Independent Directors Council
Promoting Excellence in Fund Governance

ICI Supports SEC’s Fund Liquidity Disclosure Proposal

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Institute Agrees That Narrative in Shareholder Reports Will Promote Public Understanding of Funds’ Liquidity Risks

Washington, DC, May 18, 2018—The Investment Company Institute (ICI) today strongly endorsed a proposal by the Securities and Exchange Commission (SEC) to improve funds’ disclosure of liquidity information by providing clear and useful narrative in shareholder reports.

In a comment letter to the SEC, the Institute supported the agency’s proposal to require funds to discuss in their shareholder reports the operation and effectiveness of their liquidity risk management programs—replacing a regime of mandatory public disclosure of aggregated liquidity classification, or “bucketing,” information adopted by the SEC in 2016.

“Allowing funds to provide liquidity risk disclosures in narrative form represents a vast improvement to the status quo,” said ICI President and CEO Paul Schott Stevens. "The asset classifications rely on inputs that are complex, hypothetical, and subjective, which will spawn investor confusion and inaccurate and misleading comparisons among funds. We strongly agree with the Commission that its proposal will more effectively promote investor understanding of funds’ liquidity risks and how funds manage them.”

ICI has been actively engaged with its members and the SEC on the liquidity risk management rule, includinginitial and supplemental comment letters in 2016 on the proposal, and letters in July and November last year on the rule.