

February 25, 2013

## Head of SEC Investment Management Division Announces Top Regulatory Priorities

At the Practising Law Institute's conference, "The SEC Speaks in 2013," held on February 22 in Washington, DC, Norm Champ, Director of the Division of Investment Management at the Securities and Exchange Commission (SEC), announced the Division's top regulatory initiatives. The Division examined more than sixty initiatives and measured their importance against several criteria, determining which initiatives had the greatest urgency, would affect the largest number of industry participants and investors, and afford significant efficiencies with respect to the use of Division staff and resources. Eight initiatives were selected to receive current staffing, attention and resources. Those initiatives were subdivided by importance into two groups: three short-term projects assigned the highest priority and five longer-term projects. Each initiative has a stated goal of presenting rule proposals, final rules or formal guidance for full Commission action. Mr. Champ remarked that the eight projects are primarily the Division's own initiatives. Joint rule-makings with other SEC divisions or federal regulators are proceeding separately (e.g., the Volcker Rule and harmonization of SEC and Commodity Futures Trading Commission (CFTC) disclosure requirements for investment companies that are also commodity pools under the CFTC's revised Rule 4.5).

### Short-Term, High Priority Projects

- *Money Market Fund Reform* – Proposals are being driven by a recently completed study of the money market fund industry by the SEC's Division of Risk, Strategy and Financial Innovation and the November 13, 2012, money market fund regulatory recommendation by the Financial Stability Oversight Council established under the Dodd-Frank Act;
- *Identity Theft Red Flags* – Finalize, jointly with the CFTC, rules addressing identity theft red flags that were proposed in February 2012; and
- *Valuation Guidance* – Propose valuation guidance that would codify in one place the SEC's existing views concerning the valuation of assets for advisors and investment companies, identify the relevant duties attendant to valuation issues and seek comments on current industry practices.

### Longer-Term Projects

- *Summary Prospectuses for Variable Annuity Accounts* – Extend the prospectus delivery and summary prospectus rules currently benefiting mutual funds to variable annuity accounts;
- *ETF Rule* – Re-propose a rule for "plain vanilla" index-based exchange-traded funds;
- *Increase Data from Investment Companies and Simplify Reporting Forms* – Revamp investment company reporting forms to simplify the form regime and produce more meaningful data for SEC staff use (e.g., Forms N-SAR, N-Q, N-CSR). This project is intended to produce additional investment company metrics for the Division, in a manner similar to the type and quality of data that the Division has been obtaining on Form MPF from money market funds and Form PF from private fund advisors. The improved investment company industry data is expected to inform future rule-making, risk analysis, inspection priorities and statutory and rule guidance;

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- *Changes to Advisor Regulation to Accommodate Realities of Private Funds* – Complete the Division’s Investment Adviser Registration group review of the Advisers Act rules from the perspective of private fund advisors to determine which current provisions work well and which do not in the private fund context (*i.e.*, order ticket retention under the books and records rule); and
  - *Derivative Use by Investment Companies Guidance* – Prepare proposed guidance on the use of derivatives by investment companies as follow through to the Division’s August 31, 2011 derivatives Concept Release.

Mr. Champ noted that the Division’s priorities may change due to unforeseen Congressional, Commission or industry events. The investment management industry should be mindful of these priorities, and how the Division determined them, when seeking staff regulatory action.

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