

IDC UPDATE

April 9, 2024

IDC Update: March 28, 2024

ICI Hosts Investment Management Conference in Palm Desert Director Participation and Programming

More than 60 fund independent directors gathered with legal, compliance, audit, and other industry professionals to participate in ICI's recent [Investment Management Conference](#) in Palm Desert, California. On the first day of the conference, IDC Managing Director Tom Kim moderated a governance-focused panel with Independent Director Vanessa Chang (American Funds), Ndenisarya Meekins (Partner, K&L Gates), and Christopher Bohane (Senior Vice President and Deputy General Counsel, MFS Investment Management). The panel discussed how boards are keeping up with relentless rulemaking activity, the impact of technology and innovation in the marketplace, and evolving governance practices in the boardroom. The second day of the conference featured an invitation-only breakfast for independent directors to engage in peer-to-peer discussion and hear from Securities and Exchange Commission (SEC) Commissioner Hester Peirce in an informal Q&A with Kim.

Other Conference Highlights

[Other highlights](#) from the first day of the conference included a keynote conversation with Commissioner Peirce and ICI President and CEO Eric Pan, as well as a robust and substantive panel on the SEC's 2024 rulemaking activity, moderated by Matt Thornton (Associate General Counsel, ICI) and featuring Sarah ten Siethoff (Deputy Director and Associate Director for Rulemaking, SEC Division of Investment Management), Dalia Blass (Partner, Sullivan & Cromwell), Margaret Carey (Senior Vice President and Deputy General Counsel, Fidelity Investments), and Naseem Nixon (Counsel, Capital Research and Management Company). The second day of the conference featured [Pan's keynote address](#), in addition to a panel on the rise of the courts and the regulatory process, moderated by ICI General Counsel Susan Olson and including several seasoned outside counsel.

Remember to Register: IDC Webinar on "Board Oversight of Operational Risk"

Join IDC on **Tuesday, April 16**, from 3:00 to 4:00 p.m. ET for an insightful webinar on Board Oversight of Operational Risk. Andy Iseman (Independent Trustee, Pacific Select Fund) will moderate a discussion with Kelly O'Donnell (Director, TA and Operations, ICI) and Natalie Wagner (Senior Vice President, Mutual Fund Chief Compliance Officer, Natixis Loomis). Panelists will offer their insights into operational risks associated with service provider oversight, risk assessments of cyber and privacy programs by fund management, and more. Please register [HERE](#).

IDC and ICI File Supplemental Joint Comment Letter on PCAOB's

NOCLAR Proposal

IDC and ICI recently filed a [supplemental joint comment letter](#) in response to the Public Company Accounting Oversight Board's (PCAOB) [proposed amendments](#) to the auditing standards related to a company's noncompliance with laws and regulations (NOCLAR). The proposal would significantly increase an auditor's obligations to detect *any* noncompliance that could have an indirect effect on financial statements. Since our [joint comment letter](#) was filed in August 2023, the PCAOB staff published a [briefing paper](#) and hosted a [public virtual roundtable](#) to obtain more insights from commenters, stakeholders, and experts. In addition, IDC and ICI staff and independent directors from a variety of fund complexes met with PCAOB Board Members and their counsel and advisers.

The supplemental joint comment letter emphasized that our views have not changed and that we continue to recommend that funds be excluded from PCAOB's proposal because funds already are subject to a robust regulatory framework, including independent oversight by a board of directors, and must comply with stringent disclosure and reporting requirements. The supplemental joint comment letter also observed that funds are subject to inspections and examinations by the SEC.

ICI Research Finds that Mutual Fund Expense Ratios Continue to Decline

ICI's recent research report on ["Trends in the Expenses and Fees of Funds, 2023"](#) found that the average expense ratio for equity mutual funds declined for the fourteenth straight year in 2023, while the average expense ratio for bond mutual funds did not change from 2022. According to ICI's research, the average expense ratio for equity mutual funds dropped two basis points to 0.42 percent, and the average expense ratio for bond mutual funds remained 0.37 percent. ICI also found that, in 2023, 92 percent of gross sales of long-term mutual funds went to no-load funds without 12b-1 fees, compared with 46 percent in 2000.

Registration Open for Chapter Meetings in North Carolina, New York, Boston, Ohio, and Chicago

IDC's chapter meetings are informal and interactive gatherings for both independent and interested fund directors. They are free and open to directors of member funds. Chapter meetings are an ideal opportunity to engage in peer-to-peer discussions relating to your roles as fund directors. Chapter meetings also address governance practices, policy developments, and other current topics relevant to fund boards. *The following chapter meetings are currently open for registration.*

IDC will hold its meeting for fund directors based in **North Carolina** on **Tuesday, April 9** at K&L Gates' office in Charlotte, North Carolina (300 South Tryon Street, Suite 1000, Charlotte, NC 28202). Please register [HERE](#).

IDC will hold its meeting for fund directors based in **New York** on **Wednesday, April 10**, at Evercore ISI (55 East 52nd St, 21st Floor, New York, NY 10055). Our guest speaker will be Ed Hyman, Chairman of Evercore ISI and Vice Chairman of Evercore. Please register [HERE](#).

IDC will hold its meeting for fund directors based in **Boston** on **Wednesday, April 24**, at State Street (One Congress Street, 11th Floor, Boston, MA 02114). Please register [HERE](#).

IDC will hold its meeting for fund directors based in **Ohio** on **Tuesday, April 30**, at PricewaterhouseCoopers' office in Columbus, Ohio (41 S. High Street, Ste. 2500, Columbus,

OH 43215). Please register [HERE](#).

IDC will hold its meeting for fund directors based in **Chicago** on **Wednesday, May 8** at Northern Trust (50 LaSalle Street, Chicago, IL 60603). We will be joined by guest speakers Angelo Manioudakis, Global CIO, Northern Trust Asset Management, and Darek Wojnar, Senior Advisor, Registered Funds, Northern Trust Asset Management. Please register [HERE](#).

Please see below for the dates of other regional chapter meetings in 2024.

SEC Charges Two Investment Advisers with Making False and Misleading Statements About Their Use of AI

In two recent enforcement actions, the SEC alleged that investment advisers made false and misleading statements in promotional materials about their purported use of artificial intelligence (AI) (“AI washing”). The SEC [found](#) that one adviser “represented that it used [AI] and machine learning to analyze its retail clients’ spending and social media data to inform its investment advice when, in fact, no such data was being used in its investment process.” Separately, the SEC [found](#) that another adviser made false and misleading claims regarding its “use of [AI], its status as the ‘first regulated AI financial advisor,’ and the services that it offered.” In [related commentary](#), SEC Chair Gary Gensler observed, “Investment advisers should not mislead the public by saying they are using an AI model when they are not. Such AI washing hurts investors.” The firms agreed to settle the SEC’s charges and pay \$400,000 in total civil penalties.

Mark Your Calendar for Upcoming Events

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

IDC Conferences

2024 Schedule

- [Fund Directors Workshop, May 21-23 \(Washington, DC\)](#)
- Fund Directors Conference, October 21-23 (Chicago, IL)

2025 Schedule

- Fund Directors Workshop, April 30-May 2 (Washington, DC)
- Fund Directors Conference, October 27-29 (Scottsdale, AZ)

Webinar

- [Board Oversight of Operational Risk, April 16, 3:00 p.m.](#)

Foundations for Fund Directors®

- [April 17-18 \(Washington, DC\)](#) (to join waitlist)

Chapter Meetings

- [North Carolina, April 9, 10:00 a.m.](#)
- [New York, April 10, 10:00 a.m.](#)
- [Boston, April 24, 10:00 a.m.](#)
- [Ohio, April 30, 10:00 a.m.](#)
- [Chicago, May 8, 10:00 a.m. \(CT\)](#)

- Washington, DC, May 21, 10:00 a.m.
- Boston, September 12, 10:00 a.m.
- New York, September 18, 10:00 a.m.
- Philadelphia, September 24, 10:00 a.m.
- Northern California, December 12, 10:00 a.m. (PT)

Industry Segment Meeting

- Audit Committee Chairs, May 14, 2:00 p.m.

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

In Case You Missed Recent IDC Webinars or IDC Update Editions

Be sure to check out our recent webinars available on-demand:

- [The Fund Compliance Rule at 20: Looking Back and Looking Ahead at Compliance Oversight](#)
- [SEC Examination and Enforcement Priorities](#)

To access all of IDC's archived events, please click [here](#).

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