

ICI Releases Updated Framework for Fund Industry Intermediary Oversight

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Washington, DC, January 24, 2014 - The Investment Company Institute (ICI) has released an update to the [Financial Intermediary Controls and Compliance Assessment](#) (FICCA) framework to assist mutual funds with the oversight of financial intermediaries that service fund shareholders and that primarily use omnibus accounts for recordkeeping.

“Several omnibus intermediaries have embraced the FICCA framework as an efficient tool to report to mutual funds on the effectiveness of their internal controls,” said Kathleen Joaquin, ICI Chief Industry Operations Officer. “The framework also provides funds with independent auditor assurance that relevant controls are operating effectively for intermediaries.”

FICCA and Fund Industry Background

The FICCA framework was established in 2008 through an ICI working group that included ICI members and representatives of the four largest national accounting firms. FICCA was designed to provide funds with another tool to fulfill their oversight responsibilities for intermediaries.

In an omnibus account environment, a financial intermediary has direct control over and knowledge of its customers’ mutual fund positions. Consequently, mutual fund oversight often includes monitoring certain intermediary activities to ensure adherence to mutual fund regulations, contractual obligations, and compliance with the terms of fund prospectuses and statements of additional information (SAIs). The FICCA engagement is an important tool that helps funds meet these oversight responsibilities.

“In the past few years there has been greater adoption by the intermediary community,” said Joaquin. “Based on those recent experiences, in 2013, ICI organized a working group to enhance the FICCA framework, in order to promote broader use by intermediaries and funds.”

Updated FICCA Features Refinements and New Tools, While Maintaining Flexibility

The updated FICCA framework includes refinements to requirements and clarifies terminology, while preserving the program’s inherent flexibility for intermediaries providing funds with independent assessments of the 17 control areas outlined in the framework. As with the 2008 FICCA framework, an intermediary may provide one comprehensive audit report or a combination of audit reports. The 2014 FICCA update also features a glossary and supplemental information, to provide further clarity on the framework, and includes a mapping document to help fund sponsors determine where the control areas are covered if multiple audit reports are provided by the intermediary.

“We have found FICCA to be a very helpful oversight tool,” said Basil Fox, Chair of the ICI Operations Committee and president of Franklin Templeton Investor Services, LLC, an affiliate of Franklin Templeton Investments. “While other audit reports focus on financial controls, the FICCA framework is a comprehensive summary of the relevant financial and operational controls that funds are seeking independent assurance on with respect to shareholders who are being serviced in the omnibus environment.”