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MUTUAL FUND DIRECTORS FORUM

The FORUM *for* FUND INDEPENDENT DIRECTORS

December 23, 2013

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies

Dear Ms. Murphy:

The Mutual Fund Directors Forum[1] ("the Forum") welcomes the opportunity to respond to the request for comments by the Securities and Exchange Commission ("Commission") on the Proposed Interagency Policy Statement ("Proposed Policy Statement") concerning standards for assessing diversity policies and practices.[2]

The Forum, an independent, non-profit organization for investment company independent directors, is dedicated to improving mutual fund governance by promoting the development of concerned and well-informed independent directors. Through continuing education and other services, the Forum provides its members with opportunities to share ideas, experiences, and information concerning critical issues facing investment company independent directors and also serves as an independent vehicle through which Forum members can express their views on matters of concern.

I. Introduction

The Proposed Policy Statement arises out of the Dodd-Frank mandate requiring financial regulators to develop standards for assessing the diversity policies and practices of entities regulated by each agency. The approach in the Proposed Policy Statement anticipates a self-assessment model, together with voluntary disclosure of any information the entity deems relevant, as an opportunity to foster public awareness of its diversity policies and practices.

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1 The Forum's current membership includes over 775 independent directors, representing 105 independent director groups. Each member group selects a representative to serve on the Forum's Steering Committee. This comment letter has been reviewed by the Steering Committee and approved by the Forum's Board of Directors, although it does not necessarily represent the views of all members in every respect.

2 *Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies*, SEC Release No. 34-70731; File No. S7-08-13

Although the release notes that the agencies "will not use the examination or supervision process in connection with these proposed standards," SEC Commissioner Aguilar has asked for comment on whether an agency should "utilize site visits or otherwise exercise its examination and supervisory powers in connection with the standards and assessments set forth in the Proposed Policy Statement."[3] As we discuss below, we would strongly oppose any extension of the proposed approach that would rely on regulators using their examination authority independently to assess the diversity policies of registrants and other regulated entities.

II. Mutual Funds and the Important Role of Independent Directors

The Proposed Policy Statement creates a framework for entities to voluntarily examine and reflect upon their policies and procedures relating to diversity, and to bring greater visibility to those efforts. However, the implementation of the Proposed Policy Statement would not readily apply to mutual funds due to their unique structure. Although mutual funds are generally independently incorporated, they typically do not have their own employees, and thus cannot use workforce statistics to assess their own diversity.[4]

Mutual funds do have independent boards, which play a critical role not just in overseeing the funds they serve, but in helping ensure that the funds are operated in the best interests of their shareholders. Fund boards have no role in personnel decisions made by the fund adviser, or by any other entity that provides services to the fund. How boards are constituted is subject to a variety of regulatory requirements under the Investment Company Act of 1940. In addition to satisfying these requirements, having individuals with a diversity of skills and backgrounds on a board is important to representing the wide variety of investors who use funds to plan and to save for their future.

In short, shareholders are best served by a board composed of individuals with a variety of backgrounds, qualities, and skillsets. Yet each board's requirements will be different, reflecting the unique characteristics of the funds overseen. Individual boards are better situated than regulators to determine what type of diversity is needed to best serve their investors and how best to represent that diversity within the spectrum of qualities and skills that individual directors bring to the board.

Accordingly, we do not believe that using Commission staff to examine registrants' progress in embracing diversity or to bring legal action based on that progress is an effective use of Commission resources. Increasing regulatory responsibilities stemming from elsewhere in the Dodd-Frank Act, including regulating and examining hedge funds, hedge fund advisers, and private equity funds, will continue to stretch the Commission's resources. Asking examiners to review how regulated entities self-assess their commitment to diversity or how they implement

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3 Statement of SEC Commissioner Louis A. Aguilar, October 23, 2013, http://www.sec.gov/News/Speech/Detail/Speech/1370540026835#.Up-eQNJDv1E

4 In addition, because most individuals who invest in mutual funds do so through broker-dealers and other asset-gathering platforms, funds typically have limited information about the identity of their investors.

their own internal plans will unnecessarily stretch a scarce resource, potentially to the detriment of investors.

We also note that while diversity is an important societal and business issue, the statutes and rules administered by the SEC do not contain specific requirements. Examining and making judgments about an entity's diversity characteristics therefore is entirely outside the expertise of the SEC. Using SEC examination staff to determine how industry participants are implementing their own commitments to diversity is not an appropriate use of SEC resources.

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We welcome the opportunity to further discuss our comments with the SEC or any of the other proposing agencies. Please feel free to contact Susan Wyderko, the Forum's President, at [redacted] or [redacted] at any time.

Sincerely,

Susan Ferris Wyderko
President & CEO

cc: Chair Mary Jo White
Commissioner Luis A. Aguilar
Commissioner Daniel M. Gallagher
Commissioner Kara M. Stein
Commissioner Michael S. Piwowar