Securities Regulation Daily Wrap Up, INVESTMENT COMPANIES—Investment Management director looks back at COVID response, other 2020 staff accomplishments, (Nov. 13, 2020)

Securities Regulation Daily

Click to open document in a browser

By John Filar Atwood

Dalia Blass reviewed the Investment Management Division's response to COVID-19, and its work to modernize regulations, foster innovation, and improve the investor experience.

As 2020 draws to a close and the Commission looks ahead to new leadership in the coming years, Division of Investment Management Director Dalia Blass took a moment to reflect on the division's accomplishments over the past year. In remarks at an ALI CLE conference, Blass praised her team's work in several areas, including its efforts to understand and respond to the effects of the pandemic on registrants and the market.

Blass said the division has been proactive in reaching to market participants to learn how the pandemic is affecting registered funds and advisers. The staff continuously analyzes data to help it understand the market impact of COVID-19, she noted, including issues affecting exchange-traded funds, money market funds, and mutual funds facing substantial outflows.

In 2020, division staff from the Offices of Chief Counsel, Chief Accountant, and Rulemaking were instrumental in the SEC's emergency response to the pandemic, she said. Specifically, they helped to draft the Commission relief and staff statements that provided flexibility to funds and advisers, and drafted numerous FAQs on novel questions from the industry concerning the pandemic. According to Blass, the division contributed to more than 20 COVID-related temporary rules, exemptive orders, staff no-action letters, and other staff statements.

Ongoing COVID work. The Division's work related to the impact of COVID-19 has not stopped, Blass continued. The staff is still having data-driven conversations with the industry and trying to address issues such as those involving exchange-traded funds with market price deviations from net asset value and money market funds approaching regulatory limits on liquidity.

Blass said the staff also is currently considering whether to extend some of the temporary, conditional COVID-19 relief. She noted that the staff has heard from boards and other parties that they would like to see some form of the order that temporarily permits fund boards to meet virtually made permanent. She said the staff welcomes public input on whether such relief should be extended and, if so, for how long.

Modernization of regulations. Blass also discussed the staff's efforts to modernize key areas of regulation, noting that since 2017 the division's Rulemaking Office handled more than 65 regulatory initiatives affecting investment companies and investment advisers. That includes regulatory updates in 15 areas in 2020, she said.

She cited newly adopted rules regarding fund of fund arrangements, which will impact the 40 percent of all registered funds that hold an investment in at least one other fund. She also touted the new rules regarding funds' use of derivatives which she believes create a modernized, comprehensive approach to the regulation of funds' derivatives use that reflects industry developments over the past decades.

Blass also noted that the division's Rulemaking Office had a hand in a number of other 2020 regulatory initiatives, including clarification of the requirements related to the covered fund provisions of the Volcker Rule. The staff also contributed to auditor independence rule changes, the modification of the definition of "accredited investor," and the work to harmonize certain aspects of the exempt offering framework.

Investor experience initiative. Blass said that in 2020 improving the overall investor experience was a top priority for the division. She pointed to the new framework for variable annuity and variable life insurance

© 2020 CCH Incorporated and its affiliates and licensors.
All rights reserved.

contracts that is designed to streamline disclosures for investors. In her view, the framework uses technology and a layered disclosure approach to improve investors' understanding of the features and risks of variable contracts.

She also cited the proposed reforms to the disclosure framework for mutual funds and exchange-traded funds. She believes the proposal would promote efficient communication with investors by streamlining fund reporting and disclosures. She noted that proposal also would amend prospectus disclosure requirements to provide clearer, more consistent information regarding fees, expenses, and principal risks, and would amend fund advertising rules to promote more transparent and balanced statements about investment costs.

Blass also discussed the request for comment on a rule that would prohibit funds from using materially deceptive or misleading names. Under the rule, a fund with a name suggesting that it focuses on a particular type of investment must invest at least 80 percent of its assets accordingly. She noted that this and other staff recommendations were developed from public input, and reflect the division's work to shift from self-contained disclosure documents to layered disclosures that help investors obtain the most relevant information.

RegulatoryActivity: InvestmentCompanies InvestmentAdvisers Covid19 PublicCompanyReportingDisclosure

© 2020 CCH Incorporated and its affiliates and licensors.
All rights reserved.