

ICI Provides Guidance for Fund Compliance Officers in Meeting SEC's Review and Reporting Requirements, December 2005

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### Funds Must Meet April Deadline for Completing Compliance Reviews

**Washington, DC, December 15, 2005** - The Investment Company Institute (ICI) today issued detailed guidance to assist mutual funds in complying with a rule requiring an annual review of compliance programs and a report to fund Boards of Directors on the adequacy of those programs. Funds must complete an initial annual review by April and report to Boards no later than June.

The ICI, with significant input from its member firms, developed a paper, "[Assessing the Adequacy and Effectiveness of a Fund's Compliance Policies and Procedures](#)," to assist Chief Compliance Officers (CCOs) and others in meeting the review and reporting requirements issued by the Securities and Exchange Commission under Rule 38a-1 of the Investment Company Act of 1940. Evaluating compliance programs is one of the most important responsibilities placed on CCOs. Ensuring the integrity and effectiveness of compliance procedures is a matter of high importance to fund boards and shareholders. The paper seeks to facilitate the ongoing compliance efforts of funds.

Among other issues, the paper outlines:

- the process for planning annual reviews;
- the principal options for conducting compliance testing, including interviews of key personnel, observations of daily operations, data testing, and trend analysis;
- the process for preparing annual reports to fund boards; and

- related recordkeeping requirements.

“Clearly, mutual fund investors and boards deserve meaningful reviews to ensure that their funds are subject to rigorous compliance procedures. This paper, drawing on the experience of our members, outlines specific steps toward achieving that goal,” said Elizabeth Krentzman, ICI General Counsel. “We hope that Chief Compliance Officers will find our guidance useful in conducting these compliance reviews and in preparing Board reports. We are ready to offer further assistance as this new process evolves over time.”

Said ICI President Paul Schott Stevens, “This timely paper is the latest example of the Institute’s longtime commitment to support effective compliance programs throughout the fund industry. We will continue efforts of this kind to assist compliance professionals in their important roles on behalf of funds, their Boards, and their shareholders.”

Stevens cited a variety of recent Institute activities in the compliance area, including the formation in 2004 of a [standing ICI committee comprised solely of Chief Compliance Officers](#) to facilitate and advance the industry’s compliance programs; numerous workshops to facilitate the industry’s compliance with a host of complex issues (including soft dollars, personal trading, and valuation of portfolio securities); and the launch two years ago of an annual conference – the Mutual Fund Compliance Programs Conference – in conjunction with the Independent Directors Council.

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