ICI Quarterly Update

MARCH 2023

How We're Giving a Voice to Investors

Erica Richardson, Chief Strategic Communications Officer

With more than 100 million investors in the United States alone, owners of investment funds are one of the most economically and geographically diverse constituencies in the country. ICI set out to give a voice to the middle class and tell the story of how investment funds drive financial growth and security for Americans from all walks of life.

We're proud to announce the launch of our new retail investor advocacy platform: **Secure Financial Future**.

Secure Financial Future is an action network created to advance a positive narrative about the value of investment funds, while also correcting the record on key issues and proactively combating misinformation. The most important conversations about saving for retirement and life's big moments happen at kitchen tables across the country, and this is an opportunity to bring these conversations to the mainstream.

Investors that sign up to be advocates will receive unique, compelling content to educate them on specific issues that impact their savings as well as a space to share their stories. They can also contact their elected representatives about legislation that could impact investors. By doing this, we are using one of the strongest tools we have: voices of real Americans.

SECURE FINANCIAL FUTURE

Take a moment to check out the Secure Financial Future website and share it with your network. Our investors deserve to be heard in Washington, and together we can create real change.

WORTH A CLICK

- ICI President and CEO Eric J. Pan: The SEC's current "regulation by hypothesis" approach will dramatically reshape the markets, impacting everyone. ***Wall Street Journal***
- ICI General Counsel Susan Olson: It's time for the SEC to abandon its misguided and costly proposal for fund names. ***Financial Times***
- ICI President and CEO Eric J. Pan: Open-end funds are not a threat to financial stability. ***ICI Viewpoints***

SEE YOU THERE

Investment Management Conference: March 19–22 in Palm Desert, California

IMC is an opportunity to engage with colleagues and hear directly from regulators and other experts about the issues facing asset managers today.

Leadership Summit: May 24–25 in Washington, DC

Leadership Summit is the premier gathering of the fund industry, bringing together the top leaders and emerging talent to discuss the most recent issues and trends.

WANT DAILY UPDATES?

In less time than it takes your morning coffee to brew, you can get a jumpstart on the topics affecting your industry and your job by reading *ICI Daily News*. **Sign-up today!**

ICI Daily News

By ICI Strategic Communications • Mar 09, 2023

Smart Brevity® count: 5 mins...1303 words

SUPPORTING MEMBERS

BROADENING OUR REACH

ICI is providing technical expertise and practical advice to members as it expands its remit to include collective investment trusts (CITs) and separately managed accounts (SMAs). Both vehicles are of growing importance for the asset management industry and investors, as evidenced by their considerable gain in market share over the past decade.

The rising popularity of CITs and SMAs reflects the ability of asset managers to leverage efficiencies across front- and middle-office functions via their expanded offering of these products. However, both CITs and SMAs present legal, policy, and operational complexities that require significant expertise to manage. ICI has heard our member requests for support with these products and we look forward to working with the membership as a resource for not only their registered products, but CITs and SMAs as well.

ICI has held several member calls to gather insight into how we can best support managers sponsoring these product types. Additionally, several ICI committees have been working with members to help them navigate the technical and operational nuances associated with certain types of CITs and SMAs. Reach out to ICI if you or your firm would like to learn more. By broadening our reach to include these products, we will further strengthen the asset management industry and better serve long-term individual investors as markets continue to evolve.

ICI RESEARCH: SAVERS UNDETERRED BY MARKET TURBULENCE

Despite high inflation and difficult market conditions, defined contribution (DC) savers largely stayed the course through 2022. According to **ICI survey data**, only 2.5% of DC account owners stopped contributing to their plans, indicating consistent savings habits through extreme market volatility. The share of DC participants taking hardship withdrawals increased but remained small in absolute terms, while 401(k) loan activity stayed near multidecade lows.

Americans also maintained high confidence in the ability of employer-sponsored plans to help them meet their retirement goals. ICI's 2022 ***American Views*** research report showed 79 percent of retirement account owners expressing confidence in this area.

ONLY 2.5% of DC account owners stopped contributing to their plans

HELPING SMALL- TO MID-SIZE FUNDS WITH T+1 SETTLEMENT

ICI has led the way on the industry's move to a T+1 settlement cycle, alongside our partners at DTCC and SIFMA. The move to T+1 will reduce risk for investors and make markets more efficient. Following implementation, the shorter settlement cycle will play an important role in maintaining the US capital markets as the envy of the world.

We realize the May 2024 compliance date could create a burden on small and mid-size funds. ICI remains committed to all our members, and alongside our partners at SIFMA and DTCC, we continue to assemble and update the **resources** needed to guide the industry across the finish line.

ADVOCATING FOR INVESTMENT FUNDS

THE FIGHT TO SAVE MUTUAL FUNDS

ICI is making it known that our members are strongly opposed to the SEC's recent proposal that would require mutual funds to adopt mandatory swing pricing and impose a "hard close" cut-off time on when investors can buy and sell their funds. The proposal risks depriving Americans of access to funds and investment strategies they rely on to reach financial goals such as retirement, buying a home, or paying for college.

Adoption of this proposal would fundamentally alter the management, operation, and pricing of mutual funds, as well as how investors purchase and sell their shares. With more than 175 pages of legal analysis and proprietary economic research, **ICI's comment letter** to the SEC describes, in detail, exactly how this proposal would radically change mutual funds and ETFs and hurt the 100 million+ Americans who rely on them.

With 69% of mutual fund–owning households earning less than $150,000 annually, the SEC's proposal could make it difficult for middle-class families to continue to access the funds and strategies that have well served their needs. The SEC has received more than 3,000 comments on this proposed rule—many from retail investors—proving the American public wants the SEC to re-evaluate this proposal.

The SEC's reckless proposal is based on flawed economic research, insufficient cost-benefit analysis, not enough input from industry participants, and no specific consideration for the sizable impact on small- to mid-size funds. The SEC should scrap this proposal and do far more investigation and public consultation to allow interested parties to share their expertise and perspectives before proposing any future rule changes.

BY THE NUMBERS: Impact on Retail Investors

100+ MILLION
Number of American investors impacted by the SEC's mandatory swing pricing proposal

69%
Percent of mutual fund–owning households are middle class

<$150,000
Average annual household income of mutual fund owners impacted by the SEC's proposal

2,800+
Number of comments the SEC received on this proposed rule from retail investors asking the agency to re-evaluate the proposal

DC UPDATE

Here is what ICI is watching as the 118th Congress begins its legislative session:

- ICI President & CEO Eric Pan was on Capitol Hill in February advocating for some of the industry's top priorities with key Members of Congress including Senate Banking Committee Chairman Sherrod Brown (OH), Senator Jon Tester (MT) and Representatives Bill Huizenga (MI-04), Andy Barr (KY-06), and Brad Sherman (CA-32).
- The House Financial Services Committee's first package of bills included Rep. Wagner's bipartisan ***Financial Exploitation Prevention Act***, which ICI supported. Passed unanimously, H.R. 500 gives the financial industry better tools to address suspected financial exploitation and abuse of seniors and those with mental and physical disabilities. Read ICI's statement **here**.
- The House Committee on Financial Services held multiple subcommittee hearings with two ICI-supported pieces of legislation.
  - The ***Increasing Investor Opportunities Act*** would enable closed-end funds (CEFs) to more fully invest in private funds and would enable such CEFs to list on national securities exchanges.
  - The ***Financial Stability Oversight Council Improvement Act*** would ensure that, prior to voting on a proposed systemically important financial institution (SIFI) designation, the Financial Stability Oversight Council (FSOC) considers whether the potential threat posed by a nonbank financial company could be mitigated through other means.

IN THE NEWS

Bloomberg

"ICI believes that the SEC is exceeding its authority by seeking records from investment advisers beyond those they are required to maintain under the federal securities laws. In ICI's view, such conduct constitutes "regulation by enforcement."
[**link to article**]

IGNITES

"The Investment Company Institute wants the Securities and Exchange Commission to scrap a recently proposed rule that would require fund companies and other advisors to conduct due diligence and consistently monitor certain service providers.

"The proposal, floated in October, is unnecessary because such oversight is already a part of advisors' fiduciary duty, wrote Susan Olson, ICI's General Counsel, in a letter submitted to the SEC on Dec. 23."
[**link to article**]

CNBC

High yields and a volatile stock market have investors piling into money market mutual funds, CNBC Pro reports after getting the latest data and commentary from ICI. "We have seen a lot of money coming into retail money market mutual funds since the Fed started tightening monetary policy," said Shelly Antoniewicz, ICI's Senior Director of Industry and Financial Analysis.
[**link to article**]

REUTERS

"The SEC's liquidity, swing pricing, and hard close proposal would seriously harm the more than 100 million Americans who use mutual funds to invest for their financial future," said Eric Pan, Chief Executive Officer of the Investment Company Institute, an industry group.
[**link to article**]