

Focus on Funds: ICI Outlines Measures to Enhance Economic Growth

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The US Securities and Exchange Commission (SEC) has a new chairman focused on spurring domestic capital investment and economic growth, and the \$20 trillion US fund industry could play an important role. In the May 12, 2017, edition of *Focus on Funds*, ICI President and CEO Paul Schott Stevens outlines three steps the SEC could quickly undertake to support funds, their investors, and the US economy.

Transcript

Stephanie Ortals-Tibbs, ICI Director, Media Relations: The US Securities and Exchange Commission has a new chairman and as Jay Clayton takes up the job, stimulating and supporting the capital markets is at the top of his agenda. How can mutual funds and ETFs play a role in that? Well, they could play a quite significant one as I learned from speaking with ICI President and CEO, Paul Stevens.

Paul Schott Stevens, President and CEO, ICI: Well, we think we're an important part of the process by which capital gets to productive enterprises. That creates economic growth, jobs, opportunities, and that's an important part of what President Trump has said the Chairman of the SEC and the Commission ought to be focused on. So we're part of the solution for that. But there are a number of conditions and these are the regulatory concerns that we've expressed. One, we have to have an appropriate framework of regulation. So the Dodd-Frank provisions that threaten to impose bank-like regulation on funds or their advisers are clearly inappropriate, unnecessary, and that would really retard the fund industry's ability to deliver on the promises of collecting capital and allocating it to productive enterprises.

We need to be able to communicate with our shareholders as effectively as possible too and we're now sort of saddled with an antiquated paper-based information delivery system, whereas in almost every other corner of our economic life, people are accessing and manipulating information digitally online. And so we'd really like to see the SEC move forward with an access equals delivery model, where we are providing our investors information, shareholder reports, perspectives, other required regulatory documents, in digital form online, unless they affirmatively say, no, I really do want to continue to receive the paper, in which case, that's fine, they can have that preference honored.

We really want to be able make sure that we are able to continue to use the very best modern portfolio management techniques and the kinds of tools that go along with that. So the Commission has a pending rulemaking about the use of derivatives, some aspects of which would arbitrarily limit funds' ability to use derivatives. And derivatives aren't even being used by funds for speculative purposes, they're used for hedging, they're used to create efficiencies in portfolios, to manage risk, and to reduce costs, so if the

Commission in its rulemaking limits our ability to do that, that essentially dumbs down our portfolios and denies an important aspect of what mutual funds have always promised their investors: the highest quality portfolio management techniques available to ordinary investors.

So those are three important ideas that we would be sharing with the new leadership of the SEC.

Ortbals-Tibbs: And Paul, what this whole discussion really underscores is the tremendous importance of the US mutual fund and ETF industry in the US capital markets.

Stevens: Hugely important. We have, in the United States in registered funds, approaching 20 trillion dollars in assets under management and it's entrusted to us by 95 million shareholders who are looking to us to help them achieve their most important long-term financial goals. Now, think about that. That's 20 trillion dollars almost that's invested in equities, fixed income, municipal securities, you name it. It's part of the engine that makes our economy work and creates opportunities and jobs but we can do more and the Commission can do more. We just need regulators who will assure that we can do our part to the very best possible effect.

Additional Resources

- [ICI Viewpoints: Stevens Calls for Measures to Enhance Economic Growth](#)
- [Highlights of 2017 ICI General Membership Meeting](#)
- [Statement: ICI Applauds House Financial Services Committee Passage of the Financial CHOICE Act](#)
- [Letter: ICI Comments to SEC on Derivatives Proposal](#)
- [Release: ICI Urges SEC to Take Action to Ensure Fund Shareholders Benefit from Web Delivery of Fund Reports](#)