- [January 11-12 \(Virtual\)](#)
- June 13-14 (Washington, DC)

Please contact [Paul Mussoni](#) for additional information. A list of IDC events can be found on [IDC's website](#).

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