

ICI Quarterly Update

JUNE 2023

Unveiling the 2023 Investment Company Fact Book

By Sean Collins, Chief Economist

In May, ICI proudly unveiled the 63rd edition of the **Investment Company Fact Book**, featuring in-depth research, data, and analysis conducted and collected over the previous year by our research staff. These outputs are critical to ICI's efforts to support the asset management industry for the ultimate benefit of long-term individual investors.

The *Fact Book* has evolved significantly since its first edition, growing from a short pamphlet to a vast compilation of industry statistics and insights. This year, we shifted to a digital-only *Fact Book*—an appropriate step as the industry supports e-delivery legislation. Going paperless also freed up internal resources to get creative and improve users' experience. We simultaneously launched the **Quick Facts Guide**, a bite-sized complement to the *Fact Book*. Speaking of bites, we also served “fact bookies” at our recent Leadership Summit, satisfying attendees' cravings for sugar and statistics.

Cookies aside, the *Fact Book* itself remains a go-to resource for asset management professionals, journalists, and policymakers, with leaders in these fields regularly citing

our findings. Even as the industry and capital markets grow increasingly complex, our commitment to accurate, timely, and relevant research remains steadfast.



Equipping you with critical information and updates on the industry will remain central to ICI's work. As you continue to grow and adapt in service to investors, our research capabilities and communications will keep up with industry developments. To that end, we welcome your input on how we can continue to tailor the *Fact Book* for modern audiences and a rapidly changing investment landscape.

WORTH A CLICK

- » ICI President and CEO Eric Pan: SEC's swing pricing proposal is “bad news” for America's 100 million mutual fund investors. [Financial Times](#)
- » ICI Chair and State Street Global Advisors President and CEO Yie-Hsin Hung: ICI's updated D&I survey allows members to measure progress and promote accountability on D&I issues. [Ignites](#)
- » ICI Senior Director of Industry and Financial Analysis Shelly Antoniewicz: Elevated volatility in 2022 drove ETFs' higher share of US market turnover. [Financial Times](#)

SEE YOU THERE

Tax and Accounting Conference September 17–20 in San Antonio, TX

ICI's Tax and Accounting Conference aims to provide investment companies with up-to-date information on tax and accounting issues from regulators, fund sponsors, and auditors.

Closed-End Fund Conference November 14 in New York City, NY

ICI's annual Closed-End Fund Conference brings together experts to explore industry trends, legal and regulatory issues, and investor perspectives to drive innovation on behalf of the investors who rely on closed-end funds to achieve their financial goals.

WANT DAILY UPDATES?

In less time than it takes to microwave a breakfast burrito, 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 • Jun 12, 2023

SUPPORTING MEMBERS

STAYING ON TOP OF CYBERSECURITY DEVELOPMENTS

Following valuable input from members, ICI **submitted a comment letter** in response to a Securities and Exchange Commission (SEC) proposal that would establish new cybersecurity risk management requirements for transfer agents, broker-dealers, and other market entities.

The comment letter is just one of many ways in which ICI is supporting members in the cyber arena. Our operations professionals regularly supply **resources** to help you successfully implement new requirements and better understand legal and technical developments related to data privacy, business continuity, and more. Additionally, ICI and ICI Global have committees for chief information security officers, allowing these cybersecurity leaders to exchange information, discuss emerging threats, and connect with law enforcement agencies in the US and international jurisdictions.

LEADERSHIP SUMMIT WRAP UP

At the end of May, **ICI's annual Leadership Summit** convened some of the most important decisionmakers in asset management and government to discuss leadership, innovation, and the markets.

The most **talked-about event of the summit** came early on the second day, when ICI President and CEO Eric Pan welcomed SEC Chair Gary Gensler, who appeared virtually for a **lively conversation** on the SEC's rulemaking agenda and the role of regulated funds in America's financial system. Though they found common ground in a shared commitment to help middle-class Americans achieve their financial goals, Pan took advantage of the opportunity to advocate against the SEC's **proposed swing pricing rule** and press Gensler on the rationale behind the Financial Stability Oversight Council's proposal that could subject nonbanks, including regulated funds and money market funds, to entity designation.

Other highlights included a fireside chat between Morgan Stanley Investment Management Chairman Tom Faust and Vanguard Chairman and CEO Tim Buckley on what's changed and what's remained the same in the industry; a

In helping the asset management industry navigate this ever-evolving field, ICI is also preparing to distribute its annual cybersecurity survey, the results of which are exclusive to ICI members that participate. The survey yields key insights on industry practices and trends, enabling us to tailor our cyber-related education and more effectively advocate on your behalf.

"The survey is the only one of its kind," said ICI Senior Director of Technology & Cybersecurity Peter Salmon. "It's exclusive to the industry and lets members see how their information security programs compare with those of peers."

Be on the lookout for our comment letter, annual survey, and new resources as you endeavor to bolster cybersecurity programs.

luncheon keynote from Penny Pennington, Managing Partner at Edward Jones in conversation with Doug Sieg, Managing Partner and CEO of Lord, Abnett & Co.; and a chat between Pan and Deputy Secretary of the Treasury Wally Adeyemo that touched on the unique challenge of regulating the US capital markets, the role regulated funds play, and how to lead in 2023.



SECURE FINANCIAL FUTURE UPDATE

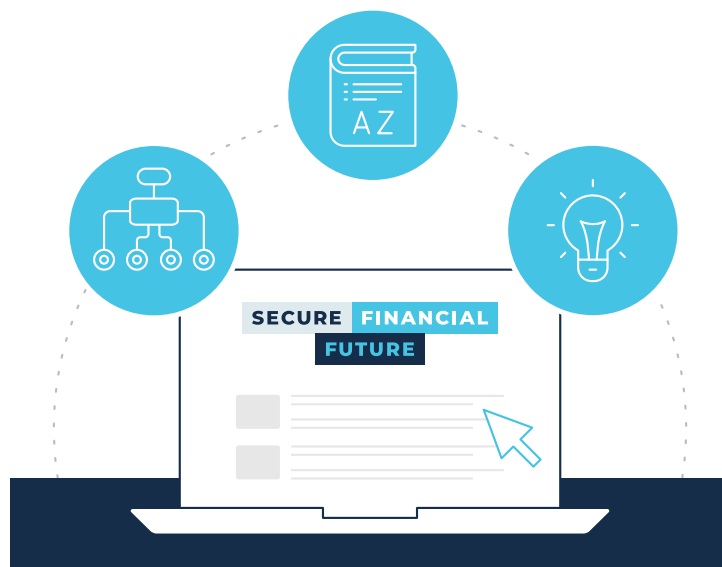
Our team has been working to continuously add new and relevant content to the [Secure Financial Future \(SFF\) website](#) and share it with our audience via email and social media!

Some recent additions include:

- » The launch of our [glossary page](#), created to provide comprehensive, easy-to-understand definitions of key financial terms and enable our advocates to make informed decisions and communicate confidently about their financial future.
- » New Investing 101 blogs covering [IRA accounts](#) and [money market funds](#).
- » A [congressional overview](#) where our expert team analyzes legislative developments and the impact on our personal finance network.

Coming soon:

- » Podcast ads
- » Animated explainer videos all about investment funds



Join us: [Subscribe](#) on the SFF website to stay up to date on our latest content.

ADVOCATING FOR INVESTMENT FUNDS

MMFs UNDER ATTACK

ICI responded to reports that touted the “danger” of income-seeking investors moving their deposits from banks and into higher-yielding money market funds (MMFs). The reports claim that this is a source of stress on the banking industry and on loans in particular.

ICI Chief Economist Sean Collins fired back with [messaging to the public and Congress](#) refuting this overblown narrative with the simple facts about MMFs, the Federal Reserve’s reverse repo facility, and what the government really could do to make sure sufficient financing flows to the real economy.

SEC’S SAFEGUARDING PROPOSAL WOULD BE COSTLY AND IMPRACTICAL

The SEC’s recent proposed rule on safeguarding advisory client assets is the latest in a succession of sweeping proposals by the Commission that lack a thorough cost-benefit analysis or a well-articulated need. Last month, we [let the SEC know](#) our concerns with the proposal along with recommendations to remedy certain issues.

If implemented in its current form, the rule would fundamentally alter the relationships between custodians, advisers, and clients in problematic ways and could conflict with existing regulations. Among other critical flaws, it also threatens Americans’ ability to invest in certain markets with the expert assistance of a professional adviser.

This comes at a time when MMFs were being targeted by Treasury Secretary Janet Yellen over their supposed vulnerability to runs and fire sales. In an [ICI Viewpoints](#) at the beginning of April, ICI CEO Eric Pan noted the irony of Secretary Yellen promoting this view in the face of a run at Silicon Valley Bank and a fire sale at Credit Suisse causing alert investors to move their money from banks to MMFs.

Oddly, the proposal revives a failed idea from 1997, which resulted in the SEC reversing course after custodians refused to assume new responsibilities the SEC would have required in connection with custodial arrangements. The SEC has offered no explanation why this time would be different.

“The proposed rule would also be tremendously costly and, in some cases, practically impossible to implement,” ICI President and CEO Eric Pan said. “It would do little to improve the protection of client assets, which logically should be the goal of any major new rulemaking in this important area.”

IMPORTANT CLOSED-END FUND LEGISLATION

ICI's work **advocating for retail investors in closed-end funds (CEFs)** intensified in the last quarter. Weak protections and the ability to purchase CEF shares at below-NAV prices have given deep-pocketed activists, often operating through hedge funds, the ability to amass significant stakes in targeted CEFs. Activists then use their voting stakes in these funds to force through changes in structure, board makeup, or strategy that generate short-term gains at the expense of long-term shareholders, who are often retirees or small business owners.

ICI has published **a comprehensive set of options** to help CEFs protect their long-term shareholders. The options detail available corporate defense tools recognized under state laws. ICI has also called upon Congress and the SEC to protect CEFs by closing loopholes and strengthening the ability of CEFs' long-term shareholders to control their own fate. One particular bill—the Increasing Investor Opportunities Act, bipartisan legislation introduced by Representatives Gregory Meeks (NY-05) and Ann Wagner (MO-02)—would cap the stake in a CEF that activist investors and their affiliates can acquire through hedge funds at 10 percent, preventing activists from securing a controlling interest.

GLOBAL UPDATE

March saw ICI Global conduct its inaugural Europe Symposium, convening senior policymakers at our state-of-the-art new office in Brussels. Participants included high-level policy officials from the EU, member states, and IOSCO, as well as C-suite leaders from several member firms. The conversation dug deep into regulatory and capital markets issues, discussing the mix of policy tools needed to catalyze investments and the role the capital markets can play in supporting the EU's agenda.

On the advocacy front, ICI Global's Brussels team was proud to work alongside member states to exclude financial services from the scope of the European Council's version of the Corporate Sustainability Due Diligence Directive (CSDDD) proposal. ICI Global will continue to work to support the Council position through the trilogue process and advocate for our members in the final agreement.

In May, building on ICI Global's successful event with SEC Commissioner Mark Uyeda last fall in Singapore, ICI Global's APAC Steering Council held its first official meeting,



in Tokyo. The meeting brought together the heads of Asia business lines for global asset managers with top ICI Global leaders. ICI Global's meetings in Tokyo and elsewhere in APAC provided the opportunity to consult with Asia-based members and engage at senior levels with regulators and policymakers from key APAC jurisdictions. ICI Global is setting the stage for further engagement in Asia alongside member companies.

DC UPDATE

We're officially halfway through 2023. Here's the latest on what's happening on Capitol Hill:

- » ICI representatives held in-depth briefings with Senate Banking Committee staff as well as House Financial Services Committee staff from both parties on the negative impact the SEC's mandatory swing pricing proposal would have.
- » A CRA resolution disapproving the *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights* rule—the Department of Labor's ESG rule—passed both chambers. It was vetoed, however, by President Biden.
- » Representative Frank Lucas (OK-03) and Senator John Boozman (AR) reintroduced the *Protect Farmers from the SEC Act*.
- » Representative Bryan Steil (WI-01) introduced the *Putting Investors First Act*.

The **House Committee on Financial Services** recently passed three ICI-supported pieces of legislation that would strengthen our capital markets and expand opportunities for American savers and investors. The three bills are:

- » The ***Improving Disclosure for Investors Act***, which would allow electronic disclosure while still allowing investors to receive paper statements if they choose. E-delivery would modernize our disclosure framework and enhance the retail investment experience for millions of Americans.
- » The ***Increasing Investor Opportunities Act***, which would enable CEFs to invest in private funds more fully and list on national securities exchanges.

- » The ***Retirement Fairness for Charities and Educational Institutions Act of 2023***, which would expand the range of investment options available to employees of nonprofits and public educational institutions by permitting 403(b) plans to invest in collective investment trusts (CITs). The provision would provide 403(b) plan participants with additional low-cost investments already available to participants in 401(k) plans.

Stay tuned to the next *Quarterly Update* for more on the progress of these important bills. Plus, don't miss highlights from ICI's Capitol Hill events, like our congressional reception last month.



THE WALL STREET JOURNAL

“Eric Pan, chief executive and president of the Investment Company Institute, an association representing mutual funds and other funds, criticized the Biden administration’s move [to designate more non-banks as systemically important]. ‘We know that designation of a registered fund or fund manager would be the wrong answer,’ he said.”

[\[link to article\]](#)

BARRON’S

Barron’s quoted ICI President and CEO Eric Pan on the SEC’s proposed custody rule: “[The] proposal would likely do more harm than good. It places onerous new responsibilities on both advisors and custodians without much evidence that these changes will improve the protection of client assets.”

[\[link to article\]](#)

POLITICO

“Investment giants are pushing back [on the EU’s climate disclosure rule], too, through their main trade group, the Investment Company Institute. ‘We are concerned that lawmakers are imposing unrealistic expectations on asset managers to induce changes in companies even though asset managers do not have that ability,’ said Victor van Hoorn, managing director in Brussels for ICI.”

[\[link to article\]](#)

ThinkAdvisor

“[The Improving Disclosure for Investors Act] ‘would modernize our capital markets by directing the SEC to permit financial firms to deliver regulatory documents to investors through electronic means,’ Eric Pan, president and CEO of ICI, said Thursday in a statement. ‘Recognizing this widespread preference would make it easier for investors to find the information most relevant to them.’”

[\[link to article\]](#)
