

ANNUAL REPORT

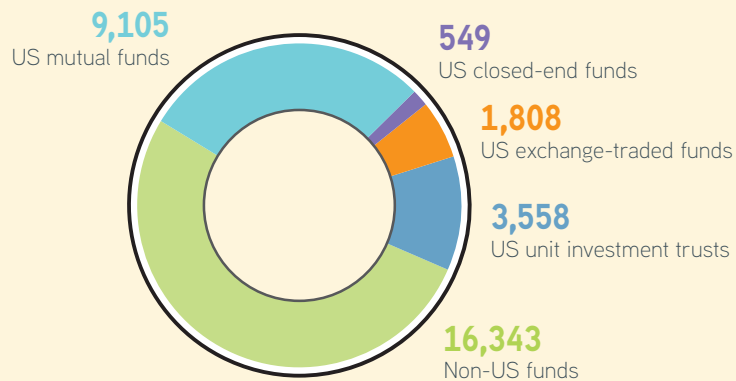
TO MEMBERS

2019

ICI REPRESENTS...

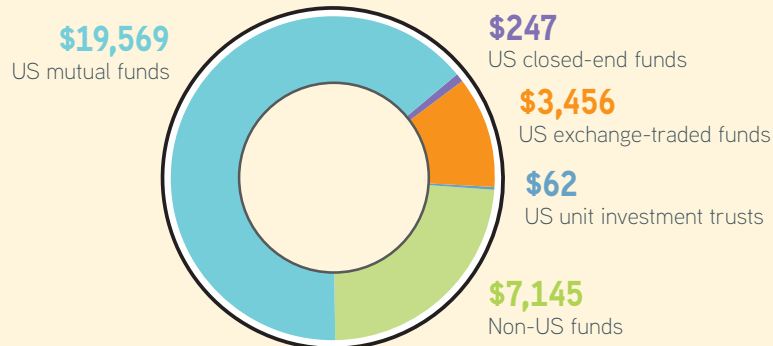
More than 31,000 funds

Number of investment companies by type*



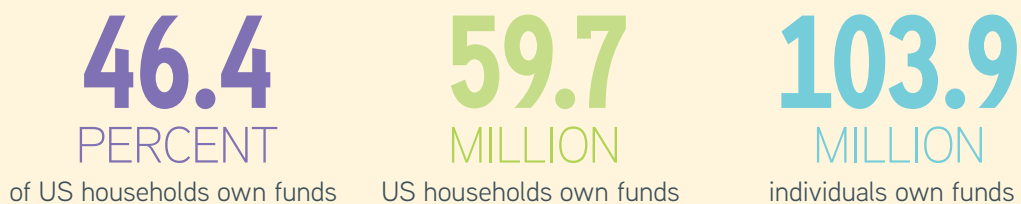
With \$30.5 trillion in assets

Investment company assets, billions of dollars*



Serving more than 100 million shareholders

US ownership of funds offered by investment companies*



* Data for US mutual funds, closed-end funds, exchange-traded funds, unit investment trusts, and non-US funds are as of June 2019. Data for ownership of funds are as of mid-2019.

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ICI by the Numbers

LEADERSHIP MESSAGES TO THE MEMBERSHIP

Anniversaries matter. Whether it has been 75 years since D-Day, 50 years since Woodstock, or 30 years since the fall of the Berlin Wall, an anniversary triggers a human urge to look back and assess crucial events. We want to see how those events shaped their own time, and how they echo in ours.

In 2020, we will mark the 80th anniversary of the modern fund industry—dating to the passage of the Investment Company and Investment Advisers Acts of 1940—and the 80th anniversary of the Investment Company Institute. It will provide an occasion to reflect on what our remarkable industry has accomplished—and what the future still has in store.

No one in 1940—not the lawmakers who passed the '40 Acts, the still-new Securities and Exchange Commission (SEC), the fund sponsors of the day, nor the investing public—could have foreseen the incredible developments triggered by those events. They could not have envisioned the spectacular growth that would ensue for fund investing in the United States—from less than half a billion dollars managed by US mutual funds in 1940 to more than \$24 trillion for more than 100 million shareholders.

No one would have predicted the spread of collective investing around the globe. Today, regulated funds manage \$27 trillion in assets outside of the United States—and help investors on six continents realize their most important financial goals while marshaling capital to fuel new enterprises and economic growth.

Nor could anyone have foreseen the astonishing degree of innovation that has characterized the fund industry over these 80 years. This never-ending creativity has kept regulated funds on the leading edge of investors' evolving needs.

But as much as our industry has changed and grown, many things have remained constant—as our *Annual Report to Members* for 2019 makes clear. Throughout this year's report, you will find reminders of themes that echo throughout ICI's and the fund industry's history.

We Favor Sound, Effective Regulation

Sound, effective regulation has been crucial to the success of funds. ICI advocates consistently for a strong framework of regulation that serves the needs of investors and supports the indispensable role that funds play in our capital markets. With members on six continents, we pursue constructive regulation in jurisdictions around the globe.

In the decade since the global financial crisis, ICI has been a strong advocate for regulatory measures that foster financial stability while preserving the key strengths of funds. In 2019, we saw significant progress as the US Financial Stability Oversight Council (FSOC) issued for comment new guidance on dealing with potential systemic risk among nonbank financial companies. As the Institute has long advocated, the FSOC's revised guidance would give priority to an activities-based approach to addressing risks, relying on primary regulators with experience and knowledge of specific industries.

Similarly, on the global front, changing leadership at the Financial Stability Board (FSB) has held out the promise of greater analytical rigor and closer engagement with industry stakeholders. The Institute remains concerned, however, about the level of understanding that central bankers at the FSB and elsewhere have of fund regulation, portfolio



management, operations, and investor behavior. We have a busy schedule of outreach to European and Asian policymakers to educate them on funds' record as one of the best-regulated and most stable sectors of the financial system.

We Support Disclosure and Access to Advice for Investors

Continual improvements in disclosure, investors' access to financial advice, and investor education have helped to fuel our industry's remarkable growth over the decades. The SEC resolved a long-running debate this year with the enactment of Regulation Best Interest and related rules. We supported the Commission's efforts and are pleased that the SEC has ensured that investors can continue to access financial advice in the form they prefer and at the price that best fits their needs. As is increasingly typical in our global financial markets, regulators in other jurisdictions are pursuing similar rules: ICI has weighed in, for example, on the Canadian Securities Administrators' proposed standards of conduct rulemaking.

ICI has long favored reforms to deliver disclosure to investors in the form they want and can best use. In 2018, the SEC took a historic step, enacting Rule 30e-3 to authorize US-registered funds to deliver shareholder reports online as the default option. But the paper industry—having lost at the Commission and in Congress—turned to the courts. As amicus curiae, ICI stepped forward to help defend the SEC's achievement. In August, the Court of Appeals for the DC Circuit dismissed the paper industry's lawsuit, clearing the way for a better disclosure

GEORGE C. W. GATCH

ICI Chairman
Chief Executive Officer
J.P. Morgan Asset Management

PAUL SCHOTT STEVENS

President and CEO
Investment Company Institute

regime and millions of dollars in savings for shareholders.

To help realize those savings, we continue to advocate for SEC review of the framework governing the fees that intermediaries charge for delivering shareholder reports.

Funds, too, rely upon disclosures to help them make informed investing decisions. As some corporate issuers pushed the SEC to reconsider quarterly corporate filings, the Institute advocated strongly to maintain current disclosure standards so that investors will receive regular, reliable, and comparable information on portfolio companies.

We Work to Enhance Retirement Security

In jurisdictions around the world, aging populations are putting more pressure on pay-as-you-go pension systems and fueling interest in funded, investment-oriented defined contribution (DC) plans. Professionally managed, transparent, and cost-effective funds are the natural

LEADERSHIP MESSAGES

vehicle for these new systems. ICI is applying its vast research experience with DC plan design to promote reforms in Europe, Japan, China, and other major markets, showcasing the powerful role that funds can play in helping savers build retirement resources.

The United States stands on the verge of enacting the largest private-sector retirement reforms since passage of the 2006 Pension Protection Act. The SECURE Act—“Setting Every Community Up for Retirement Enhancement”—embodies policies that ICI has long supported to help smaller businesses offer their employees retirement plans and to adjust to increasing longevity. Most important, SECURE builds upon—rather than seeking to replace—America’s strong voluntary, employment-based retirement system.

We Pursue Advocacy Grounded in Accurate Data and Sound Analysis

For most of its eight decades, the Institute has gathered data to improve both public understanding and the quality of policymaking around funds and their investors. Today that mission continues and takes us into new and more challenging areas. In 2019, for example, ICI updated its comprehensive analysis of how US funds vote their proxies at annual meetings of portfolio companies. The data demonstrate that funds cast their votes as conscientious fiduciaries should—in the interests of fund shareholders, taking into account a wide range of factors.

More than ever before, the success of ICI’s advocacy for funds and their shareholders depends upon our access to relevant data. With the SEC’s recent implementation of Form N-PORT, the Institute is engaging with members on ways to obtain all N-PORT data filed with the SEC, subject to a significant time lag, under terms of strict confidentiality and with high

assurances of information security. Access to complete N-PORT data will help ensure that ICI can respond effectively on public policy issues of highest concern to the industry.

We Stay Abreast of Emerging Issues for a Diverse Membership

Accurate data and sound analysis also come to bear in dealing with new policy challenges, such as the “common ownership” hypothesis—the notion that institutional investors holding small, noncontrolling stakes in competing companies in concentrated industries, such as airlines or banks, decrease competition and raise consumer prices. Relying on our industry expertise, ICI has demonstrated to policymakers that this hypothesis rests on misunderstandings and incorrect assumptions about asset management. Through our research and communications programs, we have shared academic and industry research rebutting the claims of anticompetitive effects. So far, no policy changes based on the hypothesis have advanced.

Another emerging issue is ESG or “sustainable” investing—products that satisfy particular preferences around environmental, social, or governance issues. Some investors want funds that meet these preferences, and fund sponsors have responded with a range of offerings. The Institute has worked, however, to ensure that policymakers do not create rules that impose a one-size ESG prescription on all funds and investors. In the European Union’s Action Plan on Sustainable Finance, we were pleased that the disclosure regulation defines “sustainability risk” in terms of impact on returns, rather than broader societal impact.

We Focus Intently on Member Service

While our fundamental commitments remain the same, the environment in which our funds operate is constantly changing. Today’s fund marketplace is more competitive and demanding than ever before.



“Through all of our activities—including our conferences and committee structures, as well as our advocacy—ICI works to represent and to engage a diverse membership.”

LEADERSHIP MESSAGES

Through all of our activities—including our conferences and committee structures, as well as our advocacy—ICI works to represent and to engage a diverse membership. We serve large funds and small, offering the simplest investment strategies and the most complex. We engage with operations and technology experts from funds of all sizes and types to help them serve investors effectively and efficiently. Through the Independent Directors Council (IDC), we support directors in their crucial work overseeing funds.

In 2019, we strongly supported SEC proposals to streamline and modernize the registration process for closed-end funds, as well as the SEC's proposed rule to bring greater consistency, transparency, and efficiency to the regulatory framework for exchange-traded funds (ETFs). We also have launched efforts to follow up on concerns raised by the SEC's Division of Investment Management over the cost and effort of regulatory compliance for small and medium-sized funds. We are working with our smaller and multi-series trust members to provide data and insights on the burdens these funds face.

We Work to Foster a Fiduciary Culture

From its founding in 1940, ICI has thrived thanks to the active support of its members. Our leadership and committee structures engage nearly 6,000 men and women—executives of fund sponsors, fund directors, and professionals of many kinds. Working with our dedicated staff in Washington, London, and Hong Kong, these member representatives devote their time and talents to addressing diverse issues, both large and small.

What is the sum effect of all that effort? It is just this: meeting the needs of investors. Investors must always come first, because our funds are fiduciaries dedicated to investors' interests.

Every dollar of the more than \$30 trillion entrusted to us around the globe is a tangible expression of shareholders' confidence in funds as a means to achieve their most important financial goals. But every dollar is also an implicit challenge to all of us engaged in this industry—a challenge to maintain a culture deserving of that high confidence, a challenge to earn that confidence each day through the loyalty we show to our investors' interests and the care that funds take in managing their assets.

It is a culture that seeks to put investors' interests first and foremost. This culture has sustained us for almost 80 years—and we must do all we can to preserve it, and to communicate it to those who come after us, for decades to come.

Thank you for all that you do for the Institute and for your shareholders. ☺



George C. W. Gatch
ICI Chairman



Paul Schott Stevens
ICI President and CEO

Conversation with the COO

As Donald C. Auerbach nears the end of his first year as ICI's chief operating officer (COO)—after serving most recently as ICI co-head of government affairs—he sat down to discuss his new priorities.

How will your experience in government affairs inform your transition to your new role as COO?

As COO, I carry forward the sharp focus on servicing the membership that is inherent when advocating for ICI member and fund shareholder priorities before policymakers. Now, I work closely with the Board of Governors and manage the Institute's administrative functions to ensure we are best serving the broader membership. The transition is going smoothly, in large part due to the excellent staff I am working with in my new role. I previously knew them as ICI colleagues, but now working with Accounting, Human Resources, Information Technology, Conferences, Office Services, and Membership, on a daily basis, I get to see firsthand the depth and talent of a different side of the organization.

Cybersecurity is of great concern to the fund industry. Are there any specific initiatives you're putting in place to maintain high security standards?

Cybersecurity has long been a focus for the Institute staff-wide. It is the number one priority of our IT team, and we also have outside consultants examine and certify our security program annually. The consultants phish and vish our employees, evaluate our data processing controls, provide annual security awareness training, and conduct penetration tests on our computer systems. We are also working toward a SOC 2 certification with one of the large audit firms, which will challenge us to further raise our game—and because it requires annual recertification, we will be sure to maintain that high standard.

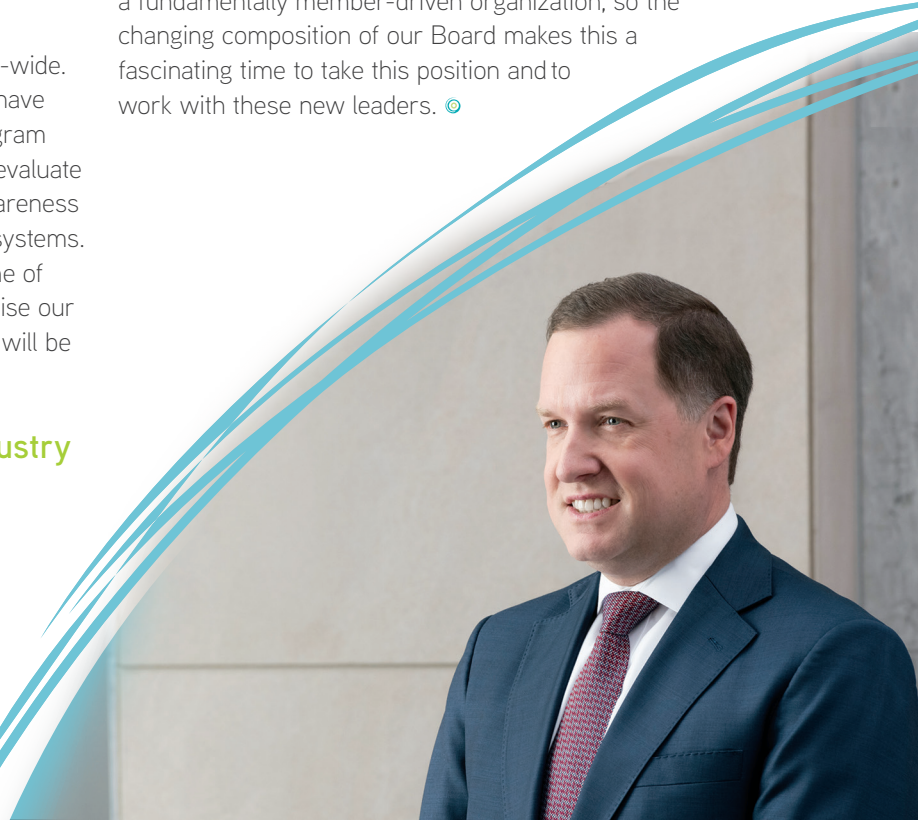
How are the structural changes in the industry affecting your budget, plans, and goals?

This is a fiercely competitive industry experiencing rapid change. Decisions about allocation of Institute resources are deeply affected by this reality. We use bottom-up budgeting that forces each ICI manager to make tough choices and prioritize. The economists in our Research Department produce projections for the industry to help guide our longer-term contingency planning. Oversight of the Institute's fiscal management is a key focus of the Executive Committee

and Board, and [ICI Chief Financial Officer] Mark Delcoco is working closely with me on these budgetary initiatives. We're in a constant state of review to align our needs with goals set by the Board and Executive Committee, and we continue to review our progress against our goals during the year.

Many new members have joined the Board of Governors in recent months. Tell us a little about this.

For a single year, an unusually high number of our longest-serving and most dedicated governors are retiring. Paul Stevens and I have been working closely with the Board's Nominating Committee, chaired by Barbara Novick of BlackRock, to fill the openings. We will miss working with some good friends, but we're looking forward to the new perspectives that will come from 12 new governors joining the Board. Serving on the Board is a major commitment, but the personal involvement of the most senior people in the industry is one of the foundations of the Institute's success over many years. We are a fundamentally member-driven organization, so the changing composition of our Board makes this a fascinating time to take this position and to work with these new leaders. ☺



DONALD C. AUERBACH

FUND REGULATION

REPRESENTING FUNDS AND ADVOCATING FOR REFORMS IN FINANCIAL STABILITY

Striking the right balance in regulation is critical. Fund regulation needs to be tailored to meet policymakers' goals, without hampering competition or placing undue costs or burdens on funds, their advisers, or their investors. In fiscal year 2019, ICI continued to apply its deep expertise in the law, regulation, operations, and economics of regulated funds to help regulators understand practical implications of their proposals and to advocate for the sound, effective regulation that registered funds and their shareholders count on.

ICI Responds to SEC's Investor Experience Initiative

Investors benefit from fund disclosure that clearly communicates important information to facilitate informed investment decisions. ICI therefore welcomed the Securities and Exchange Commission (SEC) taking steps toward modernizing the fund disclosure system to reflect the way investors currently seek, receive, view, and digest information.

In October 2018, in response to the SEC's "retail investor fund experience" initiative, the Institute filed a comment letter recommending that the SEC consider proposing a rule permitting funds to deliver a new, optional summary shareholder report that highlights key information. ICI created a prototype of the summary report with

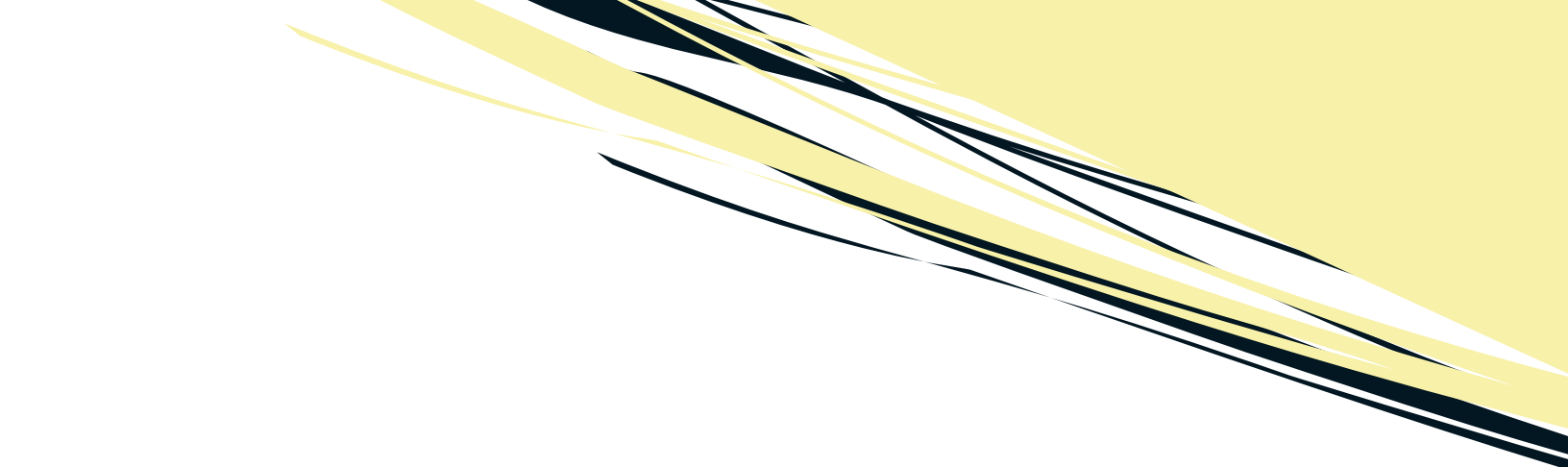
information in a standardized form to allow for quick and consistent fund comparisons. ICI also provided data—based on a nationally representative survey of more than 1,200 mutual fund shareholders—showing that investors would be more likely to read and comprehend the summary shareholder report than the current full-length shareholder report.

The SEC's initiative included many ideas for reforming disclosure, including three that would generate costs for fund shareholders that clearly would outweigh any potential benefits—requiring funds to disclose a standardized risk rating, disclose individualized fee information, and compare their fees and performance to other unaffiliated funds. ICI urged the SEC not to move forward with any of these ideas, comprehensively explaining—with data and analysis—the rationale for the opposition.

In July 2019, ICI surveyed members to better understand their views on four options that the SEC staff is considering for possible fund disclosure reform. In September 2019, ICI submitted to the SEC staff the results of the survey in a report titled *Preferences and Costs Associated with Disclosure Reform Options*. The survey reflected responses from funds representing about 90 percent of industrywide mutual fund assets.

Fund of Funds Rule Proposal Raises Concerns

With the rapid growth of target date funds (TDFs), ICI and its members welcomed the SEC's efforts to streamline the regulatory patchwork governing these and other fund



of funds arrangements. Unfortunately, ICI's analysis of the SEC's proposed new rule demonstrated that the proposal could ultimately harm investors saving for important financial goals if not modified.

ICI's major concern is the proposed rule's redemption limits, which would restrict funds of funds that invest more than 3 percent in another fund's outstanding shares from redeeming more than 3 percent of the fund's total outstanding shares in any 30-day period. In its comments, ICI explained that these restrictions could harm funds of funds and their shareholders—limiting a TDF's ability, for example, to replace an underperforming fund and placing the TDF and its shareholders at a severe disadvantage compared with other investors. The limits also could discourage funds of funds from investing in newer, smaller funds. The Institute suggested other ways to achieve the Commission's goal of ensuring that a fund of funds does not exercise undue influence over the funds whose shares it acquires.

ICI based its analysis in part on a survey of members, to which 50 complexes with more than 1,300 fund of funds arrangements and \$2.8 trillion in assets responded. Nearly 70 percent of these funds, with \$2 trillion in assets, would be affected by the new rule. The SEC indicated that it intends to issue a final fund of funds rule in spring 2020.

FSOC Reform Moves Forward


Especially since the global financial crisis, ICI has been a strong advocate for regulatory measures that foster financial stability while preserving the key strengths of funds and the indispensable role they play in capital markets. To that end, the Institute and its members continue to press for reforms at the Financial Stability Oversight Council (FSOC) in its approach to

addressing potential risks to financial stability and specifically its process for designating nonbank financial institutions as systemically important financial institutions (SIFIs).

In March, the FSOC issued a reform proposal that goes a long way toward responding to the issues and concerns ICI and others have raised. The proposal places priority on efforts to address potential financial stability risks through an activities-based approach, making clear that the FSOC will consider a company for possible SIFI designation only if risks posed by the company cannot be addressed through activities-based actions by the institution's primary regulator. ICI filed a detailed comment letter strongly supporting the proposal and offering suggestions for additional improvements.

ICI Encourages Volcker Rule Reform

As part of its postcrisis reforms, Congress enacted the Volcker Rule to restrict banks from using their own resources to trade for purposes unrelated to serving clients. The rule generally prohibits banks from engaging in "proprietary trading" by sponsoring or investing in hedge funds, private equity funds, or other similar funds, which are excluded from SEC regulation as investment companies.

While Congress did not intend for the Volcker Rule to apply to US-registered funds and their foreign counterparts, the implementing regulations adopted in 2013 negatively affect some of these funds. ICI therefore continued its efforts to advance Volcker Rule reforms. In October 2018, ICI filed a comment letter with the five financial regulators that administer the Volcker Rule. The letter includes detailed recommendations for how the regulators can avoid impeding the activities and investments of ICI member funds while still achieving the intended purposes of the Volcker Rule. 

FUND REGULATION

Proxy Voting—Back in the Spotlight

The SEC's renewed attention to the proxy voting system this year sparked thoughtful discussions about how well the system is working and where it might need reform. In contributing to the discussions, ICI seized the opportunity to share the registered fund industry's unique perspective on this complex issue, drawing on its deep legal and research expertise.

A Complex Proxy Landscape

In a letter to the SEC ahead of its November 2018 proxy voting roundtable—and in a more expanded study published in July 2019—ICI compiled an array of original research and analysis examining the proxy voting landscape, with a focus on the 2017 proxy season.

The Institute's work found that funds cast their votes on proxy proposals thoughtfully, independently, and in the interests of fund shareholders. Among the most important findings:

- » Funds consider a wide range of factors when voting on a proxy proposal, including its details, the company it applies to, the context, and the funds' investment objectives.
- » Funds' support for proposals sponsored by company shareholders, which sometimes cover controversial issues, varies far more than it does on proposals sponsored by company boards, which are generally routine and straightforward.
- » Contrary to the claims of some commentators, funds vote in favor of shareholder-sponsored proposals far less often than is recommended by Institutional Shareholder Services, the largest proxy advisory firm.

Toward a Fund Proxy System That Works

Beyond their role as investors, funds also issue their own shares—and thus must solicit support from their own shareholders to pass their policy proposals. So, to further

inform the SEC's proxy voting work, ICI surveyed members about their recent proxy campaigns—and found that the proxy system is in many ways working against the interests of registered funds and their shareholders.

Writing to the Commission in June, ICI showed how difficult it is for funds to communicate directly with their shareholders, how much time and money it costs them to run proxy campaigns, and how often they struggle to reach a quorum.

To make the proxy system more efficient and less expensive, ICI called on the SEC to:

- » identify areas where proven safeguards—such as approval by a fund board, robust disclosure, or advance notice—would protect shareholders at a lower cost than shareholder voting does;
- » create a more practical way for funds to reach a majority vote on actions requiring shareholder approval;
- » require intermediaries to provide their lists of fund shareholders to funds at a reasonable cost, so that funds can deliver their proxy materials to their shareholders directly; and
- » allow funds to shorten their proxy materials and link to more detailed information online, so that shareholders can more easily read and understand those materials.

A Big Year Ahead

Led by Commissioner Elad Roisman, the SEC's review of the proxy system will likely ramp up in the year ahead—with two formal proposals on the way, on top of guidance issued in August. In the meantime, ICI will continue engaging with the Commission on this important initiative—to highlight funds' role in voting proxies for their portfolio companies, emphasize the unique challenges they face as issuers, and offer constructive solutions toward a more reliable and efficient proxy system for shareholders and companies alike. ☺


ICI Welcomes Kathleen L. Mellody as Senior Government Affairs Officer

Kathleen L. Mellody joined ICI as senior government affairs officer in January, helping fill a vacancy in ICI's government affairs team after Donald C. Auerbach became ICI's chief operating officer in February 2019.

Since 2009, Auerbach and Dean R. Sackett III served as co-heads of Government Affairs. As a Democrat and Republican, respectively, the co-heads brought different perspectives and contacts on Capitol Hill to pursue policies that were best for ICI's members. Now that Auerbach has moved to serve members in a different capacity, Sackett is the sole head of Government Affairs, and Mellody—as a senior Democratic strategist—helps round out ICI's advocacy efforts.

Before joining ICI, Mellody was head of federal affairs at The Hartford, where she led its federal legislative efforts in

Washington, DC. Earlier, she served in the White House as special assistant to the president and Senate liaison, Office of Legislative Affairs, for President Obama. Her responsibilities included coordinating with the Senate on financial services and tax policies. She also served in the Obama administration as deputy assistant secretary for legislative affairs at the US Department of the Treasury, working on financial services and terrorism issues.

Mellody also worked on Capitol Hill, where she was counsel for the Capital Markets Subcommittee of the House Financial Committee during consideration of the Dodd-Frank Act. She holds a BA from Georgetown University and a JD from George Mason University School of Law. 

“Kathleen is a well-regarded, seasoned Democratic strategist whose comprehensive knowledge of financial services policy issues—and extensive government experience—will be a tremendous asset to our work with ICI's member firms and the more than 100 million shareholders they serve.”

DEAN SACKETT
CHIEF GOVERNMENT AFFAIRS OFFICER



KATHLEEN L. MELLODY

DEAN R. SACKETT III

FUND REGULATION

A New Standard in Investor Protection


Throughout the debate about how best to craft standards of conduct for investment professionals, ICI staked out a firm position: no standard can suffice without both protecting investors and preserving their access to the investment products and services they need to save for their most important financial goals.

Few regulatory issues have kindled more controversy in recent years, as policymakers time and again failed to satisfy those critical conditions. But in adopting its standards of conduct rulemaking package in June, the SEC took big steps toward both.

The rulemaking's topline item—Regulation Best Interest—will require broker-dealers to act in their retail customers' best interest when providing them with investment recommendations. In line with ICI's recommendations on the proposal, this enhanced standard will apply to

recommendations to customers whether they are investing for retirement or other goals.

The rulemaking's other main component requires both broker-dealers and investment advisers to give retail investors a new two-page "relationship summary" document describing key aspects of their relationship. The SEC improved on the proposal here as well, making the document easier for investors to understand and giving firms more flexibility to describe their businesses.

With the June 2020 compliance deadline fast approaching, implementation is already underway, and firms are working hard to prepare. But for rulemakings as complex as this one, implementation often comes with challenges along the way. ICI is engaging closely with both members and the SEC staff to keep ahead of any that might arise—and ensure that implementation runs as smoothly as possible. 

In fiscal year 2019, ICI continued to apply its deep expertise in the law, regulation, operations, and economics of regulated funds to advocate for the sound, effective regulation that registered funds and their shareholders count on.



Advocating Globally on Financial Stability

New Leadership at the Financial Stability Board

This past year saw a change in leadership at the Financial Stability Board (FSB), and the new chairman, US Federal Reserve Vice Chairman Randal K. Quarles, has identified three core principles to guide the FSB's work:

- » more engagement with a broad range of stakeholders;
- » greater rigor in identifying possible systemic vulnerabilities; and
- » vigorous evaluation of reforms to reduce burdens and increase efficiencies.

ICI is pleased that these principles largely align with the Institute's recommendations to improve how the FSB operates.

One of the FSB's current priorities is finalizing and assessing postcrisis reforms, which involves ensuring that the International Organization of Securities Commissions (IOSCO) implements the FSB's 2017 recommendations for addressing "structural vulnerabilities" in asset management products and activities. One recommendation calls for IOSCO to create a framework for measuring funds' use of leverage. IOSCO proposed a two-step framework, which ICI supported in a comment letter.

ICI remains concerned, however, about the FSB's misunderstanding of regulated funds and about EU central bankers' focus on misguided theories about how "liquidity mismatch" in open-end funds may destabilize the financial system. ICI leadership discussed these concerns with Quarles and shared ICI research that countered these theories. ICI will continue to advocate for an evidence-based approach to policies affecting regulated funds and their investors.

EU Advocacy: Advancing Sound Policies for Funds and Their Investors

Helping members prepare for Brexit (see page 23) and advocating on crucial legislative proposals before the end of the eighth European Parliament dominated ICI Global's work in Europe. ICI Global met with policymakers throughout the year, and its forceful advocacy on key legislative proposals yielded positive results.

DELEGATION. One of the most important outcomes was that legislators rejected a provision that would have empowered the European Securities and Markets Authority (ESMA) to limit delegation of portfolio management to experts outside the European Union (see page 23).

SUSTAINABLE FINANCE. As part of the EU Action Plan on Sustainable Finance, legislators finalized legislation that requires asset managers and other institutional investors to disclose information related to environmental, social, and governance (ESG) issues. ICI Global engaged extensively with policymakers, and was pleased that the final legislation was less prescriptive than anticipated and generally preserved the proposed legislation's tailored scope. ESMA is developing regulations to implement the legislation, and ICI Global continues to advocate for a flexible and sound approach.

INVESTMENT FIRM REVIEW (IFR). Legislators agreed upon a new revised prudential regulatory framework for investment firms that are subject to the Markets in Financial Instruments Directive II (MiFID II). This updated framework will replace the previous regime, which did not take into account different investment firms' business models. Among other things, the new framework changed the policies governing how investment firms can compensate designated employees.

In line with ICI Global's recommendations, the legislation does not prescribe a maximum ratio of fixed to variable remuneration—known as a "hard bonus cap"—and generally allows for proportionate application of its variable remuneration requirements.

CROSS-BORDER DISTRIBUTION. Legislators adopted reforms to remove barriers to the cross-border distribution of Undertakings for Collective Investment in Transferable Securities (UCITS) across the European Union. Though not as ambitious as ICI Global advocated, the reforms included one of its key recommendations: removing the requirement for physical investor facilities to be located in each member state where a fund is marketed.

The ninth European Parliament started its new term in July. ICI Global is meeting with new policymakers to help them better understand funds and their investors and will continue to advocate on behalf of members as policymakers develop their new priorities.

RETIREMENT

WORKING TO PROMOTE RETIREMENT SECURITY

ICI staff discuss the Institute's legislative, regulatory, research, and communications activities to advocate for well-informed public policies that help Americans prepare for retirement.

The SECURE Act [Setting Every Community Up for Retirement Enhancement Act] progressed rapidly this year, and it had overwhelming bipartisan House support. How did we get here?

Gunas: I think the bipartisan success of this bill reflects how important retirement savings issues have become. Retirement policy has become an issue that Congress is eager to address. ICI—along with member firms and other partners—spent a lot of sweat equity in educating members of both parties about provisions in SECURE and how they'll be effective in helping Americans save for retirement. So, SECURE is a culmination of all that effort and advocacy aligning with the desires of policymakers.

Huffman: We spent the past year taking ICI research findings and our senior economists and pension lawyers to the Hill to set the table for discussions on retirement policy. And early on, [ICI President and CEO] Paul Stevens met with [US House Ways and Means Committee] Chairman Richard Neal [D-MA] to talk about what the real state of the US retirement system is and to share recommendations to build upon the current strength of the system. Sarah Holden participated in a retirement security roundtable held by Chairman Neal in Boston this spring. Sarah's message was insightful, and she shared ICI data that show that Americans have very favorable views about 401(k)s and retirement savings tax incentives.

We also worked hard to disabuse policymakers of the notion that the United States faces a retirement crisis. We did this by showing them that the rhetoric is often

based on erroneous data that obscure the fact that the system is working well for most Americans. It was a major goal of our early meetings to help policymakers understand the reasons underlying why specific populations are not participating in retirement savings vehicles, and to share methods for increasing that coverage.

Gunas: I'd like to add that bringing our top-notch economists and lawyers to the Hill is the bedrock of ICI's advocacy work—providing honest, timely, and trusted information to those who are actually drafting the legislation. ICI has built trust with key policymakers, which affords us opportunities to testify at hearings, for example. So, from a mutual fund perspective, the SECURE Act reflects years of sustained outreach of this sort. It's a team effort with ICI, member firms, and key allies.

The SECURE Act isn't the only place where we've been busy. What should members know about some of the other notable work we've done this year in supporting the US retirement system?

Abbey: We've been busy working with policymakers on other retirement-focused bills including RESA [the Retirement Enhancement and Security Act; the Senate companion of SECURE] and also the Retirement Security and Savings Act introduced by Senators Rob Portman [R-OH] and Ben Cardin [D-MD]. Those bills would also build upon the current system by expanding coverage, participation, and savings rates in defined contribution plans and IRAs [individual retirement accounts]. We've also been working with the Securities and Exchange Commission and the Department of Labor on ensuring that new regulatory standards of care proposals do not have the effect of limiting consumer choice.



ALLEN C. HUFFMAN

Director
Retirement Security and Tax Policy

PETER J. GUNAS III

Government Affairs Officer
Retirement Security and Tax Policy

SARAH A. HOLDEN

Senior Director
Retirement and Investor Research

DAVID M. ABBEY

Deputy General Counsel
Retirement Policy

Sarah, can you expand on how ICI Research is involved in our discussions with policymakers?

Holden: As we go to regulators or to Capitol Hill, we always take fact-based research with us because it's important to understand the lay of the land before you start making suggestions on how you might improve the landscape. Our positions on the issues raised in the SECURE Act were all based on research. For instance, we know that coverage is lower among smaller employers, and so we supported multiple employer plans. We also know from our research that most IRA investors who take money out do so because the law requires them to—starting at 70½, an age that was set decades ago when life expectancy was lower. We supported allowing folks to preserve that nest egg a bit longer before they have to start taking the money out. So, key elements of the SECURE Act were supported by data on coverage as well as the actual withdrawal activity of today's retirement investors.

And how was this similar to the approach we took with e-delivery?

Holden: E-delivery was exactly the same approach in terms of understanding the data before we developed our policy recommendations. What we know is that the majority of Americans are online, whether it's on their phone or through a computer. So, it makes sense to deliver information to them electronically. Electronic information is also very interactive, and

we know from our data that 401(k) participants who engage with their plans online have higher savings rates. Electronic engagement leads to better outcomes for American savers. And, overall, e-delivery makes it easier for folks to digest what's being sent to them.

How did our legal analysis shape the response on these issues?

Abbey: Our legal analysis complements ICI's outstanding research capabilities on retirement issues. Helping policymakers understand what the research shows works and doesn't work, and then how the legal rules can be changed to better effectuate what works, is critical to achieving desired changes.

There seems to be a shift to the idea of building up the current system rather than, say, tearing down the house and starting over again. Why is that?

Holden: I think there's a recognition of the innovation that's occurred over time and the sheer size of the current US retirement system. We've got \$29.1 trillion earmarked for retirement and 60 percent of that is in defined contribution

RETIREMENT

plans and IRAs where individuals are managing the money for themselves and doing a very good job of it. So, I think there is finally recognition that the house is large and substantial and simply needs updates, rather than a teardown.

How have our efforts changed attitudes toward the defined contribution system?

Gunas: Our focus on enhancing the current system to expand coverage and reduce administrative burdens so that employers have more capacity to offer plans has been a staple of ICI's lobbying for years. From a congressional perspective, the input ICI has provided to the Hill in favor of the voluntary employer-provided retirement savings system has really helped move the needle away from some of the mandated, government-prescribed approaches that have been more prevalent in the not-too-distant past. There are still outlier proposals, but for the present, Congress intends to build on the current voluntary system. Also, good policy won out during the debate on last Congress's tax reform efforts—and that really helped solidify the benefits of tax deferral for retirement savings and the importance of the private sector.

Huffman: Part of the story is how we've turned around the faulty narrative that we need to return to the "golden era" of defined benefit plans. Data show that few Americans actually reaped the benefits of defined benefit plans. We've been able to change the understanding of this misperception and show that 401(k) plans can provide Americans with greater security in their retirement future.

Holden: In the academic and press communities, the crisis narrative and defined benefit nostalgia have been strong. But there has been a bit of a shift in that you see more of these communities suggesting that we need to get more individuals into defined contribution plans and IRAs. It suggests an acceptance of the power of those retirement savings tools. So, I think the shift in the dialogue has definitely gone toward the need to make individual, account-based saving work for more people.

What's going on in the rest of the world?

Holden: Jurisdictions around the world are grappling with the same issues that we are here in the United States. A key concern of governments around the world is how will they help their populations fund today's longer years in retirement. Every jurisdiction is trying to find ways to promote individual retirement saving for their citizens. We have many regulators and policymakers reaching out to us from around the world—seeking to identify the successful elements of our system and determine their applicability in their systems.

What's the next affirmative retirement agenda for ICI?

Gunas: It's important that we see the SECURE Act and other retirement bills to the finish line, including seeking targeted changes to ensure that the bills' provisions are designed to realize their full potential and truly benefit retirement savers. We are also working to urge adoption of other provisions not included in the current legislation. A few important examples include promoting the use of e-delivery to improve participant outcomes, as well as urging the adoption of a new SIMPLE plan and modernizing administrative rules to create efficiencies and make it easier for employers to sponsor retirement plans.

Tell us how ICI's Pension Committee work helps the retirement industry.

Abbey: The committee brings together a diverse group of members and helps ensure that ICI is developing its policy positions based on the viewpoints and expertise of the membership at large. In turn, the committee has the opportunity to hear directly from policymakers, regulators, and other experts in the industry and to share their ideas, issues, and concerns in kind.

Holden: Committee members are on the ground and "out there" in the real world, working with recordkeeping systems and fund investing. The committee is a great resource in terms of bringing real-world data to inform policy decisions. ☺

"Bringing our top-notch economists and lawyers to the Hill is the bedrock of ICI's advocacy work—providing honest, timely, and trusted information to those who are actually drafting the legislation."

PETER GUNAS
GOVERNMENT AFFAIRS OFFICER


Global Demand for ICI's Retirement Research

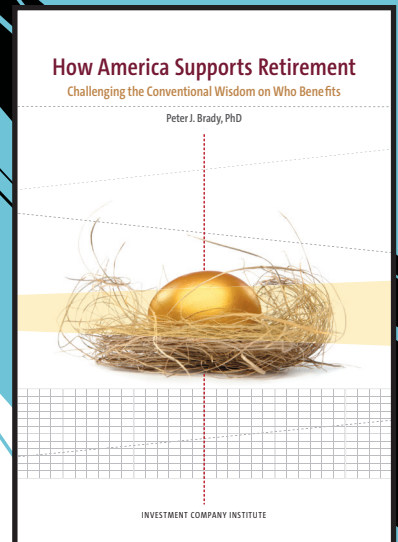
Japan joins China in publishing *How America Supports Retirement*

This winter, a Japanese translation of ICI's 2016 book, *How America Supports Retirement: Challenging the Conventional Wisdom of Who Benefits*, will be published by the Investment Trusts Association of Japan (JITA).

This innovative work is the first to use a consistent metric—estimates of tax expenditures—to give a comprehensive view of how Social Security and tax deferral work together to provide retirement resources to American workers. Written by Peter Brady, ICI senior economic adviser, it demonstrates that the full system of government support for retirement is progressive and warns that tax proposals to limit or fundamentally change

tax deferral would actually make the tax code less fair.

Japan's interest in ICI's research is not unique. This translation follows the Chinese translation of Brady's book by the Asset Management Association of China (AMAC), as well as AMAC's Chinese translation of ICI's *2018 Investment Company Fact Book* (due later this year). 



Informing Pension Reform Efforts in Asia and Europe

Policymakers worldwide are considering pension system reforms to help citizens build more retirement savings. Through reports and meetings, ICI Global helped government officials, regulators, and other stakeholders better understand global developments, lessons from the US system, and the powerful role that funds can play in helping savers build retirement resources.

Japan. Japan is considering revising tax incentives for pension plans and tax-free savings accounts. ICI—at the request of a government advisory group—sent officials information about the US retirement system, including the differences between traditional and Roth tax treatment and the types of plans available to different employers. ICI also continued to engage with Japan-based members and other stakeholders about US developments that may help inform Japan's reforms.

China. China is assessing whether to include regulated funds as an investment option in its third-pillar voluntary savings plan. Upon invitation from the China Securities Regulatory

Commission (CSRC), ICI submitted a report on the US retirement system, highlighting individual retirement accounts, their tax treatment, and the crucial role that funds play as investment options. ICI continues to engage with policymakers, and is optimistic they will include regulated funds as an investment option in China's third pillar.

Europe. EU policymakers adopted a law for creating a pan-European personal pension (PEPP) product—a new, voluntary savings vehicle that investors can take with them across member states. Though it is unclear if the law will translate into a viable product, it does include a diversified investment strategy as a basic option, which was ICI Global's top priority for the proposal. ICI Global is engaging with the European Insurance and Occupational Pensions Authority (EIOPA) as it develops standards and regulations to implement the PEPP.



EXCHANGE-TRADED FUNDS

ICI'S WORK FOR THE INTERESTS OF ETFs

ICI's Shelly Antoniewicz, senior director of industry and financial analysis, and Jane Heinrichs, associate general counsel, discuss ICI's latest work on exchange-traded fund (ETF) issues.

Big news this month for the ETF regulatory framework! Tell us about ICI's efforts on this front and what it means for the industry.

Heinrichs: This was one of our long-sought priorities—a rule that would enable sponsors to offer most ETFs directly to the market without an exemptive order. It will greatly benefit ETFs and their investors by lowering barriers, fostering more innovation, and facilitating greater competition in the marketplace. We did a huge amount of advocacy beforehand. The regulation reflects the SEC's and the industry's increasing understanding of ETFs—which we certainly have tried to advance over the years.

You have been very active in explaining ETFs' role in the markets and in debunking myths about ETFs. Tell us how you're demonstrating that ETFs have strong fundamentals.

Antoniewicz: ETFs have been growing rapidly—not only in the United States, but also worldwide—and, naturally, regulatory agencies across the globe want to take a closer look. In particular, they want to understand if ETFs could create systemic risks to underlying financial markets. So we've spent quite a bit of time talking with regulators and responding to reports about ETFs—providing

analysis to dispel misperceptions about the behavior of ETFs during stressed markets. This year we have interacted with the FSB [Financial Stability Board], the ECB [European Central Bank], and the ESRB [European Systemic Risk Board] regarding their concerns. This is notable because these agencies are global policymakers with a bank-centric focus rather than securities regulators that have an in-depth understanding of capital markets and the benefits capital markets bring to the economy.

Heinrichs: We see our role as being educators and advocates in this area. It's a big responsibility because ETFs remain popular investments for both retail and institutional investors. We back up what we say with data and analysis.

ICI has also been very active in bringing ETF stakeholders together. Would you tell us a little about your latest efforts?

Heinrichs: ICI this year expanded its ETF Advisory Committee to key members of the ETF ecosystem—all the players who support ETF investing, including ETF sponsors, authorized participants [APs], market makers, exchanges, and custodians. The committee's focus is unique because it provides an opportunity to explore the perspectives of various participants in the ETF ecosystem on a variety of issues, such as ETF trading, market liquidity, and market structure. More broadly, the committee also hopes to increase the education around and awareness of ETFs. The goal is to keep honing a vibrant industry that works well and trades well.



JANE G. HEINRICHS
Associate General Counsel

SHELLY L. ANTONIEWICZ
Senior Director
Industry and Financial Analysis

Antoniewicz: We also had our first in-person global meeting for the ICI Global ETF Committee last year, allowing us to reach and hear from sponsors who offer ETFs in other jurisdictions as well as the United States. It was very well received by members, and we're continuing this format going forward. Our next meeting is in October.

What are the next big projects underway to educate policymakers and the public about ETFs?

Heinrichs: We're working on a glossary of commonly used terms in the ETF industry. This was a project that came out of our first ICI Global ETF committee meeting. There was a sense that we needed some standard definitions. What is an AP? What is a market maker? What is the difference between the two? We plan to use it in our education efforts and our advocacy meetings with regulators and other policymakers who might not be as familiar with common terms used in connection with ETFs.

Antoniewicz: We produced an educational video explaining the basics of ETFs. It was developed with retail investors in mind, to help them understand the differences between an ETF and a mutual fund. We're going to be following it up later this year with a video about ETFs and the markets, explaining some of the spikes in volatility that we saw in the US equity market in 2018. We show through data that ETFs drive very

little of the volatility in the underlying markets. In addition, we've started work on updating analysis in our 2015 paper on the role of APs in the ETF ecosystem and expect that to be published later this year.

You have both been very active in providing advocacy for the ETF industry. Tell us about your latest engagements.

Heinrichs: We continue to be active at various ICI and ETF industry conferences. This past year, I participated in a number of panels at various ETF and industry conferences—including ICI's Securities Law Developments Conference—discussing the regulatory environment, and specifically discussing the ETF rule proposal.

EXCHANGE-TRADED FUNDS

Antoniewicz: A Capitol Hill Lunch and Learn in April offered an opportunity to provide Capitol Hill senior staffers with information about the ETF industry and answer questions they had about ETFs, their structure, and the role they play in the financial markets. I shared how research plays a role in regulatory policy at the Nasdaq ETF conference in November. For the Washington, DC, chapter of Women in ETFs in May, I did a panel describing some of the work ICI has done in debunking the myths and misperceptions of ETFs.

Heinrichs: We work hard to provide as much data and fact-based analysis to the industry and the public as we can, and these speaking engagements are one way that we can weigh in and advocate for ETFs.

When you talk to members, what are you most proud to share about ICI's work on ETFs?

Antoniewicz: Most recently, I'd say our empirical work for supporting custom baskets in the ETF proposal. It was very good academic-type research that showed that custom baskets provide benefits to ETF investors by giving them smaller bid/ask spreads and discounts. This work demonstrated that custom baskets would provide benefits to both sponsors, by leveling the playing field, and retail investors who access ETFs primarily on the secondary market, by reducing their transactions costs.

Heinrichs: I agree. I'm proud of the advocacy that we did through our comment letter on the ETF rule proposal and, in particular, the empirical work Shelly just mentioned that we used to show that custom baskets provide benefits to shareholders. ©

For more information on ICI's ETF work, please visit www.ici.org/etf.

“We see our role as being educators and advocates. It's a big responsibility because ETFs remain popular investments for both retail and institutional investors. We back up what we say with data and analysis.”

JANE HEINRICHS
ASSOCIATE GENERAL COUNSEL

ETF Use Is a Worldwide Phenomenon

Worldwide ETF assets now stand at \$5.6 trillion, nearly eight times the amount a little more than a decade ago—phenomenal growth for an industry not even 30 years old. The United States leads in market share, but the global interest in ETFs has continued writing a growth story.

Europe, which has the second-largest ETF marketplace, saw ETF assets grow from \$143 billion to \$859 billion over the past decade. In the Asia-Pacific region (excluding Japan), assets in ETFs increased from \$24 billion at year-end 2008 to \$257 billion as of July 2019. Canada's ETF market also has expanded rapidly in recent years. ☺

Global ETF Assets by Region

Billions of US dollars

| | YEAR-END 2008 | YEAR-END 2018 | JULY 2019 | AVERAGE ANNUAL GROWTH |
|---------------------------------------|------------------|------------------|-----------|--------------------------|
| United States ¹ | \$496 | \$3,308 | \$3,920 | 20.9% |
| Europe ² | 143 | 726 | 859 | 17.6 |
| Asia/Pacific (ex. Japan) ² | 24 | 190 | 257 | 23.0 |
| Japan ² | 28 | 306 | 357 | 27.0 |
| Canada ² | 16 | 115 | 139 | 21.8 |
| Latin America ² | 5 | 8 | 11 | 4.8 |
| Middle East/Africa ² | 2 | 28 | 34 | 30.2 |

¹ ETFs registered under the Investment Company Act of 1940.

² ETFs with an open-end mutual fund structure, excluding exchange-traded products with grantor trust, partnership, notes, and depository receipt structures.

Sources: Investment Company Institute and ETFGI

Advocating in Europe for the ETF Industry



In a keynote speech at FundForum International's annual global investment management event, held in Copenhagen in June 2019, ICI Global Chief Counsel Jennifer Choi pushed back against misperceptions about ETFs.

Choi shared the state of play in the ETF industry, with a focus on Europe. She also

explored the global regulatory environment that has emerged as regulators around the world are making it a priority to study ETFs and their markets. Similarly, she dispelled misperceptions about ETFs that often appear in global ETF policy discussions.



FINANCIAL MARKETS

FOSTERING MORE TRANSPARENT, ORDERLY, AND EFFICIENT MARKETS

ICI members participate in the financial markets on behalf of millions of retail investors and have a compelling interest in ensuring that markets are transparent, efficient, and fair. These overarching principles guided ICI advocacy on many market-related initiatives this past year.

Supporting the SEC's Transaction Fee Pilot Program

ICI has long called upon the Securities and Exchange Commission (SEC) to study whether the fees that exchanges charge for matching orders harm market quality. In comment letters and meetings with policymakers, ICI explained that the predominant transaction pricing model—known as the “maker-taker” system—increases market complexity, decreases price transparency, and creates conflicts of interest for brokers by offering incentives to route orders to trading venues based on the venue’s fees and rebates, not its order execution.

In December 2018, ICI was encouraged when the SEC adopted a Transaction Fee Pilot Program, in response to ICI’s and other industry participants’ advocacy. As part of the program, exchanges will have to compile and disclose data on their fee and rebate practices. These data will help the SEC evaluate if it needs to pursue regulatory action to make markets fairer and more transparent for the benefit of funds and their investors.

The SEC temporarily delayed implementing part of the pilot after several national securities exchanges filed a legal challenge to the pilot in February. ICI submitted an amicus brief to a federal appeals court explaining how the pilot benefits investors and equity markets, and why it fits squarely within the SEC’s mission. A decision is still pending, and ICI will continue to support the Commission as it works toward fully implementing the pilot.

Increasing the Transparency of Broker-Dealer Order-Handling Practices

In another step toward improving transparency in equity markets, ICI welcomed the SEC’s rules requiring broker-dealers to submit more detailed disclosures about their order-handling practices. These rules are the culmination of an ICI-led initiative to improve the ability of regulated funds and other institutional investors to evaluate how broker-dealers route their orders.

Among other things, the rules require broker-dealers to use standard templates to provide more meaningful order-handling disclosures. The information will enable regulated funds to better assess how broker-dealers are fulfilling their best execution obligations.

The new order-handling rules will complement the transaction fee pilot. Members will be able to get data more easily about broker-dealers’ order-handling decisions, compare those decisions across broker-dealers, and identify whether any conflicts of interest created by exchange transaction fees and rebates influence those order-handling decisions.

Advocating for Harmonized Derivatives Regulation

Both the SEC and the Commodity Futures Trading Commission (CFTC) continue to work toward harmonizing the regulatory framework for derivatives. This year, the SEC adopted final capital, margin, and segregation requirements for securities-based swap dealers. ICI has extensively engaged with the Commission on this issue over the past seven years, and was pleased that the SEC took many member recommendations into account in its final rules.

Among those recommendations, the SEC adopted an alternative compliance mechanism, in which some security-based swap dealers may be able to satisfy the SEC’s

requirements by complying with the CFTC's margin requirements for swaps with respect to their security-based swap business. Similarly, the SEC accepted recommendations for a substituted compliance regime, which permits non-US security-based swap dealers to potentially meet some of their obligations by complying with the requirements of a foreign jurisdiction. Taken together, these provisions may increase market efficiency and reduce both unnecessary compliance costs and operational difficulties for eligible dealers and their counterparties, including funds.

Maintaining Transparency at Swap Execution Facilities

In March, ICI submitted a comment letter to the CFTC concerning its proposed amendments to the rules governing swap execution facilities (SEFs), voicing concerns that some of the

changes would reduce transparency and disadvantage regulated funds and their investors.

For several reasons, ICI recommended that the CFTC give the swaps market more time to develop before it considers any changes. For example, the current regulatory framework guarantees that funds have access to SEFs. The CFTC's proposed changes would reduce funds' access to these critical trading platforms, impair liquidity, and diminish competition. The Institute urged the CFTC to reconsider moving forward with its proposed changes and will continue to engage with it on this issue. [🔗](#)

Ensuring Capital Flows Around the World: Brexit and China



ICI Global is working to keep capital markets open across borders. With Brexit looming, the focus in Europe is to avoid disruption even in a no-deal scenario.

At the top of the agenda is the European Union's policy of delegation of portfolio management, which enables Europe's Undertakings for Collective Investment in Transferable Securities (UCITS), often domiciled in Luxembourg or Ireland, to obtain key services from providers outside the European Union. Delegation was recently at issue in a legislative provision that would have empowered the European Securities and Markets Authority (ESMA) to limit UCITS managers' delegation of portfolio management and other key functions to experts outside the European Union.

Although legislators ultimately rejected this provision, EU regulatory bodies and member states are likely to maintain their scrutiny of delegation, particularly as the United Kingdom leaves the European Union. Changes to the delegation regime in the Brexit context could threaten funds' ability to delegate portfolio management to London-based experts—with serious implications for delegation of functions in the United States, Asia, and elsewhere.

In China, funds have seen more progress. In late 2017, China announced that foreign owners could lift their stake in domestic asset management companies from 49 percent to 51 percent, with 100 percent ownership allowed in 2021, subsequently accelerated to 2020. This June, ICI Global met with the China Securities Regulatory Commission (CSRC) and the Asset Management Association of China (AMAC) about challenges faced by foreign managers in joint ventures with Chinese partners reluctant to sell their majority stakes.

At the meeting, ICI Global discussed the 1+1 policy and received positive feedback that the policy could be extended to foreign managers. The policy provides an exception to Chinese conflict-of-interest rules barring any entity from owning more than one fund company. That enables a minority joint venture partner to take majority or full ownership of another fund company as long as the two maintain separate boards, management, and operations. On June 13, China announced that it would expand the 1+1 policy to foreign asset managers, so that in 2020, a foreign owner can own 100 percent of its own Chinese fund company in addition to a minority stake in another fund company.

INDEPENDENT DIRECTORS COUNCIL

A LEADER IN EVERY WAY

IDC Governing Council Chair Dawn M. Vroegop recalls the tenure of Amy B. R. Lancellotta, IDC's long-serving managing director, who will retire at the end of 2019.

When I first met her in 2007, on the sidelines of an IDC conference in San Francisco, we spoke only briefly. Amy Lancellotta had a busy day ahead of her, after all, with a panel to prepare for, meetings to run, attendees to welcome, a community to engage.

But the conversation stuck with me. Aside from my fellow fund directors, I had never met someone who so deeply believed in our work—who so thoroughly understood it—with such smart ideas to support it. For those five minutes or so, I felt like I was talking to every director I had ever met—all in one person. And then she disappeared back into the crowd.

IDC was still young then—barely three years old, and only recently beyond tough debates about its direction and scope. But I had a sense that, with Amy at the helm, IDC and the fund director community would have a bright future.

I was not mistaken. Over the next 12 years, Amy would build a comprehensive education program for directors, enhancing and expanding its suite of initiatives to equip them with the knowledge and skills they need to serve shareholder interests.

She would empower directors to connect more meaningfully with their peers—providing them with frequent, practical opportunities to share ideas and experiences broadly, and to participate in discussions tailored to their specific board committee and leadership roles.

She would help the public better understand how fund boards govern, the value they add, and the benefits they provide to fund shareholders.

And she would immeasurably strengthen the director community's voice in policy debates—defending boards' critical oversight role; urging the Securities and Exchange Commission to recalibrate the many board responsibilities

“Her commitment to excellence has driven an IDC that always strives to improve. Her positive energy has fostered an IDC with clear eyes to its mission. Her collaborative mindset has cultivated an IDC where everyone wants to work together—and where every idea gets a fair hearing.”

DAWN VROEGOP
IDC GOVERNING COUNCIL CHAIR

that have become outdated or duplicative; and challenging proposals that task directors with duties better suited to rest with the adviser.

Thanks in large part to Amy's leadership, fund directors have never been more educated or engaged, the public never more informed about our work, and the SEC and staff never more judicious in considering the types of responsibilities that fit with our role.


No one could lead IDC without a strong grasp of the governance and regulatory issues that directors so often tackle in the boardroom, nor the sharp skills to devise solutions that position directors to be the best they can be for fund shareholders. And Amy's tenure certainly has had both in ample supply.

But knowledge and talent get you only so far. What separates Amy from so many other leaders I've known—what has had an even bigger hand in securing IDC's place as fund directors' lead advocate—is the approach she takes to her work.

Her commitment to excellence has driven an IDC that always strives to improve. Her positive energy has fostered an IDC with clear eyes to its mission. Her collaborative mindset has

cultivated an IDC where everyone wants to work together—and where every idea gets a fair hearing.

It's true that the director community has seen its fair share of challenges over the years, with regulatory and industry developments adding new layers to our work. And we'd be shortsighted to think our role won't continue to evolve.

Yet we can be confident in overcoming any test that comes our way. Indeed, Amy hasn't just led IDC through more than a dozen successful years; she has set IDC up to succeed for a dozen more. And that—more than anything—is why we thank her, salute her, and wish her a long, happy retirement. 



Dawn M. Vroegop
IDC Governing Council Chair



AMY B. R. LANCELLOTTA

INDEPENDENT DIRECTORS COUNCIL

The Director Perspective, Front and Center

Ensuring that fund directors' responsibilities align with their critical oversight role—the role where directors are best positioned to support shareholder interests—has long been a centerpiece of IDC's robust advocacy program. With two thoughtful no-action letters from the SEC's Division of Investment Management (IM) this year, each in response to an IDC request, directors saw significant progress toward that end.

In October, IM permitted fund boards to rely on written representation received from fund chief compliance officers (CCOs) confirming that affiliated transactions complied with procedures adopted by boards, instead of having to determine compliance themselves. In doing so, the letter allows boards to avoid duplicating functions commonly performed by or under the supervision of CCOs.

And in February, IM eased the in-person voting requirement for board approval of advisory contracts and other matters, while retaining appropriate safeguards. The letter makes it easier for directors to give their approval by phone, video conference, or other means in emergency circumstances.

IDC also weighed in on several other important regulatory initiatives:

- » Supporting efforts to modernize fund disclosure requirements in ways that help investors understand key information and reduce fund costs, IDC urged the SEC to let

registered funds deliver prospectuses online as the default option, and encouraged the Commission to consider a summary shareholder report.

- » Describing the many flaws in the fee framework for distributing fund materials, IDC urged the SEC to reform the framework by allowing funds to choose their own delivery vendor and negotiate the fees.
- » Backing the SEC's rule to let registered funds deliver shareholder reports online as the default option, IDC joined with ICI in filing an amicus brief with an appeals court explaining why the court should deny the paper industry's petition to review the rule.
- » Contributing to the SEC's proxy voting roundtable, IDC explained fund boards' important role in this complex process.
- » Endorsing an SEC proposal to create a summary prospectus for variable life insurance and variable annuity contracts, IDC lauded the proposal's layered approach to disclosure, noting that it would provide investors with key information up front and access to more detailed information online or in paper format on request.
- » Expressing qualified support for the SEC's proposal to streamline the regulatory framework governing fund of fund arrangements, IDC praised the proposal's recalibration of director responsibilities, but opposed its disruptive and harmful redemption restriction. 🌐

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A Celebration of Contributions to the Fund Director Community

IDC celebrates its 15th anniversary this year, and with it another year of dedication to the fund director community and vigorous support for independent directors' work on behalf of shareholders. From its beginnings in 2004, IDC has developed into a thriving organization dedicated to serving fund directors with educational programs, information-sharing, and regulatory advocacy.

IDC took this occasion to ask members of the fund director community about how IDC can continue to best serve director interests and needs in the coming years. To do this, IDC conducted a survey of independent directors to seek their views on IDC's programs and services. The vast majority of director respondents view IDC as an effective organization,

providing valuable information, beneficial networking opportunities, and important advocacy. The results of this survey will be used to tailor IDC programs to help directors remain current and engaged on issues affecting fund boards.

Building on this information and past successes, IDC, under incoming Managing Director Thomas T. Kim, will continue to provide programs and services that enable fund directors to face new challenges. ☺



ICI Names Thomas T. Kim Managing Director of IDC

Thomas T. Kim is succeeding Amy B. R. Lancellotta as managing director of the Independent Directors Council (IDC).

Before joining IDC, Kim served as senior vice president at the Mortgage Bankers Association, where he led strategy and management of the group's commercial real estate finance area. Previously, Kim managed regulatory and public policy matters as associate general counsel at Freddie Mac. Kim is a veteran of ICI, serving as associate counsel from 1999 to 2005.

Kim is a graduate of the University of California, Irvine. He holds a JD from the University of California, Los Angeles, and an LLM from Georgetown University.



“We are delighted that Tom will be returning to ICI in this critically important role. For 15 years, IDC has provided invaluable services to the fund director community, and Tom's proven leadership skills will help us build on that success.”

PAUL SCHOTT STEVENS
ICI PRESIDENT AND CEO

OPERATIONS

MANAGING THE CHALLENGES OF CHANGE

The fund industry is flourishing and growing—but faces constant change. The mission of ICI's Operations Department is to help members work together to manage that change, whether it arises through regulation, evolving investor needs, or new technology. As funds strive to deliver products and services in a timely, cost-effective, secure, and accurate manner, ICI works to help ensure members can manage the challenges of change.

Engaging Small Funds

In today's intensely competitive and cost-driven industry, the marketplace tends to reward sponsors for innovation and efficiency. Small funds can be innovative—but creating scale that drives efficiency can pose challenges. Addressing ICI's 2019 Mutual Funds and Investment Management Conference, Dalia Blass, director of the Securities and Exchange Commission (SEC) Division of Investment Management, voiced concerns that economic pressures on smaller funds will reduce investor choice. Blass announced an outreach program to smaller funds, seeking information on regulatory burdens and exploring ways to relieve pressure on these funds while maintaining investor protections.

ICI welcomed this initiative and responded by engaging the Small Funds Committee and the new Series Trust Advisory Committee, which was just launched in January 2019. ICI's goal is to bring smaller funds into direct dialogue with the SEC—and to act as an intermediary in relaying data and concerns that funds do not feel comfortable raising to regulators on their own.

Small funds have always represented innovation, nimble investing, and ease of entry that helps keep the industry dynamic. ICI remains committed to smaller funds and ensuring investors have a broad choice of asset managers to meet their needs.

Benchmarking Fraud Prevention Practices

Fraudulent schemes—identity theft, romance scams, and a host of other swindles—continue to pose threats to fund shareholders. To help funds strengthen their barriers to fraudsters, ICI's Operations team in January 2018 created a Fraud Prevention Working Group and fielded a confidential member survey on fraud prevention practices—the first of its kind. Results of the survey were provided to survey participants in January 2019, allowing members to benchmark their internal practices against their peers' practices. The working group is now drafting a white paper to share among ICI members some of the best practices, procedures, and technologies to detect and prevent fraudulent transactions against fund accounts. The paper will outline potential red flags that will help members identify potentially fraudulent schemes sooner and to advance their never-ending fight to ensure that shareholders keep and enjoy the hard-earned assets entrusted to member funds.

Enhancing Cybersecurity

Cybersecurity threat actors depend on deception to carry out their schemes. Targeted firms must work collectively to detect and stop security threats, but in this hall-of-mirrors world, one of the toughest challenges can be knowing what information and what sources can be trusted.

ICI is working with two arms of the US government to build trustworthy networks and tools to fight cyber criminals. Working with the Federal Bureau of Investigation (FBI), ICI and its members are helping to develop a secure information sharing platform called the Cyber Finance Working Group. Unlike most similar groups, the Cyber Finance Working Group requires all participants to belong to the FBI's InfraGard—the FBI's partnership with the private sector to protect critical US infrastructure—which puts participants through an FBI background check. Members of the working group participate in FBI briefings, webinars, and other discussions of threat assessments, and can post data and reports on the group's sharing platform. As a closed network with screened members, the working group instills greater confidence in the information members—who now number 600—receive.

The Institute is also working with the US Department of Homeland Security (DHS) on a project to assist critical infrastructure sectors, including financial services, to become more resilient to cyber threats. ICI's Chief Information Security Officer Advisory Committee (CISOAC) is helping DHS identify needed security tools that currently are not available in the marketplace.

Supporting Interval Fund Processing

In response to the growth of assets under management in interval fund products, the Operations team organized

a task force of members and other industry stakeholders to craft a white paper addressing challenges and considerations for interval fund operations. Those findings support further industry work to begin modifying systems to provide efficient straight-through processing of interval fund repurchases. In the coming year, continuing work will address documenting key considerations for common interval processing practices. ☺



Improving Practices Through Diplomacy

As the global economy becomes increasingly interconnected, ICI Global is working with fund industry participants around the world to improve industry practices. Especially active this year have been efforts to strengthen cybersecurity and, in the European Union, to streamline practices involving due diligence over distributors.

Cybersecurity for Everyone

In an interconnected market, the worldwide fund industry is only as strong as its parts—and disparities in cyber preparedness persist among fund companies across the globe, according to ICI Global's annual cybersecurity survey. With that in mind, ICI Global is striving to make certain that asset managers in different regions of the world implement sound fundamental cyber hygiene to strengthen their defenses against cyber incursions.

At presentations to the Investment Management Association of Singapore and the Financial Services Council in Australia, ICI Global noted that some of the most effective cybersecurity measures often are neither the newest nor the most expensive. This fall, ICI Global and the International Investment Funds Association (IIFA) will launch the promotion

of "Six Steps and a Process," a set of inexpensive, easily implemented—yet effective—protection measures.

Efficiency for EU Fund Distributors

In January 2018, the European Union implemented the Markets in Financial Instruments Directive II (MiFID II) to standardize regulatory practices across the region. Included is a requirement for fund manufacturers to perform due diligence over their distributors. The result: a bottleneck, as distributors contend with disparate due diligence questionnaires from various fund clients.

In March, ICI Global established the Industry Distributor Oversight Working Group to create one uniform questionnaire to satisfy baseline regulatory requirements in the jurisdictions where the funds are sold. Individual fund manufacturers can still ask for more information, as needed. The group is scheduled to conclude the questionnaire by the fourth quarter of 2019. ICI Global will continue working with industry participants and other trade bodies to ensure market adoption of the questionnaire.

ICI POLITICAL ACTION COMMITTEE


WORKING FOR FUND SHAREHOLDERS ON CAPITOL HILL

ICI's Government Affairs team has a long history of working on Capitol Hill to advance the interests of registered funds and their shareholders—and the Institute's political action committee (ICI PAC) is a major part of that effort. Since 1985, ICI PAC has worked to increase awareness among key lawmakers of fund-related issues, and to enable members to pool resources and to speak with one voice in the political arena.

Every year, ICI PAC supports the campaigns of lawmakers who demonstrate an interest in public policies that could affect registered funds and their shareholders, and builds relationships with lawmakers who work closely on financial services issues. Employees of ICI member companies can support elected officials through ICI's political program by:

- » contributing directly to ICI PAC;

- » participating in fundraisers for individual candidates hosted by ICI PAC; or
- » contributing to lawmakers recommended by the Chairman's Council, which governs ICI PAC.

Thanks to contributions from employees of member companies and ICI staff, ICI's political program raised more than \$2 million during the 2018 election cycle, supporting the reelection of 226 lawmakers on both sides of the aisle. Many of these lawmakers serve in key positions on committees with primary jurisdiction over the fund industry. 

Please contact Brittany Starr, ICI's director of political affairs, at brittany.starr@ici.org or 202-371-5421 with any questions about ICI's political program. Please visit www.ici.org/pac for more information.



In the 2017–2018 election cycle, ICI PAC:

Received contributions from
772
individual donors

Supported the reelection of
226
members of Congress

Raised
\$2,055,062
plus
\$1,046,846
more, directly for federal candidates

Disbursed
\$1,944,000
in direct contributions to federal candidates, leadership PACs, and national political party committees



Representative Tom Graves (R-GA, center-left) speaks with (from left to right) Dean Sackett, ICI chief government affairs officer; Marie Chandoha, former ICI governor and former president and CEO of Charles Schwab Investment Management; former Representative Bob Livingston (R-LA); and ICI Governor Susan Livingston, partner at Brown Brothers Harriman & Co.



Representative Lisa Blunt Rochester (D-DE) gives a political overview at an ICI event held in her honor.



Senator Maggie Hassan (D-NH), member of the Senate Committee on Finance and Senate Committee on Health, Education, Labor, and Pensions, gives a Capitol Hill update.



Senator John Cornyn (R-TX), a member of the Senate Finance Committee, speaks to attendees at a 2018 reception held at ICI.



James McNamara to Lead the Chairman's Council

Each year, ICI's Board of Governors appoints a group of its members—the Chairman's Council—to oversee and set the policy direction of ICI's political activities. In May 2019, the Board chose James A. McNamara, president of Goldman Sachs Mutual Funds, to lead the council. McNamara took over from Susan Livingston, partner at Brown Brothers Harriman & Co., who had led the council since October 2016.

GENERAL MEMBERSHIP MEETING

HIGHLIGHTS FROM THE 2019 GMM

ICI's General Membership Meeting (GMM) is the premier destination for fund industry leaders to discuss policy, trends, and the future of funds. The 61st annual GMM, held May 1–3, 2019, in Washington, DC, continued this tradition, and gave attendees the opportunity to attend three other concurrent conferences: ICI's Operations and Technology Conference, ICI's Mutual Fund Compliance Programs Conference, and IDC's Fund Directors Workshop.



Welcome and Opening Remarks. GMM Planning Committee Chair Yie-Hsin Hung, CEO of New York Life Investment Management, set the stage for the meeting, reflecting on how competition, technology, and global thinking are redefining the fund industry.



Technological Innovation and Globalization. Joseph Tsai, Alibaba Group cofounder and executive vice chairman, engaged in a lively conversation with ICI President and CEO Paul Schott Stevens on technological innovations, which require not just the right technology but also the right circumstances. Tsai and Stevens also discussed how the United States and China can ensure a relationship with mutual advantages and how the next generation will be able to succeed.



Address to the Fund Industry. ICI Chairman George C. W. Gatch, CEO of J.P. Morgan Asset Management, discussed the unstoppable progress toward globalization in the fund industry and the inevitable integration of world economies. He also noted the necessity of advancing investor education and promoting financial literacy around the world, while working to help investors achieve their financial goals.



Marketing Innovations and Imperatives: Insights from Senior Executives. Frank Cooper III (left), senior managing director and global chief marketing officer at BlackRock, moderated a discussion on how to leverage tech in data-driven marketing. The panel, which also included Martha “Marty” Willis (center), chief marketing officer for Nuveen, and Simon Mulcahy (right), chief innovation officer at Salesforce, noted the importance of keeping the human element in place.



Facing the Future: Leadership Perspectives. Sarah Ketterer (left), cofounder and CEO of Causeway Capital Management, moderated a panel on challenges in asset management at GMM’s leadership session. The panel also featured (from left) Martin Flanagan, president and CEO of Invesco; and Joseph A. Sullivan, chairman and CEO of Legg Mason.



Opportunities for Networking and Learning. GMM attendees explored the offerings at the GMM dinner event, which was held at the Smithsonian National Air and Space Museum.



50 Years of Apollo Missions: The Next Giant Leap. Ellen Stofan (left), director of the Smithsonian National Air and Space Museum and former chief scientist at NASA, discussed space technologies and innovations and emphasized the importance of a diverse and inclusive workforce with GMM Planning Committee Chair Yie-Hsin Hung, CEO of New York Life Investment Management.



Regulatory Breakfast Session: A Conversation with SEC Chairman Jay Clayton. SEC Chairman Jay Clayton responded with candor to questions from ICI President and CEO Paul Schott Stevens during a lively regulatory session. Clayton, who was making his first appearance at GMM as SEC chairman, discussed competition in asset management; environmental, social, and governance (ESG) investing; and how the need to provide certainty for financial advisers and investors affected his decision to enter the standards of conduct debate early in his tenure.

For more highlights from the meeting, please visit www.ici.org/gmmhighlights.

ICI EDUCATION FOUNDATION

30 YEARS OF ENCOURAGING INVESTOR EDUCATION

In October 2019, the ICI Education Foundation (ICIEF) will mark 30 years of pursuing its mission to advance investor education and to promote financial education on behalf of the regulated fund industry.

Throughout its history, ICIEF has fulfilled its mission by pursuing initiatives that target a wide variety of investors and future investors—from middle school students to senior citizens, from those new to the workforce to longtime retirement savers, and across a range of communities. The foundation's programs reflect its history of reaching out to a range of audiences.

Investors of the Next 30 Years

The foundation's long-standing partnership with Junior Achievement grew in 2019 as Junior Achievement expanded its Finance Park program into Montgomery County, Maryland, joining existing facilities in Fairfax County, Virginia, and Prince George's County, Maryland. Each middle schooler in these counties' public schools—approximately 35,000 children each year—takes a one-day trip to Finance Park to learn about earning, budgeting, saving, and investing through the foundation's Investing Road Trip™ exhibit and accompanying interactive scavenger hunt.

ICI Education Foundation Through the Years

1989

ICI Education Foundation founded as ICI's educational affiliate to develop, deliver, and promote saving and investing education through its programs and in partnership with financial education advocacy groups

1994

Started *Mutual Fundamentals* education program for secondary school students



2002

Partnered with the Hispanic College Fund, Inc., to promote Spanish-language version of *Investing for Success: Invertir con Exito*

2009

Launched investor education grant program to benefit organizations in the Washington, DC, area

1990



Assumed responsibility from ICI for Journalism Awards for Excellence in Personal Finance Reporting, in partnership with American University, which were awarded for another 10 years

2000

Launched *Investing for Success* program in partnership with the National Urban League



2004

Worked with the SIFMA Foundation to add mutual funds to the Stock Market Game™

Supporting Talent Entering the Industry

In April, ICIEF announced a new partnership with a leading nonprofit dedicated to promoting greater diversity and inclusion in the financial services industry. The Robert Toigo Foundation—which, like ICIEF, was founded 30 years ago—fosters the career advancement and leadership of underrepresented talent in finance and similar industries. As a partner, ICIEF awarded the Toigo Foundation a \$20,000 grant to help fund its important efforts.

Investing has changed significantly in the past 30 years, but the need for investor education has remained. The ICIEducation Foundation will continue to work to help investors find the resources they need as they work to achieve their financial goals. ☺

2011

Founded financial award program to recognize outstanding performance by high school students on the National Financial Capability Challenge, a joint initiative of the US Departments of Treasury and Education



2017

ICI staff began to volunteer in Finance Parks



2019

Announced partnership with Toigo Foundation in support of its mission to promote greater diversity and inclusion in the financial services industry

2010

Sponsored Junior Achievement of Greater Washington's Finance Park program for middle school students in Fairfax County, Virginia

2016

Created Investing Road Trip™ exhibit and scavenger hunt in Junior Achievement Finance Parks in Prince George's County, Maryland, and Fairfax County, Virginia



2018

Installed the Investing Road Trip into a new Finance Park in Montgomery County, Maryland, which now reaches 35,000 middle school students each year in the metro DC area's three Finance Parks

APPENDIX A

Governance and Finances

Governance

ICI is a 501(c)(6) organization that represents regulated investment companies on regulatory, legislative, and securities industry initiatives that affect funds and their shareholders. ICI members include mutual funds, exchange-traded funds, closed-end funds, and sponsors of unit investment trusts in the United States; similar funds offered to investors in jurisdictions worldwide; and their investment advisers and principal underwriters.

The Institute employs a staff of approximately 180 (see Appendix B, page 39). The ICI president and staff report to the Institute's Board of Governors, which is responsible for overseeing the business affairs of ICI and determining the Institute's positions on public policy matters (see Appendix C, page 40).

ICI's Board of Governors is composed of 56 members, representing ICI member companies and independent directors of investment companies. Governors are elected annually to staggered three-year terms. The Board is geographically diverse and includes representatives from large and small fund families, as well as fund groups sponsored by independent asset managers, broker-dealers, banks, and insurance companies. This broad-based representation helps to ensure that the Institute's policy deliberations consider all segments of the fund industry and all investment company shareholders.

Five committees assist the Board of Governors with various aspects of the Institute's affairs. These include an Executive Committee—responsible for evaluating policy alternatives and various business matters and making recommendations to the Board of Governors—as well as Audit, Compensation, Investment, and Nominating committees. Other than the Institute's president, who is a member of the Executive Committee, all members of these committees are governors. The Board also has appointed the Chairman's Council to administer the Institute's political programs, including the political action committee, ICI PAC (see page 30). The council includes 10 governors, the treasurer of ICI PAC, and the Institute's president (ex officio).

To provide strategic direction to ICI's international program, the ICI Global Policy Council takes the lead in setting the program's priorities and coordinating initiatives worldwide, subject to the Executive Committee's review and approval (see Appendix F, page 44).

ICI addresses the needs of investment company independent directors through the Independent Directors Council (IDC). IDC organizes educational programs, keeps directors informed of industry and regulatory developments, assists in the development and communication of policy positions on key issues for fund boards, and promotes greater understanding of the role of fund directors. IDC's Governing Council, made up of four committees, helps set IDC's priorities in these areas (see Appendix E, page 43).

Twenty-five standing committees, bringing together more than 2,200 industry professionals, guide the Institute's policy work. ICI standing committees perform a number of important roles, including assisting with formulation of policy positions, and gathering and disseminating information on industry practices (see Appendix D, page 42). In addition, 49 industry advisory committees, task forces, forums, and working groups with more than 3,700 participants tackle a range of regulatory, operations, and business issues. In all its activities, ICI strictly observes federal and state antitrust laws, in accordance with a long-standing and well-established compliance policy and program.

Finances

Throughout its history, the Institute has sought to prudently manage its financial affairs in a manner deemed appropriate by the Board of Governors, which is responsible for approving ICI's annual budget and its member net dues rate. The Board of Governors considers both the Institute's core and self-funded activities when approving the annual net dues rate.

Core activities are related to public policy and include regulatory, legislative, operational, economic research, and public communication initiatives in support of investment companies and their shareholders, directors, and advisers. Reflecting the Institute's strategic focus on issues affecting investment companies, the Board of Governors has chosen to fund core activities with dues rather than seeking alternative sources of revenues, such as sales of publications, and strives to keep the level of dues relatively flat when compared to industry assets under management (see Figure 1). The significant majority of ICI's total revenues, 91 percent, comes from dues, investment income, royalties, and miscellaneous program sources. Similarly, by design, 92 percent of the Institute's total resources are devoted to core activities (see Figure 2).

Core expenses support the wide range of initiatives described in this report. Self-funded activities (e.g., conferences, special surveys) are supported by separate fees paid by companies and individuals who participate in these activities. The financial

goal for self-funded activities is that fees should cover all direct out-of-pocket costs and provide a margin to cover associated staff costs, to ensure that these activities are not subsidized by member dues. ©

FIGURE 1

Member Dues Relative to Assets Under Management Have Declined

Basis points

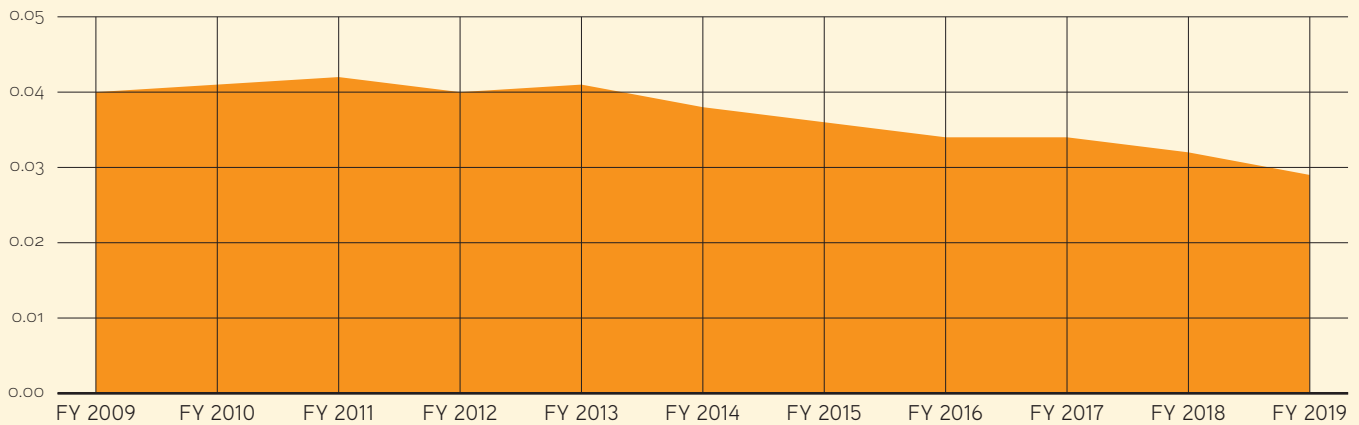
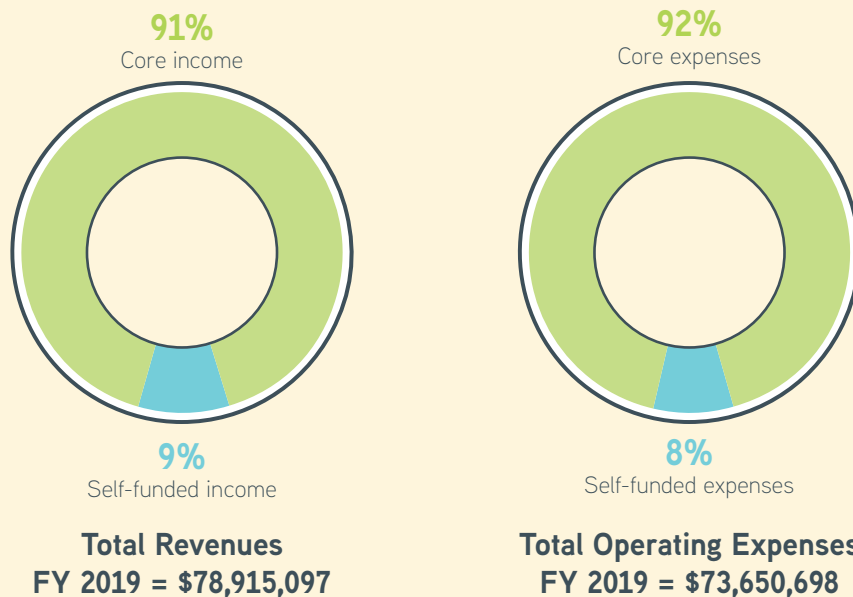


FIGURE 2

Member Dues Support Significant Majority of Core Activities at ICI



Financial Statements

Statement of Financial Position

As of September 30, 2019

Assets

| | |
|--|-------------|
| Cash and cash equivalents | \$1,585,479 |
| Investments, at market value | 68,901,450 |
| Accounts receivable | 1,025,535 |
| Prepaid expenses | 2,746,764 |
| Other assets | 2,965,860 |
| Furniture, equipment, and leasehold improvements, net (less accumulated depreciation of \$14,476,684) | 3,758,185 |

| | |
|--------------|---------------------|
| Total assets | <u>\$80,983,273</u> |
|--------------|---------------------|

Liabilities and Net Assets

LIABILITIES

| | |
|--|------------|
| Payroll and related charges accrued and withheld | 6,616,228 |
| Accrued pension liability | 7,561,398 |
| Accrued postretirement liability | 13,862,324 |
| Accounts payable and accrued expenses | 2,856,890 |
| Deferred revenue | 1,190,333 |
| Rent credit | 1,961,416 |
| Deferred rent | 5,424,570 |

| | |
|-------------------|-------------------|
| Total liabilities | <u>39,473,159</u> |
|-------------------|-------------------|

NET ASSETS

| | |
|-----------------------------|------------|
| Undesignated net assets | 40,510,114 |
| Board designated net assets | 1,000,000 |

| | |
|------------------|-------------------|
| Total net assets | <u>41,510,114</u> |
|------------------|-------------------|

| | |
|----------------------------------|---------------------|
| Total liabilities and net assets | <u>\$80,983,273</u> |
|----------------------------------|---------------------|

These financial statements are preliminary unaudited statements as of September 30, 2019. Audited financial statements for the fiscal year ended September 30, 2019, will be available after February 1, 2020. To receive copies of the audited statements, please contact Mark Delcoco at mdelcoco@ici.org.

Statement of Activities and Changes in Net Assets

For the year ended September 30, 2019

Core Income

| | |
|-------------------|-------------------|
| Membership dues | \$67,012,558 |
| Investment income | 2,365,803 |
| Royalty income | 877,078 |
| Program income | 1,474,106 |
| Total core income | <u>71,729,545</u> |

Core Expenses

| | |
|----------------------------------|-------------------|
| Administrative expenses | 59,166,708 |
| Program expenses | 6,512,452 |
| Depreciation and lobby proxy tax | 2,263,964 |
| Total core expenses | <u>67,943,124</u> |

| | |
|---------------------------|------------------|
| Change in net assets—core | <u>3,786,421</u> |
|---------------------------|------------------|

Self-Funded Income

| | |
|--------------------------|------------------|
| Conferences | 6,985,380 |
| Other self-funded income | 200,172 |
| Total self-funded income | <u>7,185,552</u> |

Self-Funded Expenses

| | |
|----------------------------|------------------|
| Conferences | 5,516,239 |
| Other self-funded expenses | 191,335 |
| Total self-funded expenses | <u>5,707,574</u> |

| | |
|----------------------------------|------------------|
| Change in net assets—self-funded | <u>1,477,978</u> |
|----------------------------------|------------------|

| | |
|--------------------------------------|-----------|
| Change in net assets from operations | 5,264,399 |
|--------------------------------------|-----------|

| | |
|--|-------------|
| Non-operating expenses | (147,491) |
| Loss on currency conversion | (43,841) |
| Actuarial pension/postretirement plan loss | (7,636,843) |

| | |
|----------------------|-------------|
| Change in net assets | (2,563,776) |
|----------------------|-------------|

| | |
|-------------------------------|-------------------|
| Net assets, beginning of year | <u>44,073,890</u> |
|-------------------------------|-------------------|

| | |
|-------------------------|---------------------|
| Net assets, end of year | <u>\$41,510,114</u> |
|-------------------------|---------------------|

APPENDIX B

ICI Staff Leadership and Management

As of September 30, 2019

Executive Office

Paul Schott Stevens^{1, 2, 6}
President and CEO

Donald C. Auerbach³
Chief Operating Officer

Government Affairs

Dean R. Sackett III
Chief Government Affairs Officer

Peter J. Gunas III
Government Affairs Officer,
Retirement Security and Tax Policy

Kelly S. Hitchcock
Director, Financial Services

Allen C. Huffman
Director, Retirement Security and
Tax Policy

Kathleen L. Mellody
Senior Government Affairs Officer

Cynthia Q. Pullom
Director, Financial Services

Brittany N. Starr
Director, Political Affairs

Law

Susan M. Olson
General Counsel

Dorothy M. Donohue
Deputy General Counsel,
Securities Regulation

Sarah A. Bessin
Associate General Counsel

Kenneth C. Fang
Assistant General Counsel

Bridget D. Farrell
Assistant General Counsel

George M. Gilbert
Assistant General Counsel

Rachel H. Graham
Associate General Counsel

Jane G. Heinrichs
Associate General Counsel

Tamara K. Salmon
Associate General Counsel

Frances M. Stadler
Associate General Counsel and
Corporate Secretary

J. Matthew Thornton
Assistant General Counsel

David M. Abbey
Deputy General Counsel,
Retirement Policy

Elena B. Chism
Associate General Counsel

Shannon N. Salinas⁴
Assistant General Counsel

Keith D. Lawson⁵
Deputy General Counsel, Tax Law

Karen L. Gibian
Associate General Counsel

Katherine A. Sunderland
Assistant General Counsel

Operations

Martin A. Burns
Chief Industry Operations Officer

Linda J. Brenner
Senior Director, Account
Management

Ahmed M. Elghazaly
Director, Securities Operations

Joanne M. Kane
Director, Transfer Agency and
Operations

Jeffrey A. Naylor
Director, Operations and Distribution

John F. Randall
Director, Operations and Distribution

Peter G. Salmon
Senior Director, Technology and
Cybersecurity

Gregory M. Smith
Senior Director, Fund Accounting
and Compliance

Public Communications

Mike McNamee
Chief Public Communications Officer

Matthew J. Beck
Senior Director, Media Relations

Jeanne C. Arnold
Director, Media Relations

Garrett D. Hawkins
Director, Media Relations

Stephanie M. Ortals-Tibbs
Director, Media Relations

Lauri M. Bearce
Senior Director, Content

Miriam E. Bridges
Director, Editorial

Christina M. Kilroy
Manager, Digital Communications,
and Vice President, ICI Education
Foundation

Janet M. Zavistovich
Senior Director, Communications
Design

Research

Sean S. Collins
Chief Economist

Sarah A. Holden
Senior Director, Retirement and
Investor Research

Peter J. Brady
Senior Economic Adviser

Jason S. Seligman
Senior Economist

Rochelle L. Antoniewicz
Senior Director, Industry and
Financial Analysis

Christof W. Stahel
Senior Economist

Judith A. Steenstra
Senior Director, Statistical Research

Sheila M. McDonald
Director, Statistical Research

Administration

Christopher E. Boyland
Senior Director and Information
Technology Officer

Vincent D. Banfi
Director, Systems Support and
Operations

Ramesh Bhargava
Director, Information Technology

Paul R. Camarata
Director, Electronic Data Collection

Mark A. Delcoco
Chief Financial Officer

Patricia L. Conley
Director, Accounting

Laurie A. Cipriano
Senior Director, Conferences

Mary D. Kramer
Chief Human Resources Officer

Suzanne N. Rand
Senior Director, Human Resources

Anne S. Vandegriff
Director, Benefits

Sheila F. Moore
Director, Office Services

Michelle M. Kretsch
Senior Director, Membership
Services

Brent E. Newton
Director, Subscription Programs
and Membership

ICI Global

Patrice Bergé-Vincent
Managing Director, ICI Global

Alexa Lam
CEO, Asia-Pacific

Jennifer S. Choi
Chief Counsel

Anna A. Driggs
Director and Associate Chief
Counsel, Global Regulation Affairs

Linda M. French
Assistant Chief Counsel, Securities
Regulation

Eva M. Mykolenko
Associate Chief Counsel, Securities
Regulation

Giles S. Swan
Director, Global Funds Policy

Independent Directors Council

Amy B. R. Lancellotta
Managing Director

Annette M. Capretta
Deputy Managing Director

Lisa C. Hamman
Senior Associate Counsel

¹ Executive Committee of ICI's Board
of Governors

² Chairman's Council (ex officio)

³ Chairman's Council and Treasurer
to ICI PAC

⁴ Secretary to Chairman's Council

⁵ Assistant Treasurer to Chairman's
Council

⁶ ICI Education Foundation Board

APPENDIX C

Fiscal Year 2019 Board of Governors

As of September 30, 2019

George C. W. Gatch^{2, 3, 4, 6, 7}

ICI Chairman
Chief Executive Officer
J.P. Morgan Asset Management

William F. Truscott^{2, 4, 6, 7}

ICI Vice Chairman
Chief Executive Officer
Columbia Threadneedle Investments

Vijay C. Advani

Chief Executive Officer
Nuveen

Kyle Andersen

Principal, Managed Investments
Edward Jones Investments

Andrew Arnott¹

President and CEO, John Hancock Investments
John Hancock

Mortimer (Tim) J. Buckley²

Chairman and CEO
The Vanguard Group

James E. Davey

President
The Hartford Mutual Funds

Jon de St. Paer

President and CEO
Charles Schwab Investment Management, Inc.

Thomas R. Donahue³

Chief Financial Officer and Treasurer
Federated Investors, Inc.

Bruce W. Duncan

Independent Director
T. Rowe Price Funds

Kenneth C. Eich

Chief Operating Officer
Davis Selected Advisers, L.P.

Brooks Englehardt

President
USAA Investment Management Company

Douglas Eu¹

Chief Executive Officer
Allianz Global Investors U.S. Holdings LLC

Thomas E. Faust Jr.^{2, 4, 6}

Chairman and CEO
Eaton Vance Corp.

Martin L. Flanagan²

President and CEO
Invesco Ltd.

David Giunta

President and CEO, US and Canada
Natixis Investment Managers

William J. Hackett

Chief Executive Officer
Matthews International Capital Management,
LLC

Patrick Halter

Chief Executive Officer
Principal Global Investors, LLC

Marco Hanig

Principal
AQR Capital Management, LLC

Brent R. Harris^{1, 4, 6}

Managing Director
PIMCO Funds

Diana P. Herrmann

President and CEO
Aquila Investment Management LLC

Melody Hobson^{2, 6}

President and Co-CEO
Ariel Investments, LLC

Cynthia Hostetler

Independent Director
Invesco Funds

Yie-Hsin Hung¹

Chief Executive Officer
New York Life Investment Management LLC

Gregory E. Johnson²

Chairman and CEO
Franklin Resources, Inc.

James J. Johnson^{1, 2}

Executive Vice President, Government
Relations and Public Policy Group
Fidelity Investments

Lisa M. Jones⁶

Head of Americas, President and CEO of US
Amundi Pioneer Asset Management, Inc.

Robert M. Keith

Head of Global Client Group
AllianceBernstein

Marie L. Knowles

Independent Director
Fidelity Fixed Income and Asset Allocation
Funds

Susan C. Livingston^{2, 6}

Partner
Brown Brothers Harriman & Co.

Shawn Lytle^{1, 6}

Head of Macquarie Investment Management,
Americas
Macquarie Investment Management

James A. McNamara^{2, 6}

President
Goldman Sachs Mutual Funds

Mark D. Nerud

President and CEO
Jackson National Asset Management LLC

Catherine Newell⁶

President
Dimensional Fund Advisors LP

Barbara Novick^{1, 2}

Vice Chairman
BlackRock, Inc.

David Oestreicher

Chief Legal Counsel
T. Rowe Price Associates, Inc.

Andrew N. Owen

President and CEO
Wells Fargo Funds Management, LLC

Steven J. Paggioli¹
Independent Director
AMG Funds and Professionally Managed
Portfolios

Stuart S. Parker^{2,3}
President
PGIM Investments

Michael Roberge¹
Chief Executive Officer
MFS Investment Management

James E. Ross
Executive Vice President, Chairman of
SPDR Business
State Street Global Advisors

Kristi L. Rowsell
President
Harris Associates, L.P.

Douglas B. Sieg
Managing Partner, President and CEO
of the Lord Abbett Family of Funds
Lord Abbett & Co., LLC

Daniel Simkowitz
Managing Director and Head of Investment
Management
Morgan Stanley Investment Management, Inc.

Erik R. Sirri
Independent Director
Loomis Sayles Funds, Natixis ETFs, and
Natixis Funds

Marijn P. Smit
President and CEO
Transamerica Asset Management, Inc.

Laura T. Starks³
Independent Director
TIAA-CREF Funds

William W. Strickland
Chief Operating Officer
Dodg & Cox

Joseph A. Sullivan
Chairman and CEO
Legg Mason, Inc.

Jonathan S. Thomas
President and CEO
American Century Investments

Shundrawn A. Thomas¹
President
Northern Trust Asset Management

Garrett Thornburg⁶
Chairman
Thornburg Investment Management, Inc.

Ronald E. Toupin Jr.
Independent Director
Guggenheim Funds and Western Asset
Inflation-Linked Funds

Bradley J. Vogt^{2,4}
Chairman
Capital Research Company, Inc.

Dawn M. Vroegop^{2,5,7}
Independent Director
Brighthouse and Driehaus Funds

Jonathan F. Zeschin²
Independent Director
Matthews Asia Funds and Russell Investment
Funds

¹ Governor on sabbatical

² Executive Committee member

³ Audit Committee member

⁴ Investment Committee member

⁵ Chair of the Independent Directors Council

⁶ Chairman's Council member

⁷ ICI Education Foundation Board member

2019 ICI Executive Committee



FROM LEFT TO RIGHT: Stuart S. Parker, James J. Johnson, Thomas E. Faust Jr., Martin L. Flanagan, Paul Schott Stevens, George C. W. Gatch, Barbara Novick, James A. McNamara, William F. Truscott, and Mortimer (Tim) J. Buckley

NOT PICTURED: Mellody Hobson, Gregory E. Johnson, Susan C. Livingston, Bradley J. Vogt, Dawn M. Vroegop, and Jonathan F. Zeschin

APPENDIX D

ICI Standing Committees and Chairs

As of September 30, 2019

Accounting/Treasurers

Toai Chin
Director of Fund Accounting Policy
Vanguard

CCO (Chief Compliance Officer)

Francis V. Knox
Chief Compliance Officer
John Hancock Financial Services, Inc.

Chief Risk Officer

Rhonda K. R. Cook
Chief Risk Officer
SEI Investments Management Corporation

Closed-End Investment Company

David Lamb
Managing Director, Closed-End Funds
Nuveen

ETF (Exchange-Traded Funds)

James E. Ross
Executive Vice President, Chairman, Global
SPDR Business
State Street Global Advisors

ICI Global Exchange-Traded Funds

ICI Global Information Security Officer—London

ICI Global Information Security Officer—Tokyo

ICI Global Public Communications

ICI Global Regulated Funds

ICI Global Retirement Savings

Michael Doshier
Senior Defined Contribution Strategist
T. Rowe Price Associates, Inc.

ICI Global Tax

ICI Global Trading and Markets

Internal Audit

Jeffrey D. Coaxum
Senior Vice President
Brown Brothers Harriman & Co.

Investment Advisers

Operations

Peter G. Callahan
Senior Vice President and Head of Global
Transfer Agent Operations
AB Global

Pension

Jason Bortz
Senior Counsel and Senior Vice President
Capital Research and Management Company

Public Communications

Lisa M. Gallegos
Senior Vice President, Corporate
Communications—Global
Franklin Templeton Investments

Research

Paul D. Schaeffer
Director
IndexIQ ETF Trust

Sales and Marketing

Jeffrey O. Duckworth
President, Intermediary Distribution
John Hancock Investment Management

SEC Rules

Joshua D. Ratner
Executive Vice President
PIMCO LLC

Small Funds

Jane Carten
President
Saturna Capital Corporation

Tax

Jonathan G. Davis
Assistant Treasurer, Fidelity Funds
Fidelity Investments

Technology

Joe Boerio
Senior Vice President, Chief Technology
Officer and Head, IM Data Science, Fintech
and Rapid Development
Franklin Templeton Investments

Unit Investment Trust

W. Scott Jardine
General Counsel
First Trust Advisors, L.P.

APPENDIX E

IDC Governing Council

As of September 30, 2019

Dawn M. Vroegop*

IDC Chair
Independent Director
Brighthouse Funds and Driehaus Funds

Jonathan F. Zeschin*

IDC Chair Emeritus
Independent Director
Matthews Asia Funds and Russell Investment Funds

Julie Allecta

Independent Director
Litman Gregory Masters Funds and Salient Funds

Kathleen T. Barr

Independent Director
Professionally Managed Portfolios and William Blair Funds

Donald C. Burke

Independent Director
Duff & Phelps Funds and Virtus Funds

Gale K. Caruso

Independent Director
Matthews Asia Funds and Pacific Life Funds

David H. Chow

Independent Director
MainStay Funds and VanEck Vectors ETF Trust

Sue C. Côté

Independent Director
SEI Funds

Bruce W. Duncan*

Independent Director
T. Rowe Price Funds

William R. Ebsworth

Independent Director
Wells Fargo Funds

Susan C. Gause

Independent Director
Brighthouse Funds and HSBC Funds

Anne M. Goggin

Independent Director
Pax World Funds

George J. Gorman

Independent Director
Eaton Vance Funds

Keith F. Hartstein

Independent Director
PGIM Funds

Cecilia H. Herbert

Independent Director
iShares Funds and Thrivent Church Loan & Income Fund

Cynthia Hostetler*

Independent Director
Invesco Funds

Marie L. Knowles*

Independent Director
Fidelity Fixed Income and Asset Allocation Funds

Thomas P. Lemke

Independent Director
JP Morgan Exchange-Traded Fund Trust, SEI Funds, and Symmetry Panoramic Trust

Joseph Mauriello

Independent Director
Fidelity Equity and High Income Funds

Joanne Pace

Independent Director
Invesco Exchange-Traded Fund Trusts

Steven J. Paggioli*

Independent Director
AMG Funds and Professionally Managed Portfolios

Cynthia R. Plouché

Independent Director
Barings Funds and Northern Funds

Sheryl K. Pressler

Independent Director
Voya Funds

Erik R. Sirri*

Independent Director
Loomis Sayles Funds, Natixis ETFs, and Natixis Funds

Laura T. Starks*

Independent Director
TIAA-CREF Funds

Terence J. Toth

Independent Director
Nuveen Funds

Ronald E. Toupin Jr.*

Independent Director
Guggenheim Funds and Western Asset Inflation-Linked Funds

* On ICI Board of Governors

APPENDIX F

ICI Global Policy Council

As of September 30, 2019

Atlantic

James M. Norris

ICI Global Atlantic Policy Council Chairman
Managing Director, International Operations
Vanguard

David Abner

Executive Vice President, Head of WisdomTree
Europe
WisdomTree UK Ltd.

Clive Brown

Chief Executive Officer, International
RBC Global Asset Management

Clarke Camper

Executive Vice President, Head of Government
Relations
Capital Group Companies Global

Arnaud Cosserat

Chief Executive Officer
Comgest S.A.

Stephen Fisher

Managing Director
BlackRock Investment Management (UK)
Limited

Campbell Fleming

Global Head of Distribution
Aberdeen Asset Management PLC

Dennis Gepp

Senior Vice President; Managing Director; and
Chief Investment Officer, Cash
Federated Investors (UK) LLP

Massimo Greco

Managing Director, Head of European
Fund Business
J.P. Morgan Asset Management (UK) Limited

Tjalling Halbertsma

Managing Director
Eaton Vance Management (International)
Limited

Thorsten Heymann

Managing Director, Global Head of Strategy
Allianz Global Investors

Robert Higginbotham

President, Global Investment Services
T. Rowe Price International Ltd.

Susan Hudson

Managing Director
UBS Asset Management (UK) Ltd.

Kathleen Hughes

Global Head of Liquidity Sales
Goldman Sachs Asset Management
International

Jed Plafker

Executive Managing Director
Franklin Templeton Investments

Tim Stumpf

Chief Executive Officer
Principal Global Investors (Europe) Ltd.

Pacific

David J. Semaya

ICI Global Pacific Policy Council Chairman
Executive Chairman
Sumitomo Mitsui Trust Asset Management

Pedro Bastos

CEO, Hong Kong, and Regional Head, Asia
Pacific
HSBC Asset Management (Hong Kong) Ltd.

Mark Browning

Head of Asia Pacific
Franklin Templeton Investments Singapore

Chen Ding

Chief Executive Officer
CSOP Asset Management Limited

Jessica Jones

Managing Director, Head of Asia ex-Japan
Third Party Distribution
Goldman Sachs (Asia) LLC

Ajai Kaul

CEO, Asia ex-Japan
AllianceBernstein Singapore Ltd.

Charles Lin

Head of Asia
Vanguard Investments Hong Kong Limited

Andrew Lo

Chief Executive, Asia Pacific
Invesco Hong Kong Limited

Angus N. G. Macdonald

Executive Director
Baillie Gifford Asia (Hong Kong) Limited

Winnie Pun

Managing Director
BlackRock Asset Management North Asia
Limited

Thomas Quantrille

President, Asia
Capital Research & Management

JungHo Rhee

Chief Executive Officer
Mirae Asset Global Investments (HK) Limited

Kimberley Stafford

Managing Director, Head of Asia Pacific
PIMCO Asia Limited

Akira Sugano

President and CEO
Asset Management One Co., Ltd.

James Sun

Chief Executive Officer
Harvest Global Investments Limited

Xiaoling Zhang

Chief Executive Officer
China Asset Management (Hong Kong)
Limited

APPENDIX G

ICI, IDC, and ICI Global Events and Webinars

ICI offers extensive opportunities for learning and networking by organizing conferences, seminars, and other events around the world to enable members and other stakeholders to gather, discuss the latest challenges and opportunities, and share ideas and information. In addition to the opportunities highlighted below, ICI Global also holds regional chapter meetings—Atlantic and Pacific chapters—where senior business leaders from member firms offer feedback on high-priority issues and global initiatives. The Independent Directors Council also provides many opportunities for directors to come together for education and meaningful dialogue with each other—for example, in this fiscal year, IDC had approximately 30 chapter meetings and conference calls. For more information, visit www.ici.org/events.

Events

| | | |
|-----------------------|--|------------------|
| October 15–17, 2018 | Fund Directors Conference ¹ | Chicago |
| October 24, 2018 | Cybersecurity Forum | Washington, DC |
| October 25, 2018 | Securities Law Developments Conference ² | Washington, DC |
| November 14, 2018 | Closed-End Fund Conference | New York |
| January 30–31, 2019 | Foundations for Fund Directors ³ | Los Angeles |
| February 21, 2019 | POLITICO/L'Agefi Finance Summit | London |
| March 17–20, 2019 | Mutual Funds and Investment Management Conference ⁴ | San Diego |
| April 10–11, 2019 | Foundations for Fund Directors ³ | Chicago |
| May 1–3, 2019 | General Membership Meeting | Washington, DC |
| May 1–3, 2019 | Operations and Technology Conference | Washington, DC |
| May 1–3, 2019 | Fund Directors Workshop ¹ | Washington, DC |
| May 2–3, 2019 | Mutual Fund Compliance Programs Conference | Washington, DC |
| July 11, 2019 | Independent Counsel Roundtable ¹ | Washington, DC |
| September 22–25, 2019 | Tax and Accounting Conference | Marco Island, FL |
| September 25–26, 2019 | Foundations for Fund Directors ³ | Boston |

¹ Sponsored by IDC

² Sponsored by the ICI Education Foundation

³ *Foundations for Fund Directors*® is sponsored by IDC

⁴ Cosponsored by ICI and the Federal Bar Association

Webinars

- » Audit Committee Members: How to Get Up to Speed for This Important Role
- » Board Meeting Mechanics—Practical Issues for Directors
- » Board Oversight of Fund Performance Relative to Benchmarks and Peer Groups
- » Fair Valuation Trends and Practices
- » Fall Highlights from ICI's Broker/Dealer and Bank, Trust, and Retirement Advisory Committees
- » Insurance for Funds and Fund Directors: Part I
- » Insurance for Funds and Fund Directors: Part II
- » Internal Audit: Its Role and Work with a Fund's Board
- » OFAC's Compliance Framework and Cannabis-Related Investments
- » Proxy Voting: The Changing Landscape
- » SEC Directors Dalia Blass (IM) and Peter Driscoll (OCIE): A Conversation About Fund Boards
- » 2019 Legislative Agenda: Implications for the Fund Industry
- » Understanding India's KYC Requirements for Foreign Portfolio Investors

APPENDIX H

Publications and Statistical Releases

ICI is the primary source of analysis and statistical information on the investment company industry. ICI publications are available on the Institute's website at www.ici.org.

Industry and Financial Analysis

- » Trends in the Expenses and Fees of Funds, 2018, *ICI Research Perspective*, March 2019
- » The Closed-End Fund Market, 2018, *ICI Research Perspective*, April 2019
- » Proxy Voting by Registered Investment Companies, 2017, *ICI Research Perspective*, July 2019
- » Ongoing Charges for UCITS in the European Union, *ICI Research Perspective*, September 2019

Retirement and Investor Research

- » Ten Important Facts About IRAs, October 2018
- » Ten Important Facts About Roth IRAs, October 2018
- » *Mutual Fund Investors' Views on Shareholder Reports: Reactions to a Summary Shareholder Report Prototype*, October 2018
- » Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2018, *ICI Research Perspective*, November 2018
- » Characteristics of Mutual Fund Investors, 2018, *ICI Research Perspective*, November 2018
- » What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Account Balances, 2010–2016, *ICI Research Perspective*, November 2018
- » Defined Contribution Plan Participants' Activities, First Half 2018, *ICI Research Report*, November 2018
- » Profile of Mutual Fund Shareholders, 2018, *ICI Research Report*, December 2018
- » The Role of IRAs in US Households' Saving for Retirement, 2018, *ICI Research Perspective*, December 2018
- » *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2015*, December 2018
- » Defined Contribution Plan Participants' Activities, First Three Quarters of 2018, *ICI Research Report*, February 2019
- » American Views on Defined Contribution Plan Saving, 2018, *ICI Research Report*, February 2019
- » Defined Contribution Plan Participants' Activities, 2018, *ICI Research Report*, May 2019
- » What US Households Consider When They Select Mutual Funds, *ICI Research Perspective*, May 2019
- » *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2016*, June 2019
- » The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2018, *ICI Research Perspective*, July 2019
- » Defined Contribution Plan Participants' Activities, First Quarter 2019, *ICI Research Report*, August 2019
- » Who Participates in Retirement Plans, 2016, *ICI Research Perspective*, August 2019

Operations

- » *Fund Dilution Policies and As-Of Practices Survey*, October 2018
- » *Fraud Prevention Survey Practices*, January 2019
- » *Operational Process Flows and Considerations Related to Dealer/Custodian Resignations*, February 2019
- » *Mutual Fund Operations Planning Guide for an Unexpected Market Close*, March 2019
- » *Interval Funds: Operational Challenges and the Industry's Way Forward*, May 2019
- » *ICI Transfer Agent/Fund Disclosure Survey Report to Participants*, July 2019

Independent Directors Council

- » *Shareholder Litigation in the Fund Industry: A Guide for Investment Advisers and Fund Independent Directors*, June 2019
- » *Directors Practices Study*, August 2019

Investment Company Fact Book

ICI's annual data and analysis resource, *2019 Investment Company Fact Book: A Review of Trends and Activities in the Investment Company Industry*, provides current information and historical trends for registered investment companies, reporting on retirement assets, characteristics of mutual fund owners, use of index funds, and other trends. It is available in both PDF and HTML versions at www.icifactbook.org. The HTML version provides downloadable data for all charts and tables.

ICI Viewpoints

The Institute's blog, *ICI Viewpoints*, features analysis and commentary from Institute experts in economics, law, fund operations, and government affairs on the key issues facing funds, their shareholders, directors, and investment advisers. *ICI Viewpoints* is available on the Institute's website at www.ici.org/viewpoints.

Statistical Releases

The ICI Research Department released more than 300 statistical reports in this fiscal year. The most recent ICI statistics and an archive of statistical releases are available at www.ici.org/research/stats. To subscribe to ICI's statistical releases, visit www.ici.org/pdf/stats_subs_order.pdf.

- » Trends in Mutual Fund Investing
- » Estimated Long-Term Mutual Fund Flows
- » Estimated Exchange-Traded Fund (ETF) Net Issuance
- » Combined Estimated Long-Term Mutual Fund Flows and ETF Net Issuance
- » Money Market Fund Assets
- » Monthly Taxable Money Market Fund Portfolio Data
- » Retirement Market Data
- » Mutual Fund Distributions
- » Institutional Mutual Fund Shareholder Data
- » Closed-End Fund Data
- » Exchange-Traded Fund Data
- » Unit Investment Trust Data
- » Worldwide Regulated Open-End Fund Data

APPENDIX I

ICI Mutual Insurance Company

ICI Mutual Insurance Company, RRG, is an independent company formed by the mutual fund industry to provide various forms of liability insurance and risk management services to mutual funds, their directors, officers, and advisers. An organization must be an ICI member to purchase insurance from ICI Mutual.

ICI Action on Select Policy Developments, Fiscal Year 2019

Financial Markets and Fund Regulation

AMICUS BRIEF FOR RULE 30e-3: In June 2018, the SEC adopted Rule 30e-3, which creates an optional “notice and access” method for registered investment companies to deliver shareholder reports. Under the rule, a fund may deliver its shareholder reports by making them publicly accessible on a website, free of charge, and sending investors a paper notice of each report’s availability by mail. Investors who prefer to receive the full reports in paper may choose that option free of charge. The rule was effective January 1, 2019, and funds may rely on it no earlier than January 1, 2021.

ICI advocated vigorously for this rule on behalf of members. On August 8, 2018, companies in the paper industry and a consumer organization filed a petition at the DC Court of Appeals seeking to vacate Rule 30e-3 and permanently enjoin the SEC from implementing it. ICI and IDC filed an amicus brief to maintain Rule 30e-3, arguing that the petition should be denied because some of the petitioners lacked standing, and the remainder were outside of the zone of interests protected by the securities laws. The court denied the petition for review on August 16, 2019, on these grounds. The court held that the interests of the paper industry petitioners were increasingly misaligned with shareholder preferences, making them “distinctly unqualified to advance the interests of shareholders.”

BROKER-DEALER ORDER-HANDLING: See page 22.

CLOSED-END FUND OFFERING REFORM: In response to legislation that ICI strongly supported, the SEC proposed rules that would modify the registration, communications, and offering processes for business development companies and registered closed-end funds. The rules would simplify the offering process for eligible funds, permit them to engage in more forms of public communication, and allow delivery of written notices in lieu of final prospectuses. In addition, the SEC proposed amendments to harmonize the regulatory framework of these funds with other issuers. Among other things, those amendments would require closed-end funds to file current reports when specified events occur, and, in effect, would exclude some closed-end funds—namely, interval funds—from using the streamlined registration process.

ICI filed a comment letter supporting the proposed streamlined registration process, enhanced communications options, and modified prospectus delivery methods. The letter recommended, however, that the SEC eliminate the current report requirement, given the numerous filings and timely information closed-end funds already provide. It also recommended expanding the rulemaking to permit interval funds and other funds to fully benefit.

DISCLOSURE REFORM: See page 8.

FAIR ACT: In November 2018, the SEC finalized rules to fulfill its mandate under the 2017 Fair Access to Investment Research Act (FAIR Act). The FAIR Act and related SEC rules are designed to promote research by unaffiliated broker-dealers on mutual funds, ETFs, closed-end funds, business development companies, and other covered investment funds.

In July 2018, ICI submitted a comment letter generally supporting the proposal and offering further improvements. ICI recommended requiring that broker-dealers include fund-specific standardized performance information in their research reports, a change made in the final SEC rule.

FAST ACT: In March 2019, the SEC finalized amendments to modernize and simplify certain disclosure requirements in Regulation S-K and related rules and forms, pursuant to the 2015 Fixing America’s Surface Transportation Act (FAST Act).

In January 2018, ICI submitted a comment letter generally supporting the proposal as it related to funds and advisers. ICI requested that the SEC provide equivalent relief to funds and advisers where it proposed relief for operating companies, which the SEC did in the final amendments.

FSOC REFORM: See page 9.

FUND OF FUNDS RULE: See pages 8–9.

GIPS STANDARDS: In March 2017, the CFA Institute issued—but never implemented—guidance imposing new disclosure requirements on offering documents and/or advertisements of regulated funds managed by firms compliant with Global Investment Performance Standards (GIPS). In June 2019, the CFA Institute published updated and finalized 2020 GIPS standards.

In October 2017, ICI strongly urged the CFA Institute to reconsider its fundamental approach to issuing pooled fund-specific guidance and standards. Consistent with ICI’s recommendations, the 2020 standards impose no new mandatory disclosure requirements for broad distribution pooled funds.

PROXY VOTING: See page 10.

REPORTING BY PUBLIC COMPANIES: In December 2018, the SEC requested comment on the content and frequency of earnings releases and quarterly reports from US public companies. In particular, the SEC asked about potential “downstream” effects on investment companies and investment advisers from any changes to reporting frequency.

ICI submitted a comment letter in March 2019 expressing strong support for the current system of quarterly reporting for all US public companies, regardless of size. The letter explained that regular, reliable, and comparable information from public companies is essential to investment advisers’ decisionmaking on behalf of the more than 100 million Americans who invest in regulated funds.

STANDARDS OF CONDUCT: See page 12.

SWAP TRADING REFORM: See pages 22–23.

TRANSACTION FEE PILOT PROGRAM: See page 22.

VARIABLE INSURANCE PRODUCTS SUMMARY PROSPECTUS: In October 2018, the SEC proposed a summary prospectus rule for variable insurance products (VIPs), which would allow variable annuity contracts and variable life insurance policy issuers to use a summary prospectus to satisfy prospectus delivery obligations.

ICI’s February comment letter strongly supported the proposal, which would enable investors to receive information in a more understandable and efficient manner. Key information about a VIP’s underlying funds would appear in an appendix to the summary prospectus, with more information about the VIP and its underlying funds available on a website.

VOLCKER RULE REFORM: See page 9.

Governance

ENGAGEMENT WITH THE SEC: See page 26.

REGULATORY INITIATIVES: See page 26.

International

AUSTRALIA FOREIGN FINANCIAL SERVICES PROVIDERS: To strengthen its enforcement and supervisory powers over foreign financial services providers (FFSPs), the Australian Securities and Investments Commission (ASIC) issued a proposal in June 2018 to modify the existing licensing regime for FFSPs operating financial services businesses in Australia with wholesale clients. In July 2019, ASIC issued a long-awaited follow-up consultation setting out final proposals for the new FFSP regulatory regime. ASIC is proposing licensing relief for FFSPs providing services to professional investors, subject to certain conditions and a cap on the scale of activities, and a new foreign Australian financial services license for those unable to meet those requirements.

In July 2018, ICI Global submitted a letter expressing support for ASIC’s objective, but questioning whether these objectives could be accomplished by enhancing the conditions for the existing regime, which would minimize significant negative effects on Australian wholesale clients of FFSP financial services and products. In November 2018, ICI Global followed up with feedback on alternatives that ASIC was informally considering. ICI Global responded to ASIC’s final consultation in August 2019, expressing general support for ASIC’s proposed approach, but requesting improvements to the proposed licensing framework so that it can achieve ASIC’s objectives.

BREXIT: See page 23.

CANADA CLIENT-FOCUSED REFORMS: In June 2018, the Canadian Securities Administrators (CSA) requested feedback on proposed enhancements to the client/registrator relationship that would require registrants to address conflicts of interest in the best interest of the client and to put the client's interest first in suitability determinations.

ICI Global submitted a comment letter in October expressing general support for the CSA's proposed changes, but urged the CSA to avoid unintended negative effects for investors. The letter discussed certain themes raised in ICI Global's response to the SEC on its standards of conduct for financial professionals rulemaking, and, among other things, urged the CSA to consider that cost is only one of many factors potentially relevant to a recommendation and that fund disclosure documents should serve as the primary source of information about a fund.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS:

See pages 4 and 13.

EU BANK RECOVERY AND RESOLUTION DIRECTIVE: In November 2016, the European Commission proposed amendments to the EU Bank Recovery and Resolution Directive (BRRD) that would provide EU authorities with additional moratorium powers when an EU bank fails. These proposed powers could have resulted in a 12-day or longer stay of a bank's derivatives and other obligations to counterparties, including funds.

ICI Global, in coordination with SIFMA AMG, met with EU policymakers and submitted multiple letters urging them to limit stays under BRRD to a maximum of two business days to avoid harm to investors and the EU financial markets. Late last year, EU authorities reached agreement on BRRD amendments that limit the maximum total stay to effectively no more than two working days, providing certainty and assurance to funds and other bank counterparties.

GLOBAL DERIVATIVES REGULATIONS: Foreign regulators continue to affect global managers' use of derivatives.

- » In Europe, the European Commission adopted amendments to the European Market Infrastructure Regulation (EMIR)—the EU law that regulates clearing and reporting of derivatives. The amendments are designed to streamline certain clearing and reporting requirements to eliminate disproportionate costs and burdens and simplify rules. ICI Global supported this initiative, and the final amendments incorporate many of its suggestions.
- » In Hong Kong, the Securities and Futures Commission (SFC) adopted amendments overhauling its fund derivatives regulations in favor of a system that classifies and places distribution restrictions on funds based on their derivatives use. Although the SFC did not follow ICI Global's recommendation to use a measure of derivatives that better reflects economic risk, the final rules exclude several types of derivatives from the determination, consistent with ICI Global's recommendation.

ICI staff continues to monitor implementation of the EMIR amendments and work closely with members to address implementation challenges related to the Hong Kong amendments.

GLOBAL FINANCIAL STABILITY: See page 13.

GLOBAL PENSION REFORM: See page 17.

ICI'S LONDON-BASED ADVISORY COMMITTEES: In 2016, at the request of ICI's US Internal Audit Committee, ICI formed an International Internal Audit Advisory Committee based in London and coordinated with ICI Global. The committee helps members better understand issues arising outside the United States and the need to reconcile US and non-US regulatory requirements affecting the audit function. The committee, which meets semiannually in London, serves members with audit staff in the United Kingdom and European Union. Earlier this year, members of that committee asked if ICI would consider creating a comparable committee for their senior compliance staff in London. In response, ICI created a committee to be based in London and coordinated with ICI Global's London office. To date, approximately 50 members have asked to join.

The inaugural meeting of ICI's International Compliance Advisory Committee is set for October 29. The committee, which plans to meet semiannually, will provide members an opportunity to hear from experts on current non-US compliance-related issues, discuss compliance concerns, and share information.

INDIA FPI REGULATIONS: In March, the Securities and Exchange Board of India (SEBI) released for comment a report with recommendations on ways to simplify and rationalize the regulatory framework for foreign portfolio investors (FPIs). The report contains recommendations on the FPI registration process, know-your-customer requirements, investment restrictions, and other matters relevant to FPIs.

ICI Global submitted a comment letter expressing general support for SEBI's efforts to consolidate and liberalize the FPI regime, noting that a simpler compliance and registration process will facilitate further investment in India. ICI Global further explained that, notwithstanding these proposed changes, some of the requirements applicable to FPIs continue to pose significant challenges for regulated funds and may affect the investment of such funds in India.

INVESTMENT FIRMS REVIEW: In March 2019, EU co-legislators reached an agreement on the Investment Firms Review (IFR), which creates a common prudential framework for investment firms subject to the Markets in Financial Instruments Directive II (MiFID II) that is more sensitive to the risks they face. The IFR includes substantial changes to capital requirements, remuneration provisions, investment firms' engagement with portfolio companies, and the third-country equivalence process. Formal adoption is expected at the end of 2019.

ICI Global focused advocacy efforts on the remuneration provisions, due to both their potential direct impact on MiFID II firms and concerns over the potential carryover of undesirable provisions into UCITS and the Alternative Investment Fund Managers Directive (AIFMD). The final text is generally aligned with the remuneration provisions in UCITS and the AIFMD, contains provisions on proportionate application of remuneration policies and variable remuneration, and does not include a hard bonus cap. ICI Global expects to engage further as the Commission develops regulatory technical standards in this area.

IOSCO CONSULTATION ON LEVERAGE MEASUREMENTS: In December, the International Organization of Securities Commissions (IOSCO) issued a consultation proposing a two-step framework to meaningfully assess investment funds' use of leverage and enable direct comparisons across funds globally. In the first step, national regulators would apply certain measures of leverage to exclude from further consideration funds unlikely to pose risks to the financial system. The second step would involve further analysis of the remaining funds.

ICI submitted a comment letter strongly supporting IOSCO's efforts, its proposed two-step framework, and national regulators' flexibility to determine the information to be calculated, collected, and analyzed. Although such data may not be identical, the letter agreed that substantial overlap in information exists, so any data collected are useful for analyzing risks across jurisdictions. The letter also agreed that a single measure cannot adequately reflect the extent of leverage for all fund types. ICI cautioned regulators to avoid mischaracterizing the entire subset of funds in Step 2 as funds that pose risks to financial stability.

Operations

AUDITOR INDEPENDENCE RULE: In June 2019, the SEC adopted amendments to the loan rule—a part of the SEC's auditor independence rule—that, in part, prohibited the auditor from having a loan from an entity that owned more than 10 percent of the audit client's shares. The rule had severe consequences for funds because the definition of *audit client* included all affiliated funds in the investment company complex.

The SEC's amendments, which were consistent with ICI's recommendations, reduce the likelihood of violations by eliminating the 10 percent bright-line test and amending the audit client definition, instead focusing the loan rule on instances where the lender to the auditor can exercise significant influence over the audit client fund.

CHECK HOLD PERIODS: To protect against fraud, funds have long implemented check hold policies prohibiting a shareholder who has purchased shares by check from redeeming those shares until the check clears. Though ICI obtained no-action relief from the SEC in 1975 permitting funds to deny or delay a redemption request during a check hold, such check hold periods came into question following a recent SEC inspection that challenged this practice.

ICI worked with SEC staff to reaffirm members' authority to continue to use check hold periods when shareholders purchase fund shares by check. In particular, with the SEC's approval, ICI published a memo that affirmed and clarified members' use of check hold periods. The memo also addressed how redeemed shares are to be priced and the disclosures that funds must provide to shareholders on this issue.

CYBERSECURITY INITIATIVES: See pages 28–29.

EXPANDING WORKING GROUPS:

» Global Operations Advisory Committee in Asia

In response to member requests, ICI Global is expanding the scope of the Global Operations Advisory Committee by launching an annual committee meeting in Asia. Like its European counterpart, the Asia committee will provide a forum to discuss regional topics of interest including front to back office operations, custody, transfer agency and distribution challenges.

The Asia Global Operations Advisory Committee will hold one in-person meeting per year in either Hong Kong or Singapore. Conference calls and working groups will be scheduled as needed depending upon the issues being addressed.

» Operations Fintech Working Group

In response to a desire to explore how new technologies may solve challenges faced in investment operations, the Securities Operations Committee launched a fintech working group.

The group's first call was in May 2019 and it plans to hold phone meetings quarterly. The goal of the group is to develop a list of challenges that includes analysis of risks, benefits, and resources needed. It will then explore the possibility of partnering with market stakeholders to develop potential solutions.

» Rule 30e-3 Implementation Working Group

In June 2018, the SEC adopted Rule 30e-3, which authorizes US-registered funds to deliver shareholder reports online as the default option.

To assist members in taking advantage of the new rule, ICI created a working group designed to address the challenges and logistics of implementing the rule. The working group, made up of approximately 300 members representing 97 fund complexes and transfer agents, has addressed more than 67 discussion topics dealing with such issues as the logistics of complying with the two-year transition period, working with intermediary partners on the placement and display of the required notification legend, and determining how the rule applies in the context of variable insurance products.

MULTI-SERIES TRUSTS: See page 28.

OPERATIONS SURVEYS: See pages 28–29.

PREVENTING ELDER FINANCIAL EXPLOITATION AND ABUSE:

Seniors are increasingly a target of fraudsters as they seek to exploit an aging and vulnerable population through a variety of schemes.

ICI continues to work closely with members to strengthen fraud protections for all shareholders, including seniors. ICI worked with the SEC to allow transfer agents to hold redemption proceeds in situations where elder exploitation or abuse is suspected. ICI's Fraud Prevention Working Group continues to help members to develop processes, procedures, and technology to prevent fraud, including financial abuse and exploitation of older shareholders. For example, in November 2018, ICI's Transfer Agent Advisory Committee met with leaders of state regulators and the North American Securities Administrators Association, to educate members on how to protect their senior investors.

SEC FUND REPORTING MODERNIZATION: Even as the fund industry works on its own cyber defenses, ICI raised significant concerns about the security of the data that funds would file with the SEC under the its new requirement for comprehensive portfolio reporting on Form N-PORT.

In part in response to ICI's concerns, the SEC delayed implementation and modified the filing schedule for the sensitive portfolio holdings data. Under the new schedule, funds must now file month-end portfolio holdings only once per quarter, 60 days after the end of a fund's fiscal quarter-end. The revised filing schedule coincides with quarterly shareholder reporting requirements, greatly reducing the risk of premature portfolio holdings disclosure.

Retirement

ELECTRONIC DELIVERY: See page 15.

FIDUCIARY BREACH CASE: The US Supreme Court is considering whether to hear *Brotherston v. Putnam Investments*, a case questioning whether the plaintiff or defendant bears the burden of proof on loss causation under the Employee Retirement Income Security Act of 1974 (ERISA) and whether showing that particular investment options did not perform as well as a hypothetical set of index funds selected by the plaintiffs, in hindsight, suffices to establish losses to the plan.

In an amicus brief, ICI urged the court to hear the case, noting that there is a split of authority in the federal courts on the issue and, depending on where a claim is filed, fiduciaries may be subject to the burden of disproving that the appropriate inclusion of actively managed funds in a plan lineup caused losses to a 401(k) plan and its participants. ICI argued that shifting the burden of proving causation, or the lack thereof, from the plaintiff to the defendant plan fiduciary will adversely skew fiduciaries' selection decisions, potentially against investors' best interests.

MULTIPLE EMPLOYER PLANS (MEPs): In October 2018, the Department of Labor (DOL) proposed a rule expanding the availability of multiple employer plans (MEPs). The rule would allow a group or association of employers to band

together to adopt a single 401(k) plan if they meet certain criteria, including a formal organizational structure and commonality of interest among members.

ICI submitted a comment letter in December 2018 supporting expanded availability of MEPs, particularly for small employers, and urged the DOL to permit unrelated employers to participate in "open" MEPs sponsored by financial services firms. ICI explained that financial services firms offer unique qualifications that make them ideal candidates to sponsor MEPs and that, in preventing the use of open MEPs, the proposal is unlikely to have a significant impact on coverage.

SECURE ACT AND RESA: See pages 14–15.

Tax

GLOBAL DEBATE ON TAXING MULTINATIONAL ENTITIES:

Multinational organizations such as the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN) are seeking global solutions to tax challenges arising from the "digitalizing economy." These initiatives will affect all firms operating globally, not just "digital" companies, by fundamentally changing the existing international tax regime.

An ICI Global working group is considering the impact on asset managers of these proposals to expand taxing rights and allocate profits to market jurisdictions. ICI Global is working closely with the Business at OECD network and will provide industry-specific input to both the OECD and the UN.

IMPLEMENTING 2017 TAX LEGISLATION: The US Treasury Department and IRS have been issuing guidance implementing the Tax Cuts and Jobs Act of 2017. Among other things, the legislation allows individuals to deduct 20 percent of their real estate investment trust (REIT) dividends but does not specifically permit regulated investment company (RIC) shareholders to deduct 20 percent of their RIC dividends attributable to REIT investments. Other provisions limit interest expense deductions and change the rules governing when certain types of discount are taken into income for tax purposes.

ICI submitted comment letters and met with Treasury and IRS officials seeking regulatory guidance. ICI and Nareit worked together to attain recently proposed regulations permitting RICs to pass through to shareholders REIT dividends eligible for the 20 percent deduction. In response to ICI requests, the IRS also stated that new timing rules for discount on debt do not affect market discount and clarified the application to RICs of the interest expense limitation.

INDIA CAPITAL GAINS TAX SURCHARGE: The 2019 Indian budget included a significant tax increase—between 3 and 7 percentage points—on the capital gains of foreign portfolio investors organized in noncorporate form (e.g., as trusts).

ICI Global sent one comment letter and drafted two industry association coalition letters to the finance minister and other senior government officials opposing this disparate tax treatment of funds based upon their structure. Meetings with these senior government officials and others have been requested.

SWISS RECLAIMS: Swiss tax authorities impose burdensome requirements on funds to document their US investors before the Swiss will reduce withholding taxes under the Swiss-US treaty. These requirements increase costs, delay refunds, and reduce investor returns.

ICI Global proposed alternative investor documentation methods to Swiss tax authorities, met with them, and submitted additional information. The Swiss authorities, receptive to simplification proposals, are reviewing the proposal.

UK NONRESIDENT CAPITAL GAINS TAX: A new law imposes capital gains tax on non-UK residents investing in UK real estate investment trusts (REITs). Considerable confusion has arisen over whether the new tax applies to funds exempt from such taxes by treaty and whether reporting and registration requirements apply even if a fund is exempt.

ICI Global submitted a comment letter requesting confirmation that the treaty applies and that funds are exempt from these requirements, and also helped craft an industry association coalition letter. The UK tax authorities confirmed that registration and reporting requirements will not apply to any fund while all issues (including treaty applicability) are under review.

ICI BY THE NUMBERS

Fiscal year 2019



35,000

Issues of *ICI Daily* and *ICI Global Daily* sent each day



527

ICI Memoranda issued to members



40

ICI Viewpoints published



30

ICI papers



300+

Statistical releases posted



88

Statements, news releases, and editorials



78

Comment letters submitted to regulators



101,000

Page views and downloads of the *Investment Company Fact Book* online



55,000

Downloads of ICI statistical data files



1,612,000

Page views on www.ici.org



4,000+

Attendees at ICI events



2,500+

Participants in ICI webinars



7,100

Twitter followers



3,000

Facebook followers



9,300

LinkedIn followers



45

Videos



\$1.5 million+

Raised by ICI PAC activities



30

IDC chapter meetings and industry segment calls



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