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The Independent Directors Council: 20 Years of Advancing Excellence in Fund Governance

By Thomas Kim



In May 2004, the Investment Company Institute formed the Independent Directors Council as a new independent entity to support and strengthen the vital role of fund independent directors. The press release announcing IDC's formation highlighted that its programs, activities, and policy development would be served by a dedicated team of staff and receive support from ICI resources. During the IDC conference in October 2004, SEC Chair William Donaldson "salute[d] ICI for creating this new entity, which will help to deepen the involvement of independent directors in the many important public policy debates affecting the mutual fund industry."

Since that period, IDC has served as the premier resource dedicated to independent directors on the boards of mutual funds, exchange-traded funds, closed-end funds, and business development companies. IDC's 20th anniversary affords an opportunity to reflect on this journey and reaffirm IDC's longstanding mission to advance the education, engagement, and public policy priorities of independent directors, while enhancing the public understanding of the critical role of fund independent directors in service to shareholders.

Likewise, this milestone is an opportunity to underscore the unique governance structure that has strengthened the success of the registered fund industry. The overwhelming independence of fund boards is remarkable. IDC data show that for 87 percent of fund complexes, independent directors hold three quarters or more of board seats—up from 71 percent of fund complexes in 2004 and 46 percent in 1996. In addition, 93 percent of fund complexes have an independent chair or a lead independent director. In 2004, that figure was 58 percent.

Looking to the decades ahead, the governance structure of registered funds could provide valuable insights for other financial products that serve long-term individual investors. IDC and ICI look forward to participating in those important discussions.

At the same time, strong governance is not static, but requires vigilance and the exercise of sound, informed judgment. IDC will continue to deliver best-in-class education programs to independent directors, convene the director community to facilitate peer-to-peer learning, and advocate against policy efforts that—either by design or as a byproduct—operate to replace effective board oversight with mandates that adopt a check-the-box approach.

IDC is well positioned to navigate through the change and complexity that lie ahead. The resilience, innovation, and commitment to our mission during the past 20 years will continue to guide this organization in the coming decades. Together, IDC, ICI, and our collective membership will ensure that the legacy of IDC endures, fostering excellence in fund governance in the interests of shareholders for generations to come.

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