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## 2020 Annual Report to Members: A Conversation with Paul Schott Stevens

By Paul Schott Stevens

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*Below is an abridged version of a conversation with Paul Schott Stevens, ICI's longest-serving chief executive, who retired at the end of 2020. As he neared the end of his 16 years of service, he sat down with ICI staff to discuss the events of his tenure. To read the full Q&A, please see ICI's [2020 Annual Report to Members](#).*



**You've been describing your [leadership experiences at ICI](#) through a lens of five chapters of time. So, let's talk a little bit about that.**

**When you rejoined the Institute in 2004, you joined as the industry was recovering from the formidable challenges of the market timing and late trading scandal. What did that episode show about the importance of shareholder confidence and the need to promote high ethical standards?**

Well, it's been said that confidence is a plant of slow growth, but it's one that can be destroyed quite quickly. The bad actions of a few in the industry put at risk the reputation of us all, and it required us to take strong action supporting the SEC in a series of regulatory measures to make sure that those abuses didn't happen again. I think late trading and market timing taught us of the importance of integrity in our business, and called for rededication by all to our fiduciary role on behalf of 100 million American investors.

**After that scandal, ICI strongly supported both enforcement and new regulation by the SEC. Would you talk a little about that legacy and what it meant?**

I think ours is an industry and organization, ICI, that tries to face up to problems as they arise. This has been true throughout my association with ICI. Acknowledging problems, working together to find constructive and effective solutions, and, as appropriate, cooperating with the regulatory community to protect our shareholders has been a part of our legacy and a part of our culture, and I'm very proud of that.

**Money market fund reform is another example of ICI taking real initiative and not reflexively resisting regulations. What would you like to share about that time?**

Well, the battle over money market funds was quite something through two rounds of SEC rulemaking. The first [round] was really prompted by the ICI working group's recommendations, and it made money market funds the first part of the financial system to be reformed after the great financial crisis. Of course, the money fund chapter isn't over. We had problems occur during March and April of this year during the COVID-19 pandemic. And so, we'll continue at ICI to be thinking through money fund reforms.

**The debate around financial stability has been another significant chapter of time during your tenure. How did you lead the charge to set the record straight?**

This is a matter of principle, I think, for us. It really involves the question of whether [regulated funds] are going to be regulated like banks—something that is altogether inappropriate. It's incompatible with the model of service that we bring; it's incompatible with our role in capital markets; our agency relationship to our customers; and many other aspects of our business. But after the financial crisis, there was a lot of attention by central bankers and finance ministry officials on what they called "shadow banks." This characterization of the fund industry was, I think, purposely pejorative and altogether wrong. So, we've had to fight hard to make sure that we maintain an appropriate framework of regulation for our industry.

**You've talked a lot about the critically important role that ICI Research plays in bringing facts to the table. Could you tell us a little bit about how it was instrumental in this debate?**

The data that we bring to the table on regulatory issues of all kinds is extraordinarily important, and it certainly has been important during the financial stability debate. Too much policy is made, not only in Washington, but elsewhere, in the absence of facts. But if you want to be an effective advocate, bringing facts and an informed perspective to the table is really the secret to success. And that's always been our method at ICI.

**One of the most notable ways that we expanded our global perspective was through the formation of ICI Global in 2011. What was the Board's vision in creating ICI Global?**

Global managers looked at their activities, really, on a worldwide basis, and regulatory interest in various jurisdictions was spiking as well. So, they turned to ICI and said, well, you've got to respond to all these trends. We established an office in London and we quickly thereafter established another in Hong Kong. We also dedicated a portion of our staff in Washington to work on global issues, and we proceeded to change the mindset of the organization into a global mindset where the international dimension of our work was considered, literally, at every turn. It's probably the biggest change to ICI that's happened on my watch and one that I'm very proud of. In fact, we're the only association of regulated funds or asset managers with a global membership. We have members on six different continents.

**You opened your career as president in the middle of a crisis that required real leadership. It seems unfair, perhaps, but maybe fitting that your time as president is bookended by another crisis. How do you think our industry has fared throughout the pandemic?**

The degree of resilience that the industry has shown is really quite remarkable.

This [resiliency] doesn't happen by itself. It's the result of a lot of planning, and I think it also is the result of community-wide effort. One of the great things about ICI is that members come together to manage risks, to make sure that we all can keep our promises to our shareholders. It's a place where ICI does some of its most meaningful work on behalf of our members. It's a proud, proud thing that [our industry] has continued to keep our promises to our shareholders, even under these extraordinary circumstances.

**What have you observed about ICI's ability to respond to external events, even in a time of crisis?**

The thing that strikes me about our ability to meet this challenge is, it reflects on how well aligned we were as an organization before it all happened. How collaboration and teamwork were second nature. Working across departments, working across professional disciplines, working together towards common purposes. That's something that I had wanted to make sure was characteristic of ICI during my entire time as president—the whole being greater than the sum of its parts. I think it's that culture, it's those habits of work that are reflected in the success we've had in moving to 100 percent remote operation.

*Paul Schott Stevens was President and CEO of ICI.*