

ICI VIEWPOINTS

JANUARY 17, 2017

## Education, Outreach, Advocacy: A Big 2016 for IDC and Fund Independent Directors

By Amy Lancellotta

The Independent Directors Council (IDC) just wrapped up another year of vigorous support for the fund director community—educating directors, bringing them together to share ideas and experiences, and advocating on their behalf in policy debates. This brief post, adapted from IDC’s *2016 Annual Review*, highlights some of IDC’s more notable work over the course of the year.

### Education

To properly fulfill their oversight responsibilities and fiduciary duties, directors need broad, deep knowledge of governance practices, industry trends, and the regulatory environment. In 2016, IDC helped directors build this knowledge by providing both formal and informal learning opportunities.

At IDC’s annual [Fund Directors Conference](#) in Chicago and [Fund Directors Workshop](#) in Washington, DC, directors learned from seasoned board members, industry leaders, board and litigation counsel, and others while networking with peers from across the country. In addition, our broad [webinar lineup](#) kept directors informed on the latest issues that could affect fund governance, including the SEC’s liquidity risk management and derivatives rulemakings, the Commission’s “distribution in guise” sweep examination, the AXA Equitable “excessive fee” litigation, and more. And we improved IDC’s website, adding a new [Resources for Directors page](#), which hosts webinar archives, publications, comments letters, FAQs, and third-party resources.

### Outreach

Beyond providing education services to directors, IDC held informal events that brought directors together with their peers to exchange ideas and discuss what they've learned from experiences.

At our [chapter meetings](#)—held in nine locations around the country and offered free of charge to directors of ICI member funds—participants engaged in candid discussions about governance practices and learned valuable insights from one another. The meetings convened both newer and experienced directors, and helped IDC structure its education programs to best support members' evolving needs.

On our industry segment conference calls, directors participated in discussions tailored to their specific board roles. IDC held eight of these calls in 2016—two each for directors of small fund complexes, governance committee chairs, audit committee chairs, and board leaders. IDC and ICI also hosted five board meetings at ICI's state-of-the-art facilities in Washington, DC, while staff traveled to 10 other meetings to share their knowledge and experience.

## **Advocacy**

As regulators proposed, considered, and finalized a number of rulemakings with provisions for fund governance in 2016, IDC worked to ensure that these rulemakings took the unique and important perspective of directors into account.

Much of our advocacy centered on ensuring that two SEC rulemaking proposals—one to reform how funds manage their liquidity risk and another to limit how they use derivatives—did not inappropriately burden directors with responsibilities that belong under the purview of fund management. We delivered forceful, substantive [comment letters](#) to that end, advocated for a common understanding of the types of responsibilities that fit with directors' conventional oversight role.

Thanks to the efforts of IDC and others, the Commission's final liquidity risk management rule included substantial changes consistent with IDC's recommendations. The SEC has not yet taken final action on the derivatives proposal.

IDC also weighed in on several SEC initiatives, including a rule to let funds post shareholder reports online as the default means of delivery, an ongoing review of its transfer agent rules, a proposal to require disclosure regarding a broker-dealer's order routing practices, and a proposal to reduce the settlement cycle from three (T+3) to two (T+2) business days following the trade date, as well as a Public Company Accounting Oversight Board (PCAOB) reproposal to change the auditor's report, among others.

## **A New Initiative in 2017**

Delivering high-quality educational offerings to the independent fund director community has been IDC's focus since its inception. We plan to build on this record in 2017 with the launch of a new director orientation program in the fall. The program—which will include in-person sessions, online modules,

and written materials—is designed to educate incoming and newer directors about governance responsibilities that are common across the industry. We are excited to introduce this innovative initiative, and encourage newer independent directors to take advantage of it.

To learn more about our activities and achievements over the last year, please read IDC's [2016 Annual Review](#).

Amy Lancellotta was Managing Director of the Independent Directors Council (IDC).

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete.

Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.