FUND INDUSTRY

Industry associations amp effort to get SEC to change rules specific to fund market

IDC, IAA and NSCP are pushing to change definition of a "small" adviser, ditch paper-only report distribution and launch a group to advise the SEC about compliance problems

Kevin Fogarty | Sep 26, 2025, 4:02 pm

Fund-industry professional associations are stepping up to lobby the SEC for changes that would benefit fund complexes, that didn't make it onto the SEC's latest list of regulatory priorities.

Both the Independent Directors Council (IDC) and MFDF are ramping up their educational programs to help fund directors get up to speed on market changes resulting from the SEC's policy changes on ETF share-class exemptions, crypto investments and retail access to private-market assets, among other things.

But IDC and other organizations are also pushing the SEC to make larger changes that will either improve the ability of their members to operate effectively, or create a more transparent, more functional connection between the SEC and parts of the industry that don't get enough attention.

The National Society of Compliance Professionals (NCSP), for example, proposed the creation of an SEC Compliance Advisory Committee that would function in much the same way as the existing Investors Advisory Committee, but would give regulators greater visibility and understanding of compliance issues that have been a major focus of struggle for the investment industry during the past several years.

IDC is going further, however, by pushing regulators to change rules that make it impossible for fund complexes to distribute shareholder reports electronically by default, rather than requiring that such reports be distributed on paper.

The industry lobbied the SEC hard for more than two years to get the SEC to agree to electronic delivery, and had apparently succeeded near the end of the first Trump administration. In 2022, however, the Biden-era SEC reversed those assumptions by approving a tailored shareholder report that continued to require delivery on paper rather than electronically, which was profoundly disappointing to many of those who spoke to Fund Directions about the change at the time.

"From a policy perspective, we still view e-delivery of disclosures and other information to shareholders as an important step toward modernization," Thomas Kim, managing director of IDC told Fund Directions.

"E-delivery would save significant costs for funds and shareholders if it could be made the default option though, of course, shareholders could always get paper copies if that's what they prefer," Kim said.

IDC is also lobbying the SEC to change the definitions of a "small" adviser to more accurately reflect current conditions rather than those of a decade or more ago.

Clearing away what it calls an obsolete and unreasonable definition of "small" has been a major priority during the past several years for the Investment Advisers Association (IAA), and will continue to be a lobbying priority until those changes are made, IAA officials have said in the past.

"The SEC has proposed items on its agenda that include the definition of small entities, but we don't know what direction the SEC may go on that," IDC managing director Thomas Kim told Fund Directions. "And regulatory initiatives could have a broader impact on smaller complexes and smaller funds, and the shareholders of those funds, than they would if we could move that initiative forward."

"IDC has and continues to emphasize the value of small funds and small fund complexes as an important area of innovation; this will help enhance competition in the market," Kim said.

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