Testimony

Testimony on “Oversight of the SEC’s Division of Investment Management”

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Chairman Huizenga, Ranking Member Maloney, and Members of the Subcommittee, thank you for inviting me to testify before you today about the work of the Division of Investment Management (the "Division"). I would also like to thank you for your interest in asset management and the efforts of our Division in this space.

The asset management industry is critical to the U.S. economy and for the retirement and financial needs of millions of American investors, particularly our Main Street investors. Over the last two decades, assets in mutual funds have grown from around $4.5 trillion to over $19 trillion, a growth of over 330 percent.[1] During this same time period, exchange-traded funds ("ETFs") have grown from around $6.7 billion in assets[2] to be an over $3.6 trillion market.[3] Money market funds have grown from around $1.35 trillion in assets in 1998[4] to over $3.14 trillion today.[5] Investment advisers employ over half a million people,[6] and the staff has seen the number of investment advisers registered with the Commission grow to over 13,000, with total reported assets under management rising to nearly $84 trillion.[7] These assets represent the earnings and investments of millions of Americans who are saving for retirement, college tuition, and other goals.

Investment funds and investment advisers depend on the Division to review and respond to thousands of registration statements, requests for exemptions, requests for assistance, and other inquiries each year. As the division with primary responsibility for providing policy recommendations to the Commission concerning asset management, a dedicated team within the Division also focuses on rulemaking and rule reviews.[8] In light of the importance of the asset management industry to investors and the markets, since my appointment as Director in September 2017, the Division has embraced three principles that guide our efforts in developing, assessing, and implementing policy initiatives: (1) improving the retail investor experience; (2) modernizing our regulatory framework and engagement; and (3) leveraging our resources efficiently.

I. Improving the Retail Investor Experience

Main Street investors should have the tools they need to make informed investment decisions. Americans increasingly depend on investments in mutual funds and ETFs and advice from investment advisers to help them save for retirement and other financial goals. As of the end of 2017, over 100 million individuals representing nearly 60 million households—45 percent of U.S. households—owned funds.[9] Of the over 13,000 investment advisers registered with the Commission, approximately 7,600 serve 34 million retail investor clients with over $12 trillion in retail client assets under management.[10] As a result, the experience of individual investors when they seek out information to help them choose a fund or an adviser is more relevant now than at any time since 1940. At the same time, technology has presented new opportunities to provide that information in ways that may be more effective. For these reasons, the Division is working on several initiatives that seek to improve the investment experience for Main Street investors.

Financial Professional Relationships

Earlier this year, the Commission proposed for public comment a comprehensive rulemaking package designed to serve retail investors by bringing the legal requirements and mandated disclosures of financial professionals in line with investor expectations.[11] The proposals were the result of collaboration among several divisions and offices across the Commission. The Division of Investment Management led the development of two of the recommendations included in the proposals.

First, the Division developed a recommendation for a proposal that is designed to help educate investors about whether they are dealing with a broker-dealer, an investment adviser, or both, and importantly, why that matters when considering the services of a financial professional. Under this proposal, firms would be required to provide investors with a new, succinct disclosure that the Commission refers to as a "Relationship Summary." As proposed, the Relationship Summary would highlight key differences between broker-dealers and investment advisers, including: (1) the principal types of services offered; (2) the legal standards of conduct that apply to each; (3) the fees the customer would pay; and (4) certain conflicts of interest that may exist.[12] It also would include key questions for investors to ask their financial professional.

Because the proposed Relationship Summary is designed to benefit Main Street investors, the Commission has been seeking input from retail investors, investor groups, and others on this proposal. To help foster feedback from investors, the Commission has made available a website, www.sec.gov/tell-us, where investors can view examples of what the Relationship Summaries might look like and submit feedback on key questions from the proposal. The Chairman and SEC staff also have held roundtables across the country—in Denver, Houston, Miami, Washington, DC, Philadelphia, Atlanta, and Baltimore—where Main Street investors have had the opportunity to speak directly with Chairman Clayton, SEC Commissioners, and senior staff about the Commission's efforts to enhance retail investor protection and promote choice and access to a variety of investment services and products.[13] This feedback has been very valuable. Investors want to better understand their relationship with their investment professional—that is clear. A short, accessible summary of these matters can help improve that understanding. I believe the comments we have received will substantially improve the Division's development of a recommendation of the final product.

Second, the Division developed a recommendation for a proposed interpretation that would reaffirm and, in some cases, clarify the Commission's views on the investment adviser fiduciary duty standards. This proposed interpretation would draw together a range of statements from different sources about investment advisers' fiduciary duty and provide advisers with a reference point for understanding their obligations to clients.

The Division of Trading and Markets has led the developments of other aspects of the proposals, including Regulation Best Interest, which is designed to enhance the standard of conduct for broker-dealers when making recommendations to their retail customers. The Division also collaborated with the Division of Trading and Markets on a recommendation for a proposal to require a financial professional firm be direct and clear about whether it is a registered investment adviser, a registered broker-dealer, or both in its communications with investors and prospective investors. The proposed rules also would restrict standalone broker- dealers and their financial professionals from using the terms "adviser" and "advisor." The proposal discusses whether these terms are so similar to the statutory term "investment adviser" that their use may mislead the broker-dealer's prospective customers.

Regulatory consistency is important in this effort given that financial professionals may be subject to oversight by more than one agency. We in the Division, along with the Division of Trading and Markets, have sought to engage with fellow regulators, including the Department of Labor, state insurance and securities regulators, state attorneys general, and others on this important initiative. We invite further engagement from our regulatory colleagues.

The comment period on these rulemakings closed in August, and in addition to the feedback gathered through outreach efforts, the Commission has received many letters with thoughtful and varying perspectives. The Office of the Investor Advocate is also in the process of performing investor testing on aspects of the rulemaking package, and I anticipate that the results of that testing will be made available in the comment file. SEC staff are carefully reviewing this information and will continue to consider public comments as we develop a recommendation for the Commission on next steps.

Modernizing Fund Disclosure

Disclosure is the backbone of the federal securities laws and is a critical tool for investors making investment decisions. While mandated fund disclosure is now available online, its design, delivery, and content have seen few fundamental changes over the decades. To begin the process of modernizing fund disclosure, the Commission recently issued three releases based on the recommendations of the Division that, together, seek to improve the experience of Main Street investors considering fund investments.

The Commission issued a request for public comment to gain insight from the public on ways to improve and modernize fund disclosures. This is an opportunity to examine, in light of advances in technology and design techniques, whether fund disclosures are working as well as they can for the more than 100 million individuals that invest in funds. The request for comment invites Main Street investors, experts, and others to inform the Division's policy recommendations on these disclosures. In order to facilitate retail investor engagement and comment, the Commission has provided a short "Feedback Flier," which highlights key questions from the request for comment and can be viewed and submitted at www.sec.gov/tell- us. The comment period ends October 31.

The Commission also adopted a new rule that creates an optional "notice and access" method for delivering fund shareholder reports.[14] Currently, fund shareholders can receive a shareholder report in two ways: in paper through the mail or electronically. New rule 30e-3 permits a third option. Under the rule, a fund may deliver its shareholder reports by posting them on a website that is free of charge and sending investors multiple notices in paper through the mail letting them know that the report is available either on the website or in paper. The rule includes protections for those without internet access or who simply prefer paper. For example, the rule preserves an investor's ability to easily continue to receive reports in paper, either by making a one-time request to receive all future reports in paper, or by requesting individual reports in paper whenever they desire. To inform investors in advance of this new delivery method, the rule includes an extended transition period so that the earliest a fund could begin to rely on the rule would be January 1, 2021. In the two years prior to that date, funds that want to implement the new delivery method must provide prominent disclosures in prospectuses and other shareholder documents that will notify investors of the upcoming change in delivery method, ensuring investors will have multiple opportunities to receive these reports in the form that they prefer.

Finally, the Commission issued a request for public comment on the current framework for fees that intermediaries, including, for example, broker-dealers, charge funds to deliver disclosure documents such as fund shareholder reports. These fees currently are set by rules of the New York Stock Exchange ("NYSE") and other self-regulatory organizations like the Financial Industry Regulatory Authority ("FINRA"). Among other questions, the release asks for public input on the transparency of these fees and whether the fees should be overseen by FINRA.[15] The comment period ends October 31.

Variable Insurance Product Summary Prospectus

Investors in variable annuities and other variable insurance products often have to navigate a complex set of disclosures about the variable contract and underlying investment options when deciding whether to invest. The Division is considering a recommendation that the Commission propose rules designed to provide investors with more user-friendly, layered disclosure about variable insurance products. Variable insurance products are generally more complex than other retail investment products, like mutual funds, because they combine both investment and insurance features. In addition, the products typically offer a number of underlying fund investment options that have their own fees, and often include a variety of optional features, like living benefit riders that have additional charges. The Division is considering whether to recommend a new summary prospectus that would help investors better understand these products' costs and risks, and also produce cost savings that could be passed on to investors.

II. Modernizing Our Regulatory Framework and Engagement

Our capital markets are the envy of the world. I believe that when the Division is dynamic and responsive, it can help our markets continue to grow and develop for the benefit of all market participants, including Main Street investors. Modernizing our regulatory framework and engagement with market participants begins with looking back at existing policies and approaches and assessing whether they are (or remain) efficient, effective, and appropriate.

Current policies may not be doing what they were originally intended to do, may not take into account advancements in technology, business, and investor relationships, or may have unintended consequences and costs. In order to be as dynamic and responsive as the markets we regulate, the Division is undertaking several initiatives to modernize our regulatory approach under the Investment Company Act and Investment Advisers Act in light of significant developments in the asset management industry.

Exchange-Traded Funds

ETFs are a type of exchange-traded product organized as an investment company under the Investment Company Act. ETFs possess characteristics of both mutual funds, which issue redeemable securities, and stocks or closed-end funds, which generally issue shares that trade at market-determined prices on a national securities exchange and are not redeemable. Because ETFs have characteristics that distinguish them from the types of funds contemplated by the Investment Company Act, they require exemptions from certain provisions of the Act in order to operate. Today, before a fund sponsor may begin offering ETFs, it must obtain an order from the Commission providing several exemptions from the Investment Company Act. This may result in delay and cost for new sponsors.

Modernizing the current regulatory regime for ETFs is important because the $3.6 trillion ETF market is currently operating under more than 300 individually issued exemptive orders, which have varied over time in wording and terms.[16] Such an important segment of the asset management market would benefit from a clear regulatory framework. To address this, the Commission proposed a new rule to replace the process of individually-issued orders for exemptive relief.[17] The proposal is designed to create a consistent, transparent, and efficient regulatory framework for the types of ETFs that routinely receive exemptions today and to facilitate greater competition and innovation among ETFs. Our exemptive review process is a key part of how innovation takes place under the Investment Company Act. A final rule for routine ETF relief would enable Division staff to focus more of its resources on requests for exemptions that represent the next generation of potential developments under the Act.

Covered Investment Fund Research Reports

The Commission recently proposed rules and amendments that are intended to reduce obstacles to providing research on investment funds in furtherance of the congressional mandate of the Fair Access to Investment Research (FAIR) Act of 2017.[18] The proposed rules would harmonize the treatment of investment fund research with research on other public entities by establishing a safe harbor for a broker or dealer to publish or distribute research reports on investment funds under certain conditions. This proposed safe harbor is similar to a regulatory safe harbor that currently exists for research reports about other public entities. Overall, these proposed rules would promote research on mutual funds, ETFs, registered closed-end funds, business development companies ("BDCs"), and similar covered investment funds and provide investors with greater access to research to aid them in making investment decisions. The Division is reviewing comments from the public on the proposal as we move forward with providing a recommendation to the Commission for adoption.

Offering Modernization for Business Development Companies and Closed-end Funds

The Division is working to develop rule recommendations consistent with congressional mandates to modernize the way BDCs and closed-end funds are offered to the market. The Small Business Credit Availability Act directs the Commission to revise almost 20 securities offering and proxy rules and related form requirements in order to harmonize registration and reporting requirements for BDCs with those for public corporate issuers. Similarly, the Economic Growth, Regulatory Relief, and Consumer Protection Act directs the Commission to issue rules to allow certain registered closed-end funds to use securities offering and proxy rules similar to those available to public corporate issuers. Division staff is preparing recommendations for the Commission to propose these rules.

Use of Derivatives by Registered Funds and BDCs

Funds use derivatives for a variety of purposes, including, for example, to seek higher returns through increased investment exposures; hedge interest rate, credit, and other risks in their investment portfolios; gain access to certain markets; and achieve greater transaction efficiency. The current regulatory framework for funds' use of derivatives has developed on an instrument-by-instrument basis over many years, starting with a Commission general statement of policy in 1979,[19] and over 30 staff no-action letters and other guidance that followed. In 2015, the Commission proposed a new exemptive rule to address the use of derivatives and financial commitment transactions by registered funds and BDCs and received a significant number of comment letters on the proposal's regulatory approach. Based on these comments, the Division is considering a recommendation that the Commission re-propose a new rule designed to enhance and modernize the regulatory framework for registered investment companies' use of derivatives.

Amendments to the Marketing Rules under the Investment Advisers Act

Registered investment advisers are subject to a rule governing marketing that has not changed significantly since its adoption in 1961. Since that time, the asset management market, technology and the types of investors that investment advisers serve has evolved. For example, in 1961, investors did not have resources like the internet to research and select investment advisers, and social media in its current form did not exist. As this landscape has evolved, the Division is considering recommendations for the Commission to modernize this rule, for example, by revisiting the prohibition on use of testimonials given that a growing number of today's consumers and businesses look to the experiences and recommendations of others in making informed investment decisions. The Division also is considering recommendations for changes to the rule governing payments for soliciting business on behalf of registered investment advisers. This rule was adopted in 1979, and also may need to be updated to address current market practices.

Fund Board Outreach Initiative

Since 1940, shareholders have relied on fund boards to help represent their interests. While the importance of boards has not changed, directors' responsibilities have grown significantly over the years and their areas of focus have expanded. Last fall, the Division established a new initiative to holistically revisit the responsibilities of fund boards. This initiative seeks to identify the areas where board oversight is most valuable and to assess whether changes, such as those in technology or the securities markets, warrant reconsideration of board responsibilities in certain areas. This initiative also seeks to inform future policy decisions about the appropriate role of the board in fund governance.

In connection with this initiative, the Division, in coordination with the Commission's Office of the Chief Accountant, is considering recommendations for updates to Commission guidance on the valuation of portfolio securities and other assets held by registered funds and BDCs to reflect evolution in the markets and the standards for accounting, auditing, and reporting. This effort, in part, seeks to modernize guidance to fund boards on performing their responsibilities concerning valuation in a way that recognizes that evolution.

Investment Company Liquidity Disclosure

Investors in mutual funds and ETFs expect to be able to exit these funds promptly, and the Investment Company Act requires redemption requests to be fulfilled within seven days. As a result, managing the liquidity of a fund's portfolio is a fundamental aspect of a fund adviser's responsibilities. In 2016, the Commission adopted an important rule designed to promote effective liquidity risk management practices among open-end funds.[20] After adoption, the staff and fund sponsors turned to the work of implementation. The staff responded to a significant number of frequently asked questions to address important implementation questions raised by fund sponsors and others as they sought to establish programs responsive to the rule's requirements.[21] After carefully gathering input from interested parties about the implementation of this requirement, in February, the Commission extended the compliance date for the classification elements of the rule.[22] In addition, the Commission recently adopted targeted amendments to the public reporting requirements of the rule.[23] These amendments are designed to enhance the disclosure funds provide to investors about liquidity risks and reduce the risk that investors may be misled about the comparability of certain fund liquidity metrics.

Fund Innovation and Cryptocurrency-related Holdings

The success of the U.S. investment fund market can be attributed, in significant part, to the commitment of fund sponsors to innovation and continuous improvement of the products they offer for investors. This commitment is especially important because many Main Street investors rely on registered funds to help them build toward their financial goals. The Division has a long history of supporting fund innovation, with exemptive authority serving as a key feature of the Investment Company Act. For example, dialogue between fund sponsors and the Division over the years has facilitated the development of new types of investment products, like ETFs and money market funds.

There has been interest among some fund sponsors to offer registered funds that would hold cryptocurrencies and cryptocurrency-related instruments. As we have in the past, the Division has sought to engage in a dialogue on this potential product innovation. To help facilitate a transparent and productive dialogue, the Division published a letter identifying some questions that we believe need to be examined for funds to invest in crypto-related holdings in a manner consistent with the substantive requirements of the Investment Company Act and its rules.[24] Areas of inquiry in the letter are valuation, liquidity, custody, arbitrage for ETFs, and potential manipulation of cryptocurrency markets. We have included a copy of the letter and public responses received on our Division website[25] and continue to engage with fund sponsors on this dynamic product development and the evolution of the cryptocurrency markets.

Review of the Proxy Process

Shareholder engagement is a hallmark of our public capital markets, and the proxy process is a fundamental component of that engagement. Recently, the Chairman announced a staff roundtable on the proxy process to provide the staff an opportunity to engage with investors, issuers, and other market participants on topics including the voting process, retail shareholder participation, and the role of proxy advisory firms.[26] In developing the agenda for the roundtable, the Division staff has been considering, among other topics, whether prior staff guidance about investment advisers' responsibilities in voting client proxies and retaining proxy advisory firms should be modified, rescinded, or supplemented.[27] With this pending roundtable dsasdfdsd fand other policy considerations in mind, the Division staff has recently reexamined the letters that the staff issued in 2004 to Egan-Jones Proxy Services (May 27, 2004) and Institutional Shareholder Services, Inc. (Sept. 15, 2004) and has determined to withdraw these letters.[28] We look forward to a robust discussion from stakeholders with multiple perspectives at the roundtable about the SEC's proxy rules.

III. Leveraging Our Resources Effectively

In the Division, I have the privilege to work with a staff of lawyers, accountants, quantitative analysts, industry experts, and other employees who are dedicated to the agency's mission. We are a Division of around 180 people responsible for policy affecting more than 20,000 registered funds and investment advisers.[29] Employing our resources efficiently is critical to our ability to serve American investors and develop informed policy in today's dynamic asset management space.

Use of Data and Analytics

The Division is committed to increasing the efficiency and effectiveness of our regulatory programs through the enhanced use of technology and data analysis. We also work closely with the Office of Information Technology, particularly with regard to protecting market sensitive data, as part of the Commission's broader efforts to assess and improve the agency's cybersecurity risk profile. We appreciate how technology has changed the markets and are seeking ways to harness technology and data for our regulatory purposes. The staff in the Division's Analytics Office has advanced our ability to interpret data, to focus our resources, and to respond with rigor to questions about asset management.

One example of their work is an internal tool we in the Division call "MAGIC"—an acronym for Monitoring and Analytics Graphical User Interface ("GUI") for Investment Companies. MAGIC allows us to pull together a number of data sets and analyze funds in a variety of ways, allowing the staff to ask questions about specific funds to determine, for example, how a fund's portfolio compares to its strategy or how a fund's holdings are aligned with its investment restrictions. Staff can also use this tool to run custom queries across thousands of open-end and closed-end funds. For example, we are able to quickly identify which funds may have exposure to certain assets, like cryptocurrencies. MAGIC also has been powerful in helping to improve our disclosure review process. Ultimately, we expect this tool to help us to implement a risk-based approach to reviewing disclosure that will improve the effectiveness and efficiency of our work. As new data and technological advancements become available, the Division has the ability to extend MAGIC's capabilities.

The Division also is exploring the use of technology-based tools to improve the efficiency of our internal processes. One example of these efforts is the staff's development of a tracking tool to conduct Sarbanes-Oxley Act reviews. The Division is required to periodically review fund annual reports, including financial statements as required by section 408 of the Sarbanes-Oxley Act and other disclosures by management investment companies ("SOX reviews"). Division staff developed an internal tool that automates information that the staff previously tracked and compiled manually for these SOX reviews. This tool saves hundreds of hours of manual tracking each year and informs risk-based reviews of fund annual reports. The tool also facilitates consistency in staff comments and areas of focus in fund annual reports, thereby increasing the efficiency and effectiveness of our regulatory oversight.

Process Improvements

In addition to the increased use of analytical tools in our regulatory oversight, the Division continues to make efforts to improve the efficiency and effectiveness of our internal processes. This pertains to some of the core work of the Division, including the review of disclosures of over 12,000 investment companies by our Disclosure Review and Accounting Office.[30] Funds make many filings and their complexity varies. To better focus our resources, the staff generally takes a risk-based approach to reviewing disclosure filings, devoting particular focus to (1) filings by novel and complex funds; (2) new disclosures; and (3) disclosures that most directly influence investment decisions, such as disclosures on investment strategies, risks, fees, and performance.

In addition, the Division is working to improve the transparency of our fund disclosure review process. We recently launched a new webpage that is designed, in part, to provide more clarity and practical guidance on the preparation of fund disclosures.[31] For example, the webpage has accounting and disclosure information for practitioners that covers various practical topics like how to request selective review of a disclosure filing or request relief to avoid making multiple filings when a fund complex makes substantially identical disclosure changes to multiple funds. The website allows us to share with the public accounting and disclosure topics that are frequently raised with the staff. The goal of this effort is to help funds and practitioners navigate our disclosure review process.

Human Capital Planning

As the asset management market continues to evolve, the Division's staffing also must adapt. In recent years the Division has seen growth in types of investment companies that require expertise in specialized areas of finance, law, and operations, such as BDCs and ETFs, as well as funds with more complex investment strategies or investments, such as funds that use derivatives in more complex ways than in the past. In addition, the Dodd-Frank Act resulted in the Commission having greater responsibility for advisers to hedge funds and other private funds. In light of these developments, we have placed a priority on hiring and retaining talented professionals with experience in these growing areas. Further, it is vital to our mission that the Division recruits not just lawyers, but individuals with background as financial analysts, accountants, traders, and even salespeople who want to use their real-world experience in the investment management business to help protect investors. Accordingly, human capital planning is one of my highest priorities as Director, and the SEC's fiscal year 2019 budget request would allow the Division to hire additional staff to advance our mission.

Conclusion

Thank you again for inviting me to discuss the Division's efforts. The information I have shared with you today highlights the tremendous work and commitment of the staff of the Division to inform and protect investors, facilitate capital formation, and effectively regulate the securities markets. I look forward to working with all of you and am happy to answer your questions.

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[1] *See* 2018 Investment Company Fact Book (ICI, 58th ed. 2018), *available at* https://www.ici.org/pdf/2018_factbook.pdf; Investment Company Institute, Trends in Mutual Fund Investing (July 2018), *available at* https://www.ici.org/research/stats/trends/trends_07_18.

[2] *See id.*

[3] *See* ICI ETF Assets and Net Issuance, *available at* https://www.ici.org/research/stats/etf/etfs_07_18; *see also* Investment Company Act Notices and Orders, Category Listing, *available at* https://www.sec.gov/rules/icreleases.shtml.

[4] *See* 2018 Investment Company Fact Book, *supra* note 1.

[5] Based on analysis of data filed on Form N-MFP as of August 31, 2018.

[6] Based on analysis of data filed on Form ADV, Form BD, FOCUS Reports, and Form U4 filings as of December 31, 2017.

[7] Based on analysis of data reported on Form ADV through the Investment Adviser Registration Depository (IARD) system as of August 31, 2018. It consists of assets that are reported by both advisers and sub-advisers, including mutual fund and ETF assets.

[8] The Division administers the Investment Company Act of 1940 (the "Investment Company Act") and Investment Advisers Act of 1940 (the "Investment Advisers Act"), which includes developing regulatory policy for investment companies (*e.g* ., mutual funds, including money market mutual funds, closed-end funds, business development companies, unit investment trusts, and exchange-traded funds) and for investment advisers.

[9] *See* 2018 Investment Company Fact Book, *supra* note 1.

[10] *See Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles,* Exchange Act Release No. 83063 (Apr. 18, 2018) [83 FR 21416 (May 23, 2018)].

[11] *See SEC Proposes to Enhance Protections and Preserve Choice for Retail Investors in Their Relationships with Investment Professionals* (Apr. 18, 2018), *available at* https://www.sec.gov/news/press-release/2018-68; *see also Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles,* Exchange Act Release No. 83063 (Apr. 18, 2018) [83 FR 21416 (May 23, 2018)]; *Proposed Commission Interpretation Regarding Standard of Conduct for*

Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation, Investment Adviser Act Release No. 4889 (Apr. 18, 2018); *Regulation Best Interest*, Exchange Act Release No. 83062 (Apr. 18, 2018) [83 FR 21203 (May 9, 2018)].

[12] *See Form CRS Relationship Summary Mock-ups, Appendices A, B, C, D, E, F* of *Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles,* Exchange Act Release No. 83063 (Apr. 18, 2018) [83 FR 21416 (May 23, 2018)].

[13] *See SEC Chairman Clayton Invites Main Street Investors to 'Tell Us' About Their Investor Experience* (June 29, 2018), available at https://www.sec.gov/news/press-release/2018-125; *see also SEC Chairman Clayton Announces Additional Investor Roundtable in Baltimore for Main Street Investors to 'Tell Us' About Their Investor Experience* (Aug. 22, 2018), available at https://www.sec.gov/news/press-release/2018-162; Jay Clayton, *Statement on Public Engagement Regarding Standards of Conduct for Investment Professionals Rulemaking* (Apr. 24, 2018), *available at* https://www.sec.gov/news/public-statement/public-engagement-standards-conduct-investment-professionals- rulemaking.

[14] *See Optional Internet Availability of Investment Company Shareholder Reports*, Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)]

[15] FINRA regulates the broker-dealers who deliver the disclosure documents.

[16] *See* January 2018 ETF Data; *see also* Investment Company Act Notices and Orders, Category Listing, *available at* https://www.sec.gov/rules/icreleases.shtml.

[17] *See SEC Proposes New Approval Process for Certain Exchange-Traded Funds* (June 28, 2018), *available at* https://www.sec.gov/news/press-release/2018-118; *see also Exchange-Traded Funds* , Investment Company Act Release No. IC-33140 (June 28, 2018), [83 FR 37332 (July 31, 2018)] .

[18] *See SEC Proposes FAIR Act Rules to Promote Research Reports on Investment Funds* (May 23, 2018), *available at* https://www.sec.gov/news/press-release/2018-92; *see also Covered Investment Fund Research Reports*, Investment Company Act Release No. 33106 (May 23, 2018) [83 FR 26788 (June 8, 2018)], *available at* https://www.sec.gov/rules/proposed/2018/33-10498.pdf.

[19] *See Securities Trading Practices of Registered Investment Companies*, Investment Company Act Release No. 10666 (Apr. 10, 1979).

[20] *See* rule 22e-4 under the 1940 Act [17 CFR 270.22e-4]; *see also Investment Company Liquidity Risk Management Programs* , Investment Company Act Release No. IC-32315 (Oct. 13, 2016) [81 FR 82142 (Nov. 18, 2016)].

[21] *See Investment Company Liquidity Risk Management Programs Frequently Asked Questions* , *available at* https://www.sec.gov/investment/investment-company-liquidity-risk-management-programs-faq.

[22] *See Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs*, Investment Company Act Release No. 33010 (Feb. 22, 2018) [83 FR 8342 (Feb. 27, 2018)].

[23] *See Investment Company Liquidity Disclosure*, Investment Company Act Release No. 33046 (Mar. 14, 2018) [83 FR 11905 (Mar. 19, 2018)].

[24] *See* Staff Letter to ICI and SIFMA AMG: Engaging on Fund Innovation and Cryptocurrency-related Holdings (Jan. 18, 2018), *available at* https://www.sec.gov/divisions/investment/noaction/2018/cryptocurrency-011818.htm.

[25] *See* https://www.sec.gov/investment/fund-innovation-cryptocurrency-related-holdings.

[26] *See Statement Announcing SEC Staff Roundtable on the Proxy Process* (July 30, 2018), *available at* https://www.sec.gov/news/public-statement/statement-announcing-sec-staff-roundtable-proxy-process.

[27] *See Statement Regarding Staff Proxy Advisory Letters* (Sept. 13, 2018), *available at* https://www.sec.gov/news/public-statement/statement-regarding-staff-proxy-advisory-letters. Staff guidance is

nonbinding and does not create enforceable legal rights or obligations. *Id.*

[28] https://www.sec.gov/news/public-statement/statement-regarding-staff-proxy-advisory-letters.

[29] *See* Investment Company Institute, Trends in Mutual Fund Investing (Jan. 2018), *available at* https://www.ici.org/research/stats/trends/trends_01_18; Investment Company Institute: ETF Assets and Net Issuance (Jan. 2018), *available at* https://www.ici.org/etf_resources/research/etfs_01_18; U.S. Securities and Exchange Commission, Information About Registered Investment Advisers and Exempt Reporting Advisers, *available at* https://www.sec.gov/help/foiadocsinvafoiahtm.html.

[30] The Division is responsible for reviewing filings such as prospectuses, proxy statements, and shareholder reports for mutual funds, ETFs, closed-end funds, variable insurance products, UITs, and similar investment funds.

[31] *See* U.S. Securities and Exchange Commission, Fund Disclosure at a Glance, *available at* *https://www.sec.gov/investment/fund-disclosure-at-a-glance.*