Talking Investment Management: The Fund Director's Guide to Navigating the Regulatory Landscape

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David Grim (00:05):

Hello everyone, and welcome to our Stradley Ronon Talking Investment Management podcast. I'm Dave Grim. I'm a partner in the investment management group here at Stradley Ronon, and I'm thrilled to be joined by two very special guests for the fifth episode of our podcast. I'd like to introduce my special guest to the audience. First is Cynthia Plouché. If you work in the asset management industry, you know that Cynthia doesn't really need an introduction, but I'm gonna give it a whirl anyway. Cynthia is the chair of the IDC governing Council, as well as a member of the ICI Board of Governors. She's also an independent director for the Northern Trust funds and the Northern Trust institutional funds, as well as for the Mass Mutual funds, and has more than 25 years of experience as a fixed income portfolio manager and financial executive. She also has a very long list of involvement with terrific nonprofit initiatives, including the Black and Crisman passport for boards, which increases board placement for black and Latino Harvard alumni, the Zania Project, whose goal is to leverage the impact of other nonprofits committed to helping young women of color to achieve personal and professional growth.

David Grim (01:25):

And the village, a social venture designed to expand access to outta school education for K to 12 children. Welcome, Cynthia. We're so thrilled to have you here today. Thank you. It's a pleasure. I'd also like to introduce Sara Crovitz. She, too, really needs no introduction for a podcast like this because, like Cynthia, she's been in our industry for more than 25 years. She's currently a partner in our investment management group here at Stradley Ronon and has a very broad practice covering fund advisor and board issues. Prior to Stradley Ronon, Sara served with distinction for many, many years at the SEC, including as the Deputy Chief Counsel and associate director, leading the provision of legal guidance to the industry, as well as the international efforts in the investment management space. Sara's sophisticated understanding of SEC regulation and compliance for funds and advisors is sought after in our industry.

David Grim (02:23):

And her expansive practice covers the most pressing issues of the day for us, such that she's a frequent speaker and thought leader at conferences and industry events. And so welcome to Sara. And it's such a thrill for me to have the opportunity to have this discussion with the two of you today. So what are we gonna talk about today? Well, there's so much going on at the SEC right now. It's sort of hard for all of us, including fund directors, to keep up and figure out what is most important to know. The goal of our time together is to give you exactly that. What is the most important thing to know in an easy-to-understand way? We picked a number of issues that are top of mind for many directors that we talked to today. The issues are the following: cybersecurity, ESG, the SEC's outsourcing proposal, fund fees and expense disclosure, artificial intelligence, diversity in the boardroom and succession planning.

David Grim (03:30):

For each of these issues, Sara and I are gonna summarize the issue, including what's going on at the SEC, and then ask Cynthia to share her perspective as a director and a leader in the industry on the issues. So with that, that's our plan for today. And let's get rolling with our first issue. So we're gonna start with cybersecurity. And the way I think about cyber, when you ask either what you ask regulators or you ask many in the industry about the risks that keep you up at night, cybersecurity is often on that list. And that is true for many at the SEC, which has taken a number of actions relating to cybersecurity, including a rule proposal for funds and advisors. I'm not gonna spend a ton of time on the specific requirements in the rule. I think in summary, it requires policies and procedures, SEC reporting, public disclosure, and record keeping.

David Grim (04:31):

That's broadly what the rule's about when it comes to fund boards. Their obligations under the proposed rule will be to approve those policies and procedures and also to review the annual report. In some ways, the cyber rule is similar to some of the other rules that boards have implemented recently in the risk management space, derivatives and liquidity, right? It's a similar kind of framework where the procedures come to you for your approval, and then you review an annual assessment of the program. There are also some questions around whether this rule is necessary, given all the time and energy that everyone in our industry spends on trying to protect against cyber incidents. The SEC has been very aggressive, actually, from an enforcement perspective in the cyber arena. And again, the question is, if they've been aggressive in the enforcement arena, why, why do they necessarily need this rule?

David Grim (05:30):

Nonetheless, they proposed it, and it's out there for public comment. And so here we are, sort of, on the precipice of them probably adopting it in the coming months. And so with that wind up, Cynthia, I guess I would turn it to you and say, given the role for boards under this proposal, based on your experience, are boards concerned with having cybersecurity expertise on their board? Do they think that it's necessary to have an expert as a director? Let us know what you think of the rule, and in particular, that perspective on it.

Cynthia Plouché (06:13):

Well, as you said, you know, we've seen this kind of framework before, right? In terms of how we, you know, have the responsibility of doing, you know, the policies and procedures review and annual, and so that's not, you know, something that would keep a board member up at night, 'cause we're just used to that drill. I think the, you know, if we look at it in addition to the policies and procedures, there's the commitment of sufficient resources to that, right? And so I think that is a, a, a board's responsibility. However, you get to that with your discussions with the advisor. I think that's important. You know, having a person on the board with a cybersecurity background is conceptually a nice idea, I think. But I think cybersecurity is so rapidly changing, and how it gets implemented, what's new, what's current, what are the, you know, and I think that a retired trustee would bring a nice lens to look at all of that.

Cynthia Plouché (07:18):

But basically, my approach or my thinking is that you, you, nobody, you know, this is a real-time problem. And so you're best served by people who are experts in the industry who are currently involved. And I think many, many, most boards now have access to that professional, you know, outreach so that it's part of your annual reviews as part of a quarterly report or, you know, something with, you know, determined frequency. And so I think that's the most important thing. And then ultimately, you know, are you getting the responses that make sense to you that you can understand? I mean, from the management team? Because again, I, and you'll hear me as we talk, you know, I'm very much one of the, what do they say, noses and fingers out kind of style. I don't think that it's our job to be operational managers per se. So you know, I think that's really my take on it, that you know, boards have access to professional consultants, both internally and externally. And they should, you know, as a practice, it makes sense to, you know, to take advantage of that.

David Grim (08:44):

I agree with you a hundred percent. And in fact, when I get this question from trustees, I try to answer it as well as you just did. And so the next time I get it, I might call you to ask you to help me answer. Okay. Because that's exactly how I wanna answer. Thank you. Thank you for that. Yeah. So, one other question about cyber. I mentioned in the framework of the proposed rule that there's a reporting to the SEC for significant cyber events, and that reporting is required to be done within 48 hours of the incident happening. And I guess the question for boards and for you, Cynthia, is, are boards concerned that that kind of a quick turnaround in some ways can be viewed as usurping your board's role in overseeing a cybersecurity incident?

Cynthia Plouché (09:38):

Yeah, I, you know, I would agree with that. I think that boards generally receive information, and we are an industry that has a lot of data. And, and, and so that's a plus, right? But I think, you know, until you have had a chance, even for management to assess what's going on and then share that with the board, even if it's a a, a small portion of the board, you, you can't actually do your job as a, you know, for oversight, right? You cannot oversee the compliance function. And so I, I do think that while I respect the commission wanting to have its finger on the pulse, as you know, you must allow, I, I, I think the system to work first, right? And when you put the right rules and procedures in place, then you're setting up for success for all you know, 'cause ultimately it is about the shareholder. And so you need to just have a level of patience, if you will, in terms of you know, getting to the conclusion or understanding what's going on.

David Grim (10:59):

All right, so that's a wrap on cyber. Sara, I'm gonna kick it to you to take our next topic.

Sara Crovitz (11:08):

Great. So we were gonna talk next about the ESG and the ESG rule proposal that came out last summer, which should not be confused, of course, with the names rule proposal, which also came out last summer, but has now been adopted. And interestingly, we won't get into that today, but interestingly, of course, the name rule was adopted, and the e sg proposal has not yet been acted upon. So the ESG proposal, similar to what we were discussing with cyber, is the role for the board again, which is sort of an oversight role, a policy and procedure role. The rule proposal would require enhanced disclosure for funds and advisors around ESG strategies. And I think namely to, to put it at a really high level I think the board role there is sort of overseeing the advisor to make sure the advisor is saying what they're doing and doing what they're saying, which I think is sort of where, where most people are, the way most people think about ESG. And so I guess I wanted to ask Cynthia, in your role as a trustee and sort of thinking about ESG and the policies and procedures you've seen around you know fund actions and disclosure around ESG and funds that you might be overseeing, what do you think boards should be thinking about when they're thinking about any kind of policy and procedure oversight or, or disclosure oversight of esg?

Cynthia Plouché (12:32):

Yeah, this is, you know, I would say this is kind of a delicate topic, right? Because of what's gone on over the past several months. And, as we directors, you're kind of treading, looking for that balance between, you know, overseeing management of conflicts of interest and putting the shareholders' interest first. And so I think that clearly understanding what's in your portfolios and, and now, with all the various language around what, you know, what type of ESG exposure, you know, is an important thing to consider.

So I'll go to my, the back end of, I think that ultimately more and more boards will be crafting dashboards that are specific to this ESG question, so that as a board member, you can have the ability to, you know, see all the different layers to see, you know, where your exposures are because we're in the risk management business basically as fund directors.

Cynthia Plouché (13:45):

And so I think that's where we'll eventually land, but right now, I feel like the landscape is still shifting so much. And then what is the, you know, it's not that different from de and I, you know, where is the board's responsibility? And it's different for a corporate board than where the strategy comes to play more than it does in the fund fund board community. So, you know, what is our role? And I think we go back to our meat and potatoes kind of thing, right? It's we, where are the potential conflicts? Do you understand, you know, what you're telling your shareholders and what management is telling you? And then ultimately it's you know, the disclosures, right? And so perhaps more and more attention now goes to those disclosures because this is how we message out and this is how we are held accountable for, you know, doing what we say, and we mean governance as well as management, right? And so that's kind of my short answer.

Sara Crovitz (15:02):

Great. So I guess the second question, and you touched on this already, so maybe there's not more to say about it, but, you know, are there good examples you've seen of reports or materials that boards can receive from the advisor to help with the oversight role?

Cynthia Plouché (15:16):

Yeah, I think, you know, people who've been in the ESG space for a while now have a head start, right? Because they've already been forthcoming, they've been showing you things you know, and we've held webinars and conference segments on the topic. And, and so now the rest of us are coming up to speed. 'cause You're right, you know, with the, even with the names rule, know, does that impact what you're calling your funds? And will that cause disruption for a minute? In terms of, again, compliance and disclosure, So it's, I think I said, you know, changing landscape, you kind of put your seatbelt on a little bit here, and then you just, and it's so I think it's really complex by complex, but what we are all looking for and what we're being asked to do is to bring a uniformity to, to that process, which is a challenge. You know, and this is where you sometimes give us more guidance, tell us, you know, specifically what it is that you're looking for, and we will deliver. Right?

Sara Crovitz (16:30):

Right. I think it's particularly challenging because it seems pretty apparent that when the 33 act disclosure rule gets put into place, whenever, if that happens, whenever that happens, that there's gonna be litigation on that rule. Yes. And so my fear, my fear has always been that the SEC continues with the fund and advisory ESG disclosure rule. So the funds and advisors now have to make disclosures about underlying data, which may not actually be subject to the SEC rule, right? For consistency. Which would be pretty unfair. But unfortunately, I could see that, I guess that's, that's my, that's what keeps me awake at night. I'm not a director, that's what keeps me awake at night.

Cynthia Plouché (17:07):

Right. No, I think you're very right. In the sense that, you know, we do have a lot of data and where do we kind of draw the line so that, and a complex, you know, can have some proprietary <laugh>, you know, information that, that's protected because they're in this as a business. And, you know, you need to, there are secret sauces, right? And here's the balance is, do we as a board, in a confidential way, understand what the C sauce is? Are we being told enough so that we can understand, you know, what's going on, so that there are no, no, no blind sides, no surprises. And you know, just this is all about a level of trust and confidence, right? And the communication between the board and the complex management team.

David Grim (18:07):

Okay. Great. Thanks to both of you. Let's kick it to our next topic, which is the advisor outsourcing proposal that the SEC rolled out. And very briefly, what that does is basically make outsourcing unlawful for an advisor like you. You can't retain a service provider to perform outsourced services unless you do the things required by the rule, which is basically around due diligence and monitoring. When you go through the public comments on this rule, there's actually not a big focus on boards. And that's, I think, in part because boards aren't a big focus in the proposal. I think a theme of the comments is, Hey, we've got this compliance rule already on the books, mm-hmm <affirmative>. Under that compliance rule, the board plays a very prominent role. Second, it already requires oversight of key service providers.

David Grim (19:24):

So I think there are some questions about whether this rule is necessary in the fund space. And then there's also a bunch of other questions and confusion around the defined term in the rule, which is this covered function. I mean, what, what, what even is that? Right? What, what is covered, what is not covered, basically. Yes. So that's, that's, that's a bit about sort of what's in the rule and what the, what the comments have been. But let's, Cynthia, let's bring you into this, right? Ultimately, what this rule is about is service provider oversight, which you, you know, in a, as a director, you live and breathe, you know, all the time. So, what do you find most helpful in performing that role as a director? <Laugh>,

Cynthia Plouché (20:09):

Some of the, you know, some of it comes through the 15 C process right away, right? And so, you know, the depth of your 15 C process, which I think these days covers more than one quarterly meeting for most boards, you're now some aspect of it, it feels like it's year-round. And I think that I have not heard of it when it didn't work the way that we are, you know, doing it now. I think service providers play an essential role. And I, as a board member, do appreciate the highest tier of service providers coming in and giving you insight into their operations. You can look, you know, if there's a lot of activity in the space, you know, there are things that matter to you. And so, if you took what the top items for this board oversight are to me, I don't think the board should be dipping down to a lower level.

Cynthia Plouché (21:22):

But hearing from the people who, if you use someone for performance metrics, you know, yes, that makes sense. But even that, you know, if you get your hands on a very detailed report and you have a detailed conversation with management. 'cause I think ultimately, I'm gonna go back to this is management's responsibility for educating the board, for making sure the board understands what, what they're doing. Then, you know, that's kind of my answer. One place I, you know, is different; well, two things come to mind. How does this impact small funds? And, you know, it's different if you are a large asset under management, but it's, you know, a different set of challenges for small fund boards. So that's the first thing that comes to mind for me. And I do find it interesting to, every once in a while, lift the investment, the portfolio people off the page and have some of them present to you in person because you do get a feel for the, you know, never forgetting that there are humans on the other side of this.

Cynthia Plouché (22:38):

And, some of your most important, you know, depends on the structure of the complex, but that human talent, which is making the investments on your behalf, is interesting. And so I would say as an aside note that I found have found in the past to be interesting is actually visiting the investment management team on their turf, rather than just having them come into you because it does get to be, you know, oh yes, open page five, open, you know, that sort of thing. But kicking the tires periodically, again, is the management's role. And we have this in-depth process that goes with the compliance role, right? And so I, you know, I find being asked to go further into the vendor relationships, you know, is just unnecessary, you know, unless there's a problem. And so it is the board's responsibility and the management's.

David Grim (23:51):

I love it. That's great. Thank you. Sara, do you want to take the next one?

Sara Crovitz (23:58):

Sure. So, one interesting item that appeared on the SEC's regulatory flexibility agenda for a possible spring proposal is this item around fund fee and expense disclosure. And the wording in the agenda doesn't give us a lot of detail. It just says the division is considering recommending that the commission propose changes to regulatory requirements relating to registered investment companies' fees and fee disclosure. And so it's not entirely clear what that is, but there have been issues that Dave and I, by God, were involved in this back in like 2002 mm-hmm <affirmative>. There have been periodic efforts to require more for, I would say more personalized fee disclosure by funds. And back when we looked at this in the early two thousands, there was sort of a congressional intent. We're interested in requiring funds to show a quantitative measure of overall transaction costs.

Sara Crovitz (24:55):

At that time, the SEC pushed back against this congressional interest, basically saying, you know, proposals to quantify overall transaction costs are attractive in theory but really not feasible in practice. And, you know, estimates of overall transaction costs are not really ones that you can do uniformly or reliably. And so I guess I have a couple of questions for you on this. First, I guess just going to your own fixed income experience, you know, I mean, I think the point the SEC was trying to make here is while you may be able to pretty clearly and easily quantify transaction costs, if you're talking about commissions, yes. What do you do with something like a fixed-income security, right? How do you actually quantify what the cost would be, you know, to an investor on that? And, you know, I think that's something that has always been a real complication with regard to these proposals.

Cynthia Plouché (25:56):

Yeah. And you know what, first off, I find it interesting that the commission was on the other side of this argument when you, from back in 2000, right? They were, no, we can't do this because of the things that you're saying, you know? And so the world goes around, and you know, but you're absolutely right. That, and, and it makes sense. And from reading the notes, and thank you for that, on the, you know, the inability to pinpoint the cost, particularly in fixed income, is just, you know, it's daunting. And, you know, when we talk about spreads, when we talk about market impact and, and opportunity costs, you know, it, it just doesn't make sense unless, you know, I, I don't see how that happens because a lot of this is a negotiated market of sorts. And unless you, you know, everything was trading by a spreadsheet or a bid list, you know, there you have some glimpse into the pro, you know, solving the problem, I guess.

Cynthia Plouché (27:14):

But I don't, you know, am I worried about it? Not so much yet, because there's so much else on our plates that spring 2024 seems a little bit away, you know, and we've got these other battles to, you know, to look at. But my overall reaction is that, you know, it is, it feels like it would be cumbersome. It feels like it would add cost to shareholders. And it feels like building that out is gonna further narrow who plays, who participates in the market from the side of the providers, as well as, you know, how much, you know, how much information does the shareholder need and want. And I'm not saying don't give them; it's just, you know, there's a balance, and that's my point. Yeah, I, yeah, I, I don't know what else to say about this one. <Laugh>

Sara Crovitz (28:19):

No.

Cynthia Plouché (28:20):

But as more information comes out, we have more to digest, right? Right. And, and I've said it before, but you know, ours, especially the registered fund, well, you know, we have registered advisors, we, we have a lot of data and that makes us ripe for, you know, the pickings, if you will, you know, provide us this, provide us that. And so, it's not a bottomless pit of resources that are available to do this—then, taking it back up to the board level, where does the board fit in with this discussion? You know.

Sara Crovitz (29:00):

Yeah. Yeah. No, thanks. That's great. Yeah. Well, this one will be maybe something we could talk about in a podcast next year, or maybe we'll get lucky and we won't have to <laugh>

Cynthia Plouché (29:09):

And we won't have to, right, right, because it has evolved over time since 2000. And so it will be interesting to see, I, I, you know, we know this is, fee disclosure is an important item that, and, but it's important to the commission, right? And so where it goes, I think we kind of have to wait and see,

Sara Crovitz (29:35):

Right? And we've already had, you know, we've had shareholder report updates, we've had, you know, numerous sorts of registration statement updates over the year. So it's, you know, do we really, do we really need this one?
Cynthia Plouché (29:46):
And what did we just go through that has until next year to be implemented? It has to do with more tailored shareholder reporting, right? Yeah. Yeah. So a lot.

David Grim (30:01):

In summary, a lot of well said, Cynthia. Let's go on so particular, yeah, yeah, yeah. Let's just add to the allot pile with our next topic. Yeah. Which is AI predictive data, right? So here's another area where this one, actually, the SEC, has ruled, rolled out a rule proposal, and just broadly speaking, it's a little bit legal sounding, right? Basically, advisors have to eliminate or neutralize conflicts anytime they use covered technologies in investor interactions. So like, there's a whole bunch of defined terms there that I'm not gonna get into. The way I like to explain it to people is if you have an investing app on your phone, mm-hmm <affirmative>. What is the SEC worried about? Every time you go in, you trade something and you get the balloons celebrating, ah, you know, great job investing, that they're worried that that promotes, you know, behavior that's maybe not in the best interest of the investors, right? Is that gonna encourage you to overtrade or invest in things that you really shouldn't be investing in? Mm-Hmm. And so there's that sort of policy,

Cynthia Plouché (31:21):

It’s not a moral concern. It’s not quite moral hazard, but it’s, I don’t know, but go ahead. Yeah.

David Grim (31:27):

Yeah. Exactly right? And so, oh, hey, if that’s the policy concern, and then there’s this rule that has, you know, all kinds of all kinds of concerns with it. Like, we’re actually, the public comments aren’t due quite yet. They’re, they’re due in October of 2023. So, folks are still working on the specifics of their comments. But I think <laugh>, you’ve already heard sort of a preview of some very, very critical concerns by various folks, right? I mean, you know, this is a war on technology, right? It’s, you know, an attack on investor education, right? Like a lot of these tools that are sort of captured by this rule are intended to help the very investors that the SEC seems to be, you know, concerned about their activity. So there, there’s all kinds of their really major concerns.

David Grim (32:29):

You know, when you get to the legal part of it, it’s sort of how the rule defines dealing with conflicts is, is, is a new way, you know, sort of would up, up, you know, turn overturn longstanding approaches to how to deal with conflicts. There’s questions about the SEC’s authority to do this rule at all. So there’s gonna be a lot in, in, in the comment file for sure. So looking forward to reading all of those, all of those comments. But with that kind of wind up, Cynthia, you know, there’s lots of discussion of AI these days, right? It’s in the headlines all the time; obviously, the advisors, the compliance folks, the managers, and the lawyers are wound up about this proposal. But talk about how boards think about AI.

Cynthia Plouché (33:22):

Yeah. So it’s early in the game for us, I would say, right? It’s, but you know, most of the discussions that I’ve been privy to or heard, you know, it’s been more about the benefits of AI, right? And, the good that can be done from various aspects of the fund business. And so, I personally am excited about what’s happening in this technological aspect of what, you know, the environment that we find ourselves in. I think the piece about investor education is absolutely true. You, you know, that, that you can, you know, we talk, one of my things is about financial literacy, right? And so, how can you get education literacy out to younger generations in particular, and make that something that makes sense to them? And if, you know, maybe you’re worried for, you know, the promoting behavior that feels like gambling, but you know, there’ll be a certain percent of the population that will take that avenue. But I don’t believe that you set policy and regulations to, you know, minimize the bad. Well, you minimize the bad, but you should be facilitating an overall lift and improvement for your shareholder base and your shareholder community. And so I, you know, I would be one who just keeps marching on, what about the investor education here, and what about, you know, making in a world that’s just going gangbusters, to you know, a more technologically driven place.

Cynthia Plouché (35:35):

I think you have to get with the program, and I appreciate that. We don't want, you know, that this possibility where the interest of the advisor and the fund might not always be aligned on this, but until we kind of flesh out and know more about what's being done, we can't know that. And I'm not a person who just goes to the negative side of things, right? And that's not how I lead. And I, I just, I believe that you can, you know, from an investment manager standpoint, if you build a new widget and it helps you bring more returns to your investors, you should be within boundaries able to do that, to pursue that. And so you know, that's kind of my take on it that we should support <laugh> the development of the technology, which, and the companies who do that.

Cynthia Plouché (36:45):

And you do put the bumper, you know, the guard rails up. But I, I find it, you know, we've been around, mutual funds have been around a long time. We are, we need to kind of rise up to the level of what shareholders are expecting these days because I would say that, you know, we want, we don't want to be the dinosaur, and that's a concern I have that we, we, we need to provide for those a hundred million people who use, you know, mutual funds or whatever, an opportunity to keep it simple, keep it regulated, and keep opportunities of, you know, positive investment returns in place.

Sara Crovitz (37:38):
Cynthia, I have a really important question for you.

Cynthia Plouché (37:42):
Yes.

Sara Crovitz (37:42):
When is your TikTok video on financial literacy coming out?

Cynthia Plouché (37:46):
<Laugh> I'll script it and let someone else do the, you know, get the glory.

Sara Crovitz (37:54):

So, Cynthia, thanks. And, I think that response just demonstrates why you're such a cherished and valued independent trustee in so many places. So we also wanted to touch on a couple of non-regulatory issues that I think, well, are important to you. So, what can you tell us about the IDC's initiatives around board diversity? Because I know that's something that you've been really involved in.

Cynthia Plouché (38:21):

Yeah, you know, and it's, I'm very proud that it's over the past year, IDC really has taken a variety of initiatives, and they've been in a variety, you know, various forms, right? And so we have a speaker series, and recently we had Ken Burns and Roger Ferguson last year or so. And even within those discussions and interviews, we weave in diversity and inclusion. And so my point is that at every aspect of IDC, we keep that, you know, at the forefront. And that's, you know, just, you know, so there's the speaker series, which is more indirect. Then, we have a more direct partnership with Diligent, which has basically created a portal-type situation for interested candidates to put their information in and have board opportunities accessible to them. Through that work, we've continued to build a relationship with the Go Foundation, which is supportive of, you know, in the financial services world.

Cynthia Plouché (39:46):

Many, many wonderful candidates have come out of that organization. And then we are doing something called a pilot program called Connections, where we provide the opportunity for someone who wants to be on a board, a fund board director, to talk to someone they call 'em seasoned, you know, trustees. And so those one-on-ones help you, even if you're kind of early in the process of, you know, thinking about fund boards and thinking about what they mean and what we do. And so those are sort of the indirect things. And then, more directly, we have, each year as part of our conference, panels that address the topic as well. And so I would say, you know, we, we've, we're doing a lot and we have more to come for the year ahead and, you know, again, basically we're just trying to keep the issue front and center without beating anyone over the head about it. But with realizing the importance of both gender diversity, you know, all kinds of diversity, and keeping an eye on how the market is moving,

Sara Crovitz (41:08):

That's great. Really, it's just wonderful to hear about the initiative that the IDC is taking in this area. Mm-Hmm <affirmative>. And so glad that you're there and supporting and pushing them through. Yeah. So I guess our last, the last topic we wanna just touch base with you on, because it's such a perennial issue for all boards, is succession planning. How do you think about board succession planning? Are there any tips you would share with your colleagues who are listening to this podcast? Mm-Hmm. When do they start to think about needing to replace someone on their board?

Cynthia Plouché (41:41):

Yeah. You know, so my first thought about this is that you keep it as transparent as possible, and that's a balancing act too, right? Because you want everyone to be able to give feedback or weigh in. And so I think a lot rolls into the chair for this, I think that transparency or the council also plays a good role here. And I say that because to the extent that the council does our assessments and helps us, you know, with the annual, is making it clear in that process that you can raise your hand to be considered, right? And so it's not raising it in the middle of the boardroom, but it is saying in the, you know, the confidence of your assessment. Yeah. This is something I think I would like to do. And I think that also ties in with being very straightforward and direct in terms of how you committee chairs and the whole thing, you know, succession.

Cynthia Plouché (42:53):

I believe I'm a supporter of succession in terms of board term limits, or, as I should say, so that you give an opportunity for leadership to be passed around in the boardroom. And so, you know, and again, I think that's the most important thing, I think is the balance that has to happen when you're, you know, and you can't you know, you can't let it be, oh, we're now a year out. I think good succession planning starts, you know, at least a couple of years. But one, it takes a while to find candidates and two, and, and we're not, if I'm talking about succession of the chair, I always hope that you can find that person from within the group, the existing board you know, and so that's why I say give people a chance to raise their hand. I, you know, those, that's the, the part that, you know, I would say sticks with me the most, that, I mean, have you, have I missed anything on that, or was something you would ask me about succession planning that I'm not focusing on?

Sara Crovitz (44:10):

On? I guess the only other, the only other thing you could address, if you have any tips on it, would be sort of bringing in new candidates, that process. What do you think works really well for having the board see good candidates? Obviously, the IDC's diligent resources could be used by one person, but are those the kinds of resources? How do you think?

Cynthia Plouché (44:30):

About that? That, yeah, I, I think that the IDC portal is just, you know, getting started, and we have, you know, had the, what, what we tried, and I've seen others get away from is just having it be that close network of your closest friends. I'll say it that way, right? And so how do you as a board expand your, your cast your net wide more widely? And, a lot of times, there are third parties who will help you do that. There are, I think, council comes in handy 'cause over time, just gathering resumes. And we know this is a highly networked kind of community, right? And so IDC members, that's, you know, we are there to, you know, if you call in or email in, someone will talk to you to help you ready yourself.

Cynthia Plouché (45:30):

And I think this is also getting to onboarding. And once you have done the work of whittling down a list of 30 to a list of five, you get the person who you think fits you, you know, then just making, again, I call on it. My experience has been that the council has helped to do some orientation and to make you aware that you won't get this all in your first or second meetings, you know? And so I think the runway that people have matters, you know, because it just takes a while. And so that's, you know, that patience again is important, and some people can hit the ground running more and more boards, you know, are putting in age, you know, limits. And so that matters in terms of, and I, you know, I think the days of people having 25-year terms on boards are probably, you know, in the rear view mirror.

Cynthia Plouché (46:38):

So yeah, I think ultimately board work and the fun board work is about collaboration and who you will be in the trenches with. And I think it matters even more so now, and I'll close with this, is that I think, you know, as the landscape keeps changing, as technology, as regulatory demands grow, the makeup of your board can change too. You know, we don't all need to be portfolio managers. We don't all need to be accountants, you know, but but, but those people who are just analytically focused problem solvers and with personalities that can, you know, worked with other people, that's, and it's not always easy with type a's, you know, they're used to. This is my show, <laugh>,

Sara Crovitz (47:35):

Oh, excuse. There are no type A's on any of your boards, are there? No, no, <laugh>. Thank you. That's great. Thanks.

David Grim (47:44):

Yeah, that's really, really terrific. So, I guess I've just closed by saying that it was just an amazing discussion. I mean, there are so many more things we could talk about, but I, I, let's wrap it up for now. And I just wanted to say thanks so much to folks. Yeah, thank

Cynthia Plouché (48:02):

You for having me. It was a pleasure. I learned a lot on the way, you know, which I always think, if you've gotten something out of it, then that's great. So, thank you very much for having me.

David Grim (48:13):

It's funny, your message is exactly mine. I was like, just thinking how much I learned as we were talking today. So thank you, thank you for teaching me. It's been great to have you, and I'm sure our audience also learned a lot from listening to us. So thanks again. And thanks, everyone, for listening.

(48:30):

Thanks so much for tuning in to episode five of Stradley Ronon's Talking Investment Management podcast. For more than 95 years, Stradley Ronon's investment management practice has helped shape the investment management industry by assisting with the creation of innovative investment products and services from obtaining industry first exemptive and no action relief to assisting in the development of novel products, we have helped our clients become or remain industry leaders as the investment management industry and our clients have evolved. So, are we adding attorneys with experience in emerging areas such as next generation exchange traded products, commodity futures, trading, commission regulation, swaps, and other derivatives trading? Meet our team at stradley.com.

For more information, contact:

Sara P. Crovitz
Partner and Co-Chair,
Investment Management
202.507.6414
scrovitz@stradley.com

David W. Grim
Partner and Co-Chair,
Investment Management
202.507.5164
dgrim@stradley.com