

# **SUMMARY OF KEY PROVISIONS OF CORZINE-DODD “MUTUAL FUND INVESTOR CONFIDENCE RESTORATION ACT”**

## **STRENGTHENING FUND GOVERNANCE**

- Require 2/3 of boards, chairmen, and nominating committees to be independent.
- Establish internal controls, a code of ethics, and designated personnel responsible for ensuring adherence to stated policies and compliance with relevant securities laws.
- Require Sarbanes-Oxley-like “certification” from Board Chairmen and Chief Compliance Officers.
- Require audit committees consisting of independent directors in conformity with Sarbanes-Oxley.
- Disclose to investors insider transactions, proxy voting records and SEC deficiency letters.

## **IMPROVING COST, FEE AND OTHER DISCLOSURES TO SHAREHOLDERS**

- Provide new, simplified ‘real’ dollar disclosure to shareholders of all costs that reduce the value of their assets, including transaction costs and brokerage commissions.
- Require investment advisers to adequately disclose certain sales practices, including revenue-sharing and directed brokerage arrangements.
- Disclose the value of research and other services paid for as part of brokerage commissions, directing the SEC to study so-called “soft-dollar” arrangements.
- Require up-front disclosure that investors are eligible to receive breakpoint discounts, including terms by which they can receive them.
- Reduce risk of “churning” by requiring the SEC to develop a method to disclose the impact of churning on investors’ after-tax returns.
- Disclose to investors the compensation to broker-dealers in connection with selling fund shares.
- Disclose to investors the structure, and total amount, of compensation made to investment advisers.

## **ADDRESSING LATE-TRADING AND MARKET TIMING**

- Increase criminal and civil penalties for late-trading violations.
- Direct the SEC to expedite current rulemaking aimed at addressing market-timing abuses.
- Require funds and advisers to establish formalized, auditable market-timing policies that are disclosed to shareholders and reviewed for compliance on an ongoing basis.
- Establish rules that allow for an increase in short-term redemption fees.
- Direct SEC to study allowing funds to retain gains from short-term trading activity.

## **BOLSTERING MUTUAL FUND INDUSTRY OVERSIGHT**

- Review allocation of SEC resources dedicated to industry oversight, studying the feasibility of establishing a new, independent regulator – the Mutual Fund Oversight Board.
- Direct the SEC to establishing incentives, and protections, for whistleblowers.
- Require the GAO to review coordination of enforcement efforts between the SEC and states.
- Require SEC to consider toughening hedge fund regulation.