

SEC Division of Investment Management Director Dalia Blass Discusses Board Outreach Initiative

Article By:

Investment Services Group

In her keynote address at the Investment Company Institute's Securities Law Development Conference on December 7, 2017, Dalia Blass, Director of the SEC's Division of Investment Management, discussed, among other things, the Division's Board Outreach Initiative. This initiative, intended to "holistically revisit the responsibilities of the board," will involve a review of the current responsibilities charged to fund boards under the 1940 Act and engagement with fund directors and others to determine whether any changes to these responsibilities should be made.

Director Blass stated that, although fund boards have played an important role in fund governance since 1940, the responsibilities of boards have grown significantly over the years. A goal of the initiative is to determine whether the accumulation of board duties has distracted from areas where board oversight is most valuable, such as managing the conflicts that may arise between funds and their service providers. Director Blass stated that "[o]riginally, directors were asked to focus on just those key areas where important conflicts could emerge—advisory and underwriting contracts, valuation and certain accounting and audit roles." Director Blass further explained that over the years the SEC and its staff have given additional responsibilities to fund boards under various new rules and pursuant to the terms of exemptive and no-action relief to involve the board in monitoring compliance and addressing potential conflicts. She stated that although these responsibilities individually make sense, at some point the staff needs to ask whether the numerous responsibilities imposed on fund directors are appropriate in the aggregate.

To that end, Director Blass stated that the Division has "made good progress on cataloging all of the rules, noaction letters and exemptions that impose fund board responsibilities." In addition, Director Blass has instructed the Division's staff to begin its outreach and engagement with fund directors and other stakeholders to help the Division understand (1) where the board's focus is most valuable, (2) what the information flow to directors looks like, and (3) the situations in which directors feel that they have a meaningful role to play versus situations in which they are overseeing matters more appropriately handled by others. Director Blass stated that as the Division gathers information it will consider whether to recommend any changes to board responsibilities.

The transcript of Director Blass's remarks is available [here](#).

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