

ICI Comment Letter to SEC on Outsourcing by Investment Advisers Proposal

On December 23, 2022, the ICI filed a comment letter with the Securities and Exchange Commission on its proposal entitled "Outsourcing by Investment Advisers." The SEC has proposed a new rule, Rule 206(4)-11, under the Investment Advisers Act of 1940 (the "Advisers Act"), that would prohibit registered investment advisers from outsourcing certain services or functions without first meeting specified requirements. The proposed new rule seeks to prescribe an adviser's initial and ongoing due diligence oversight obligations, as well as periodic monitoring and reassessment of a service provider's performance. The SEC has also proposed revising: (1) Form ADV to require advisers to disclose certain information about their service providers; and (2) Rule 204-2 to require advisers to maintain records documenting compliance with the new rule as well as new provisions requiring due diligence and monitoring of third-party recordkeepers.

The ICI recommended that the SEC abandon this Proposal. We concur with Commissioner Peirce that the Proposal "is neither statutorily grounded nor protective of investors." Attempting to adopt an anti-fraud rule "repackaging existing fiduciary obligations into a new set of prescriptions for investment advisers" is unnecessary, burdensome, and something we cannot support.

Read more in the [comment letter](#).
