

ICI Releases Updated Framework for Oversight of Fund Industry Intermediaries

ICI Releases Updated Framework for Oversight of Fund Industry Intermediaries

Washington, DC, December 14, 2015—*The Investment Company Institute (ICI) has released an update to the [Financial Intermediary Controls and Compliance Assessment \(FICCA\)](#) framework. FICCA assists mutual funds with the oversight of financial intermediaries that service fund shareholders and that primarily use omnibus accounts for recordkeeping.*

Under the FICCA framework, an intermediary attests to an independent auditor on 17 areas of focus. The auditor report can then be sent to multiple fund complexes to confirm the intermediary's compliance with fund processing requirements, such as regulations on contingent deferred sales charges (CDSC) and the Securities and Exchange Commission's redemption fee rule.

"FICCA is a very helpful oversight tool, and we continue to see great value in having an independent auditor review and attest to intermediary controls," said Basil Fox, Chair of the ICI Operations Committee and president of Franklin Templeton Investor Services, LLC, an affiliate of Franklin Templeton Investments. "Keeping the FICCA framework up-to-date will remain a priority for our committee, to ensure FICCA remains an efficient means for funds to carry out their oversight responsibilities."

FICCA and Fund Industry Background

FICCA was designed to provide funds with another tool to fulfill their responsibility to oversee intermediaries. An ICI working group comprised of ICI members and representatives of the national accounting firms undertook establishment of the FICCA framework in 2008. The working group collaborated with intermediaries to publish an updated framework in 2014. The group reassembled in 2015 to direct the current FICCA update.

In an omnibus account environment, a financial intermediary, such as a broker-dealer, has direct control over—and knowledge of—its customers' mutual fund positions. Consequently, mutual fund oversight often includes monitoring certain intermediary activities to assure the intermediary is adhering to mutual fund regulations, contractual obligations, and the terms of fund prospectuses and statements of additional information (SAIs). FICCA provides an important tool and guidelines that help funds meet these oversight responsibilities.

Updated FICCA Features Refinements, While Maintaining Flexibility

The updated FICCA framework preserves the program's inherent flexibility for intermediaries, providing funds with independent assessments of the 17 areas of focus outlined in the framework. Under the updated framework, an intermediary may still provide one comprehensive audit report or a combination of audit reports. The changes in the 2015 FICCA update were primarily technical enhancements, including changes to:

- conform requirements for several control items to the attestation standards of the American Institute of Certified Accountants (AICPA);
- clarify that an intermediary's controls should address oversight of third-party vendors to which the intermediary has outsourced tasks in areas of focus;
- streamline compliance monitoring and annual independent testing of the intermediary's anti-money laundering and prevention of terrorist financing program; and
- clarify the intermediary's role in providing data to the fund or its designated Blue Sky agent.

"FICCA gives funds assurance, from an independent auditor, that relevant controls are operating effectively for intermediaries," said Martin Burns, ICI Chief Industry Operations Officer. "We understand that omnibus intermediaries continue to view the FICCA

framework as an efficient tool to report to mutual funds on the effectiveness of their internal controls. The latest enhancements to FICCA streamline the process by clarifying expectations and responsibilities and reflecting current industry practices.”

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.