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# Securities and Exchange Commission Investor Advisory Committee

July 27, 2009  
Washington, DC



# Agenda

**10:00 - 10:30 a.m. Opening Remarks**

- **Commissioner Luis A. Aguilar**
- **Committee Co-Chairs Richard (Mac) Hisey and Hye-Won Choi**

**10:30 - 10:50 a.m.**

- **Introduction of Committee Members and Supporting Staff**

**10:50 - 12:00 p.m.**

- **Committee Agenda and Organization**

**12:00 - 1:00 p.m.**

- **Break**

**1:00 - 3:00 p.m.**

- **Investor Views of Possible Refinements to the Disclosure Regime**

**3:00 - 3:45 p.m.**

- **Next Steps: Confirm Dates for Future Meetings and Discuss Prioritization of Issues**

**3:45 p.m. Adjourn**



## Committee Objective

*“The Committee’s objective is to provide the Commission with the views of a broad spectrum of investors on their priorities concerning the Commission’s regulatory agenda, including:*

- 1. advising the Commission regarding matters of concern to investors in the securities markets;*
- 2. providing the Commission with investors’ perspectives on current, non-enforcement, regulatory issues; and*
- 3. serving as a source of information and recommendations to the Commission regarding the Commission’s regulatory programs from the point of view of investors.”*

Source: Committee Charter



# Opening Remarks

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Commissioner Luis A. Aguilar

Co-Chairs

- Richard (“Mac”) Hisey
- Hye-Won Choi



# Introductions

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Committee Members

Supporting Staff



# Committee Agenda & Organization

- Approval of Bylaws
- Committee Member Suggestions for Future Agenda Items
  - Fiduciary duties
    - Comparable duties for all who provide investment advice
    - Application to adviser evaluation of ESG risks
  - Disclosure
    - Corporate disclosure
      - ESG
      - Corporate Governance “best practices”: adopt “comply or explain” approach
      - Director candidate statements
      - Additional factors to assist investors in evaluating board performance
    - Investment advisers/brokers, etc.
      - Analysis of risk posed by environmental, social & governance issues
      - Pre-engagement disclosure
    - Point of sale disclosure
    - Plain language approach: Expand to more documents, notes
    - Use of technology/interactive applications
    - More broadly: timing, focus, clarity, uniformity, delivery mechanisms, testing for effectiveness



# Committee Agenda & Organization

- Committee Member Suggestions for Future Agenda Items (continued)
  - Regulatory treatment and industry use of credit-based instruments (e.g., derivatives)
  - Arbitration issues for investors
  - Valuation questions
  - Investor education (e.g., constantly evolving products) & access to market data
  - Proxy voting
    - Issues unique to individual investors (e.g., educational materials)
    - Disclosure by institutional investors
    - Review of proxy advisory services
    - Proxy voting process; “blank vote” mechanisms; OBO/NOBO
    - Majority Voting



# Committee Agenda & Organization

- Committee Member Suggestions for Future Agenda Items (continued)
  - Corporate Governance Issues
    - Review obstacles to effective shareholder-board dialogue
      - E.g., safe harbor for pre-election dialogue between investors and candidates
    - Rule 14a-8 shareholder proposals
      - SEC staff approach to “ordinary business exception” as applied to social-issue shareholder proposals
      - Relating to auditor selection
    - Ensuring shareholders have the rights necessary to be effective owners: Are there other issues that should be considered?
    - Compensation consultants conflicts of interests & solutions beyond disclosure
    - CD&A/Compensation Committee report
  - Interplay between technological innovation and bringing new products and services to investors: Investor perspectives
  - Globalization: the challenges of protecting investors who regularly cross boundaries, and for investors operating under multiple regimes
  - Resources
    - Oversight of financial intermediaries



**BREAK 12:00 – 1:00 P.M.**

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# Investor Views of Possible Refinements to Disclosure Regime

## Mutual Fund Point of Sale Disclosure

1. *What, if any, information should be disclosed to mutual fund investors at the point of sale to better enable them to make informed investment decisions?*



# Investor Views of Possible Refinements to Disclosure Regime

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## Mutual Fund Point of Sale Disclosure

- 2. How should point of sale disclosure be provided (e.g., written, electronic, oral)? Should more than one method be used?*



# Investor Views of Possible Refinements to Disclosure Regime

## Mutual Fund Point of Sale Disclosure

- 3. What impact would point of sale disclosure have on the mutual fund sales process, and what would be the competitive impact of requiring point of sale disclosure for mutual funds without requiring such disclosure for competing financial products?*



# Investor Views of Possible Refinements to Disclosure Regime

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## Mutual Fund/Broker Fee Disclosure

1. *What steps could the Commission take to further enhance investor understanding of mutual fund costs and the ability of investors to compare costs across funds and other financial products (e.g., additional disclosure, investor education)?*



# Investor Views of Possible Refinements to Disclosure Regime

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## Mutual Fund/Broker Fee Disclosure

- 2. What could be done to enhance disclosure of broker compensation for mutual fund transactions, as well as the potential conflicts of interest arising from such compensation?*



# Investor Views of Possible Refinements to Disclosure Regime

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## Disclosure to Investors in 401(k) Plans

1. *What steps could the Commission take to facilitate better disclosure to retirement plan participants regarding available investment options?*



# Investor Views of Possible Refinements to Disclosure Regime

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## Disclosure to Investors in 401(k) Plans

- 2. How can the transparency of 401(k) plan revenue sharing arrangements, and associated potential conflicts of interest, be improved?*



# Investor Views of Possible Refinements to Disclosure Regime

## Disclosure to Investors in 401(k) Plans

- 3. Do target date funds raise any disclosure issues, including fund name issues, which should be addressed by the Commission?*



# Investor Views of Possible Refinements to Disclosure Regime

## Environmental, Climate Change & Sustainability Disclosure

1. *Do investors consider environmental compliance, climate change and sustainability issues important in making investment or voting decisions?*



# Investor Views of Possible Refinements to Disclosure Regime

## Environmental, Climate Change & Sustainability Disclosure

- 2. Are current disclosure practices with respect to environmental compliance, climate change and sustainability issues sufficient for investors to make informed investment and voting decisions, or do investors need expanded disclosure in any of these areas?*



# Investor Views of Possible Refinements to Disclosure Regime

## Environmental, Climate Change & Sustainability Disclosure

- 3. If additional disclosure in these areas would be useful to investors, should the Commission require additional disclosure on these matters by revising its forms and regulations? Alternatively, should the Commission highlight how its current forms and regulations may require disclosure in these areas?*



## Next Steps

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- Future Meeting Dates
- Future Agenda Items
  - Discussion regarding need for external panelists
- Consideration of Subcommittee(s)
- Consideration of Public Statement