

The logo for K&L GATES is displayed in white, bold, sans-serif capital letters on a dark blue rectangular background. The background of the entire slide features a complex financial data visualization with a world map, various line and bar charts, and scattered numerical values in shades of blue and white.

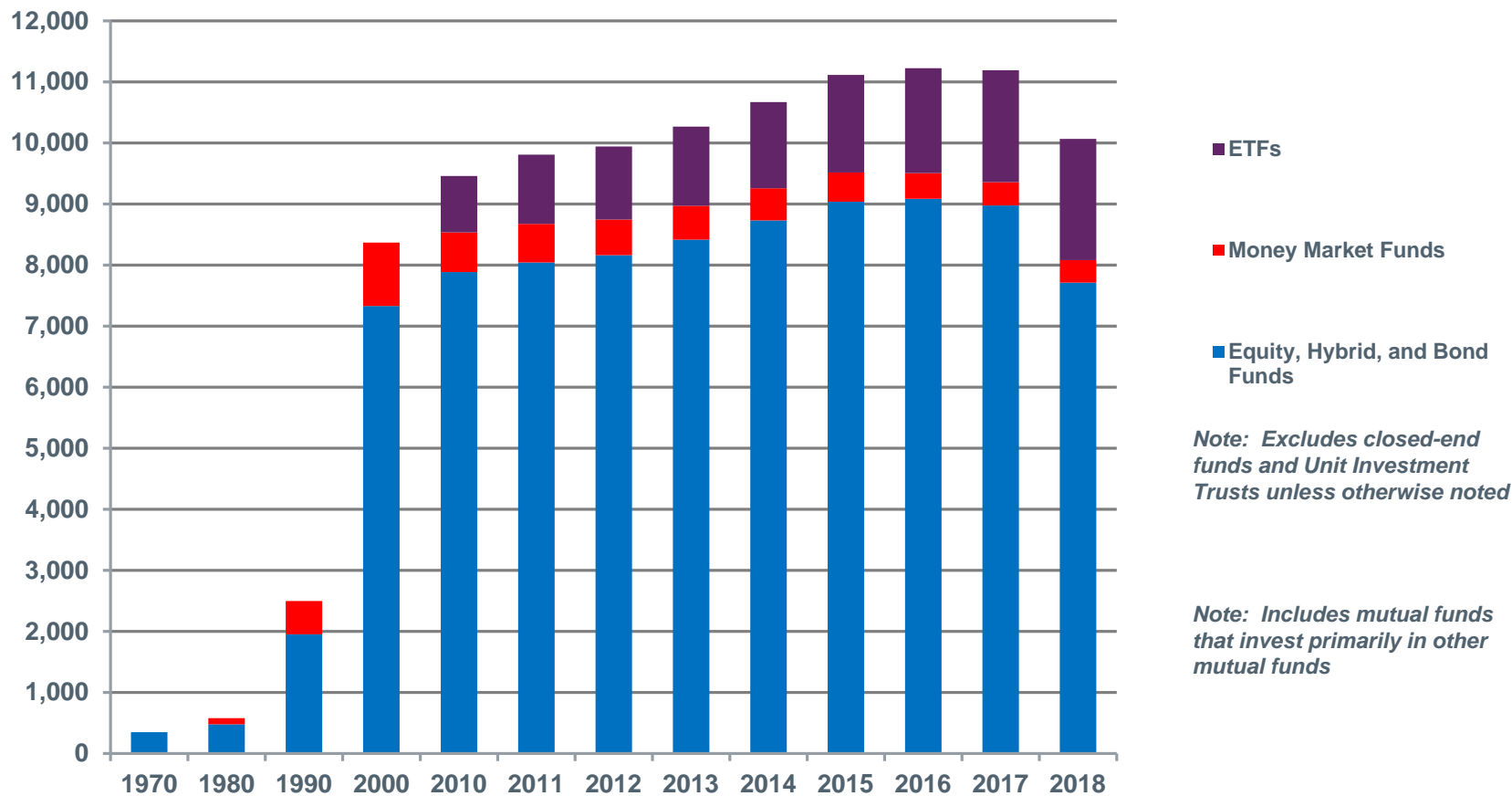
K&L GATES

2019 WASHINGTON D.C. INVESTMENT MANAGEMENT
CONFERENCE – November 12, 2019

Overview of the Investment Company Complex

Mark Goshko, Partner, K&L Gates LLP
Franklin Na, Partner, K&L Gates LLP
Yoon Choo, Of Counsel, K&L Gates LLP

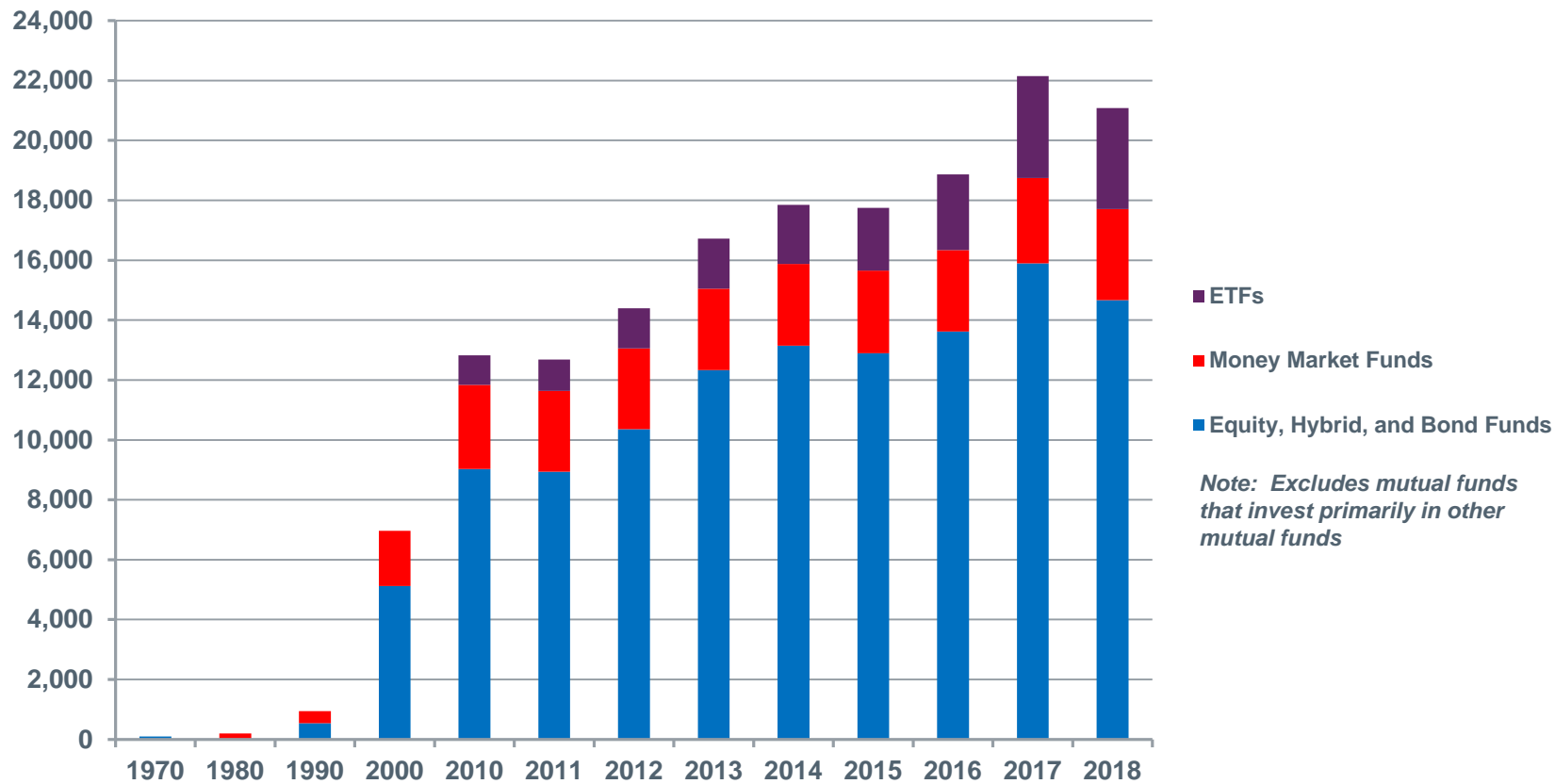
NUMBER OF FUNDS



Investment Company Institute, "2019 Investment Company Fact Book"



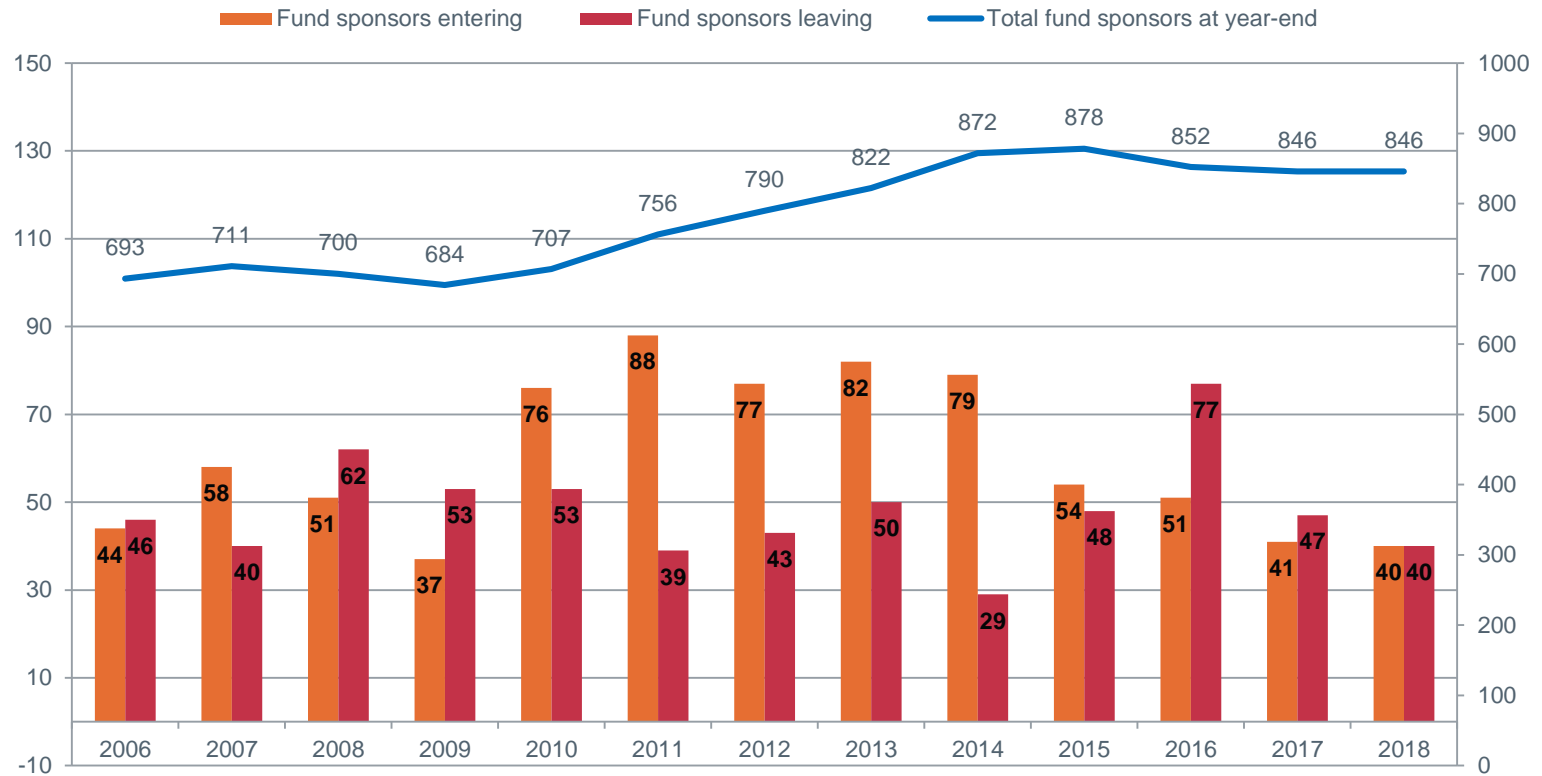
ASSETS OF FUNDS (BILLIONS OF DOLLARS)



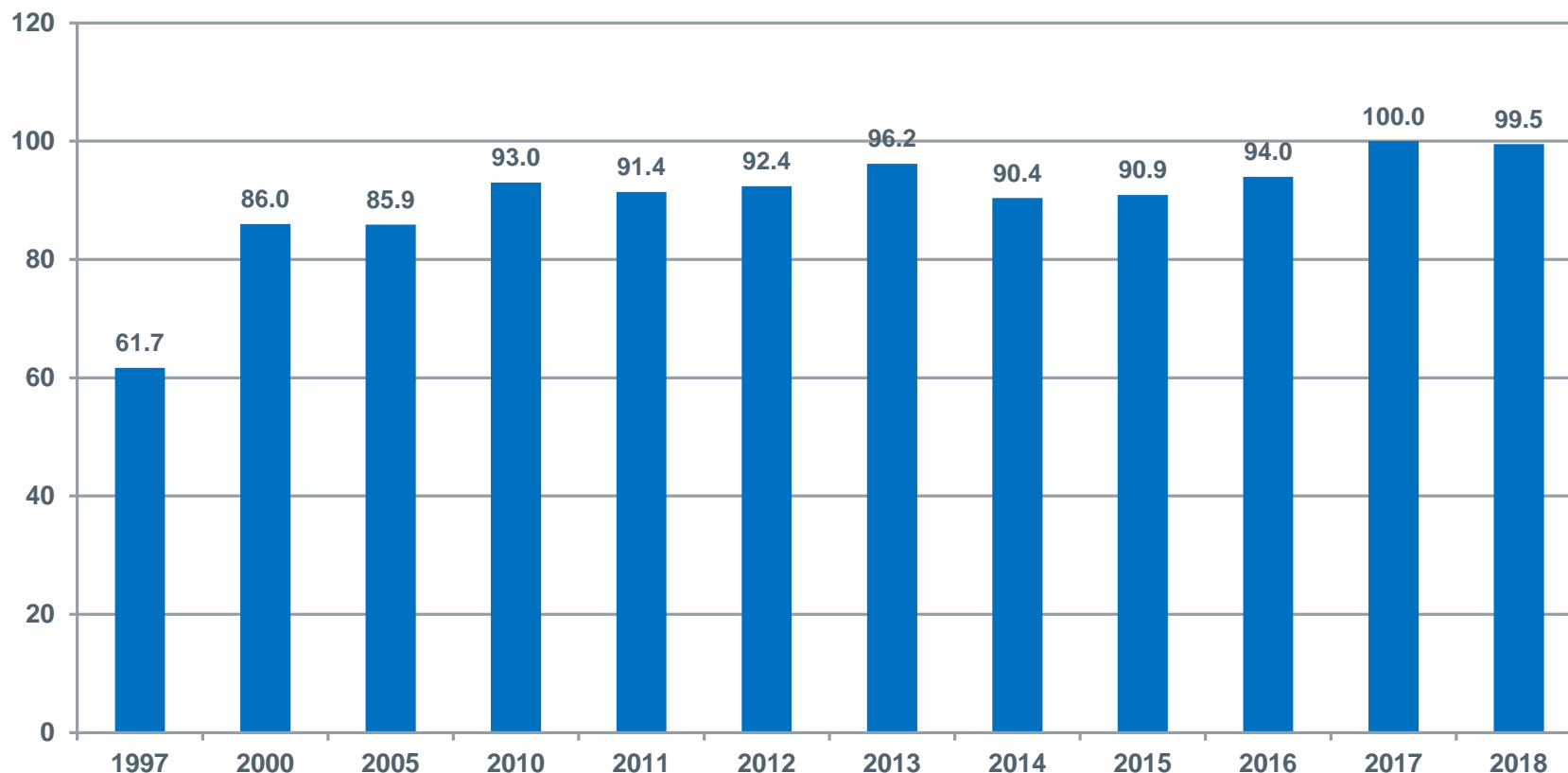
Investment Company Institute, "2019 Investment Company Fact Book"



NUMBER OF FUND SPONSORS

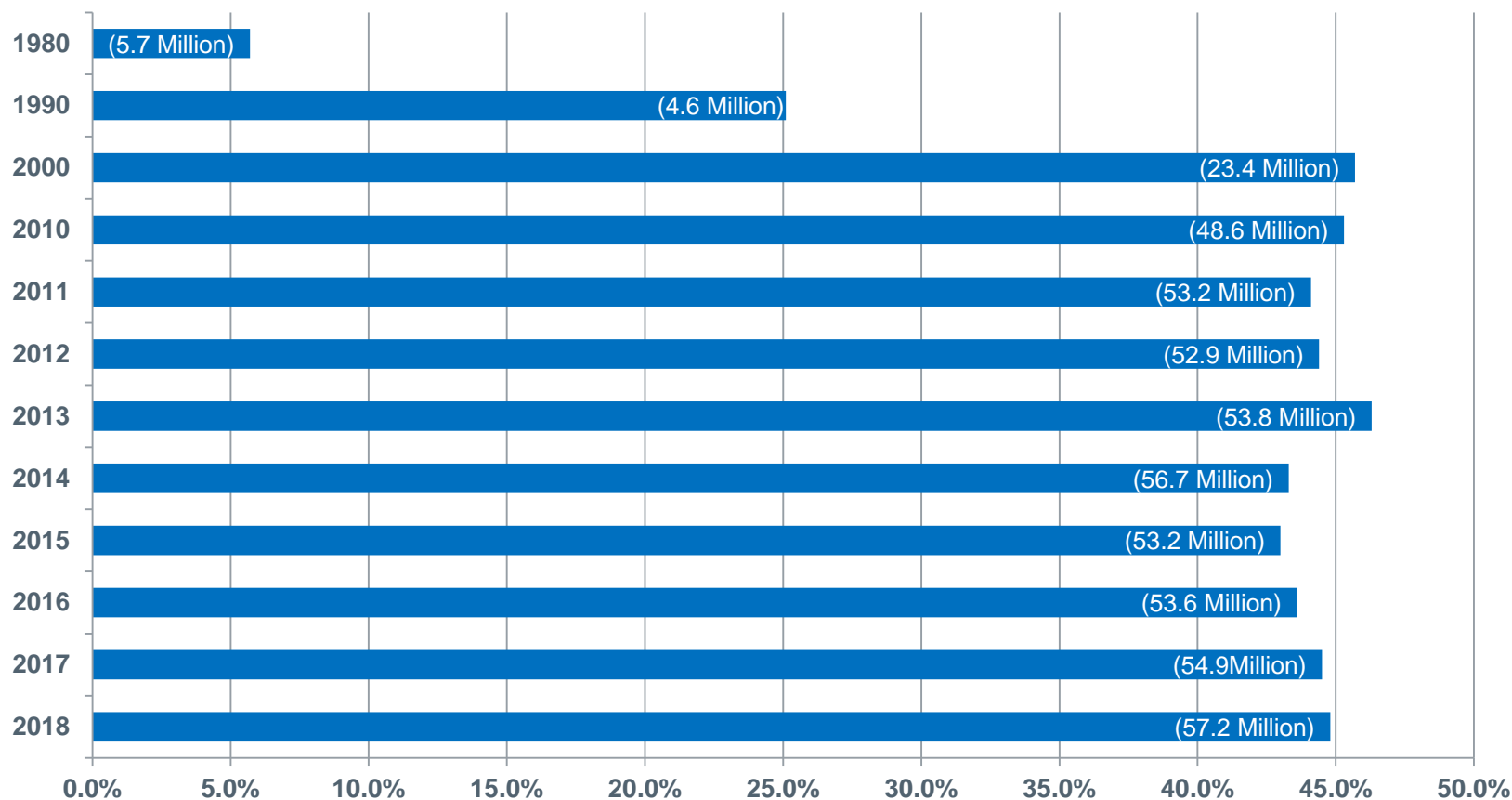


NUMBER OF MUTUAL FUND SHAREHOLDERS (MILLIONS)



ICI Research Perspective, Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2018 (November 2018)

HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS (PERCENT OF U.S. HOUSEHOLDS)



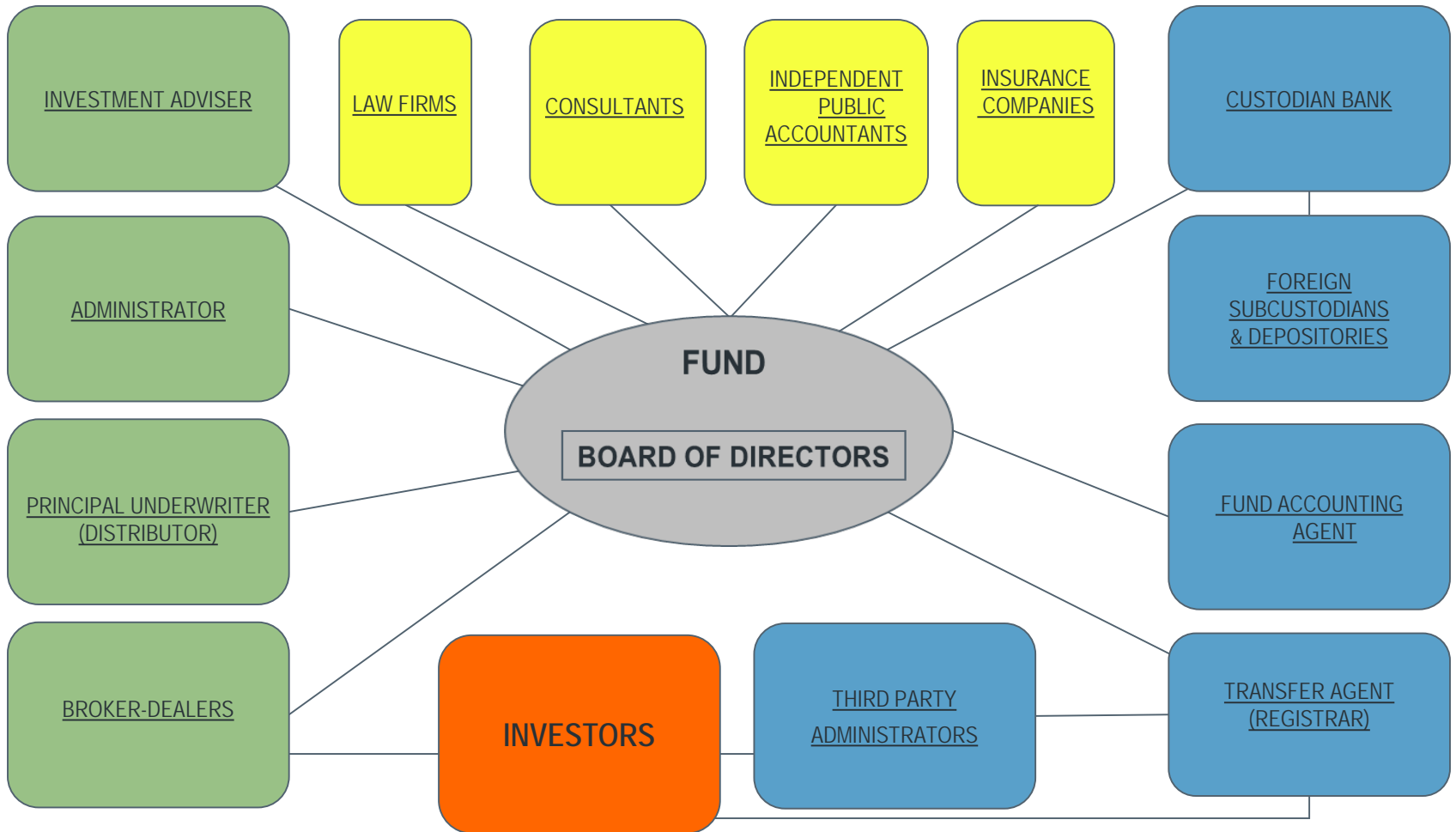
Investment Company Institute, "2019 Investment Company Fact Book"



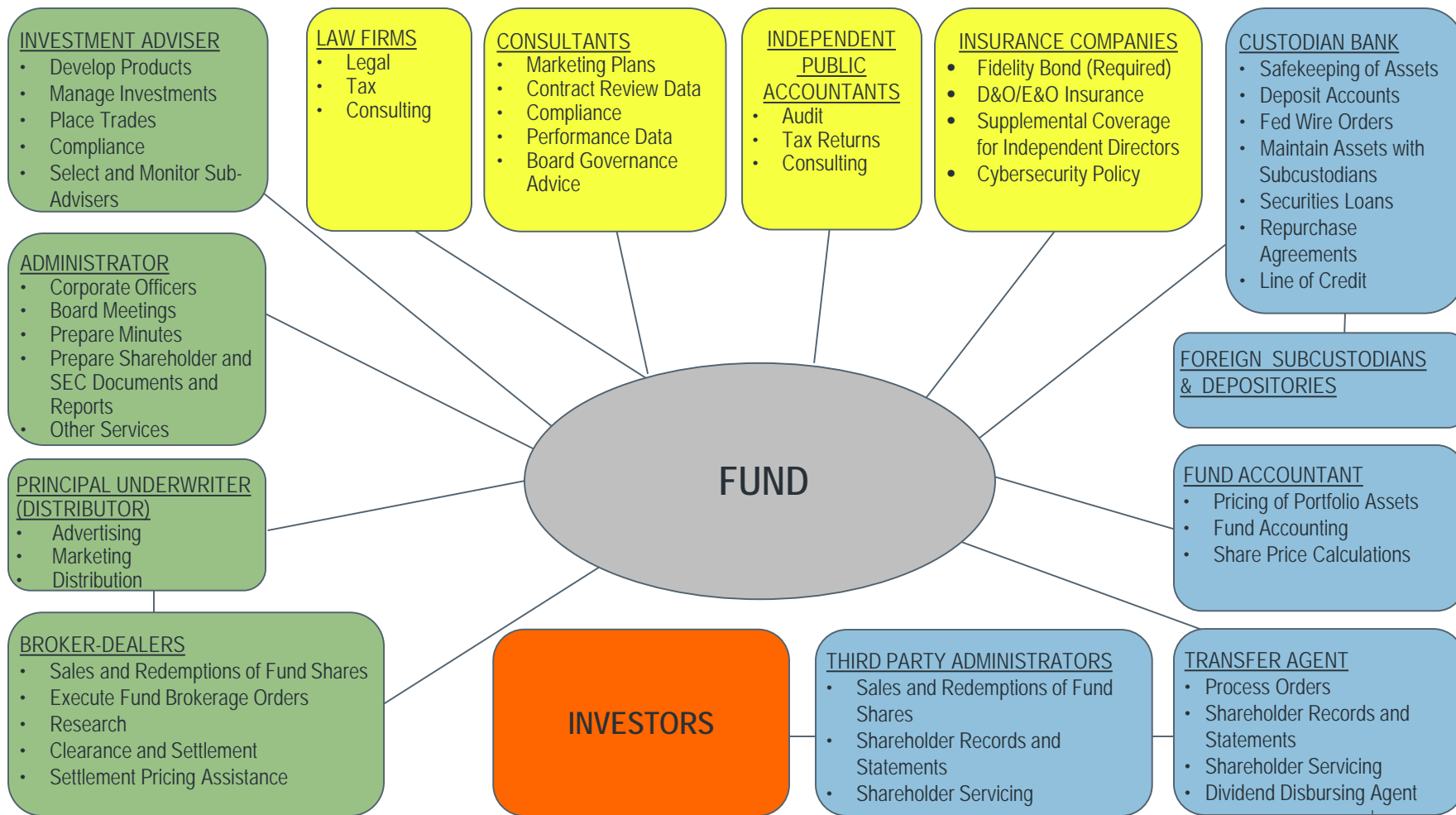
FUND INDUSTRY PLAYERS & REGULATION

- U.S. Fund Industry Vendors
- Principal Services of Fund Vendors
- Principal Regulatory Statutes and Regulators for Fund Vendors
- Mutual Fund Distribution Channels

U.S. FUND INDUSTRY VENDORS



PRINCIPAL SERVICES OF FUND VENDORS



PRINCIPAL SERVICES OF FUND VENDORS

INVESTMENT ADVISER

- Develop Products
- Manage Investments
- Place Trades
- Compliance
- Select and Monitor Sub-Advisers

- Contract requirements, including:
 - Written contract
 - Manner of approval, amendment and continuance
 - Description of compensation
 - Standard of care
 - Termination upon "assignment" – no trafficking
- Other advisory contract considerations



PRINCIPAL SERVICES OF FUND VENDORS

ADMINISTRATOR

- Corporate Officers
- Board Meetings
- Prepare Minutes
- Prepare Shareholder and SEC Documents and Reports
- General Accounting Services and Internal Controls
- Compliance
- Oversight of Certain Other Service Providers



PRINCIPAL SERVICES OF FUND VENDORS

PRINCIPAL UNDERWRITER (DISTRIBUTOR)

- Advertising
- Marketing
- Distribution

- Marketing and Distribution of Fund Shares
- Contract requirements, including:
 - Written contract
 - Manner of approval, amendment and continuance
 - Standard of Care
 - Termination upon “assignment”
- 12b-1 Plans – Funds Paying for Distribution

BROKER-DEALERS

- Sales and Redemptions of Fund Shares
- Execute Fund Brokerage Orders
- Research
- Clearance and Settlement
- Settlement Pricing and Assistance



PRINCIPAL SERVICES OF FUND VENDORS

- Safekeeping of the Fund's Assets
- General Investment Company Act requirements applicable to types of custody arrangements:
- Bank custody
- Broker-dealer custody
- Self-custody
- Central depositories and book-entry systems
- Margin for futures contract transactions
- Foreign custody

CUSTODIAN BANK

- Safekeeping of Assets
- Deposit Accounts
- Fed Wire Orders
- Maintain Assets with Subcustodians
- Securities Loans
- Repurchase Agreements
- Line of Credit

FOREIGN SUB-CUSTODIANS & DEPOSITORIES

PRINCIPAL SERVICES OF FUND VENDORS

FUND ACCOUNTANT

- Pricing of Portfolio Assets
- Fund Accounting
- Share Price Calculations

TRANSFER AGENT (REGISTRAR)

- Process Orders
- Shareholder Records and Statements
- Shareholder Servicing
- Dividend Disbursing Agent

THIRD PARTY ADMINISTRATORS

- Sales and Redemptions of Fund Shares
- Shareholder Records and Statements
- Shareholder Servicing



PRINCIPAL SERVICES OF FUND VENDORS

LAW FIRMS

- Legal
- Tax
- Consulting

CONSULTANTS

- Marketing Plans
- Contract Review
Data
- Compliance
- Performance Data
- Board Governance Advice



PRINCIPAL SERVICES OF FUND VENDORS

INDEPENDENT PUBLIC ACCOUNTANT

- Audit
- Tax Returns
- Consulting

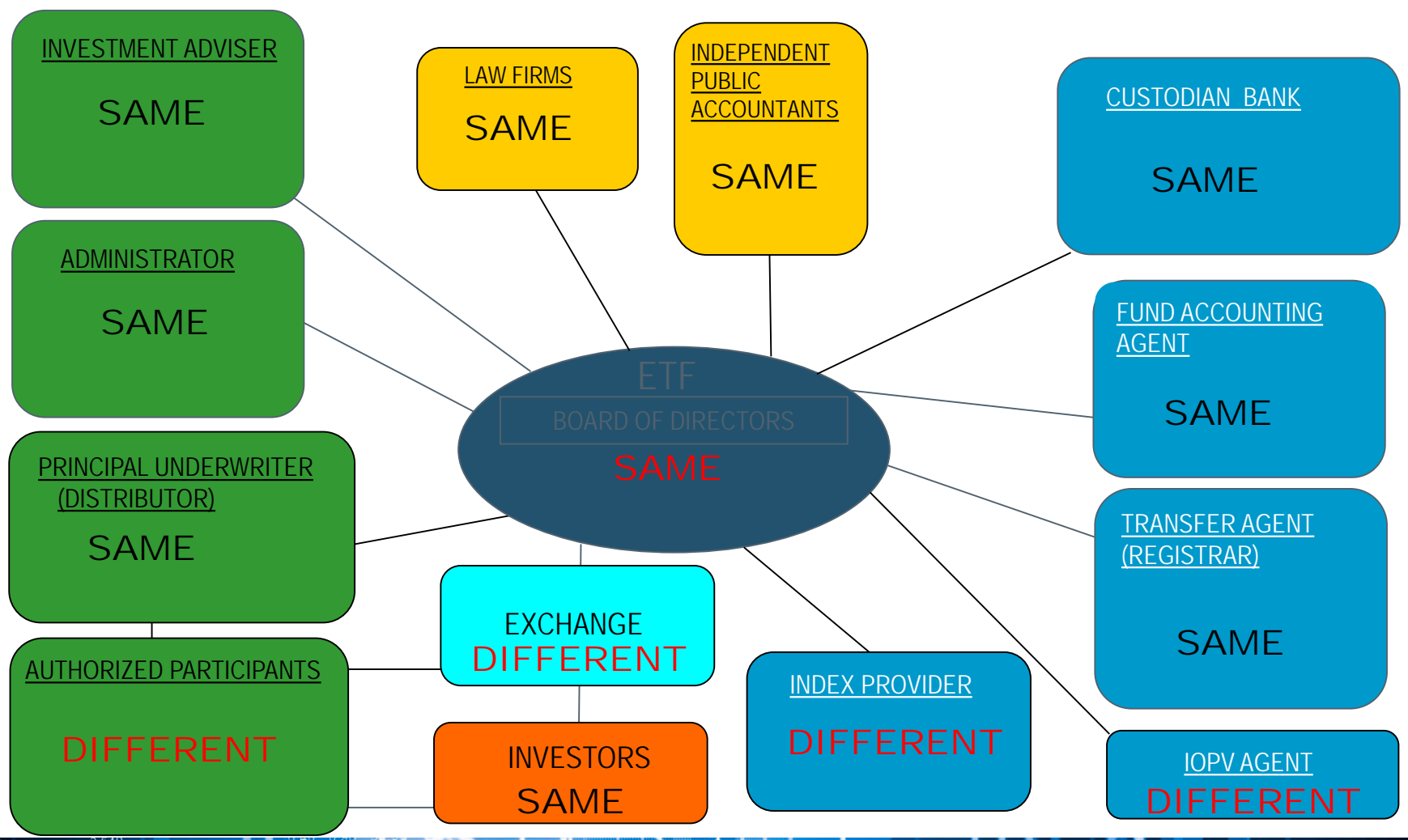
- Selection of Accounting Firm
 - Independent directors approve in person
 - Shareholder ratification unless Rule 32a-4 satisfied
- Approval of services
- Sarbanes-Oxley Act imposes additional requirements regarding auditor independence

INSURANCE COMPANIES

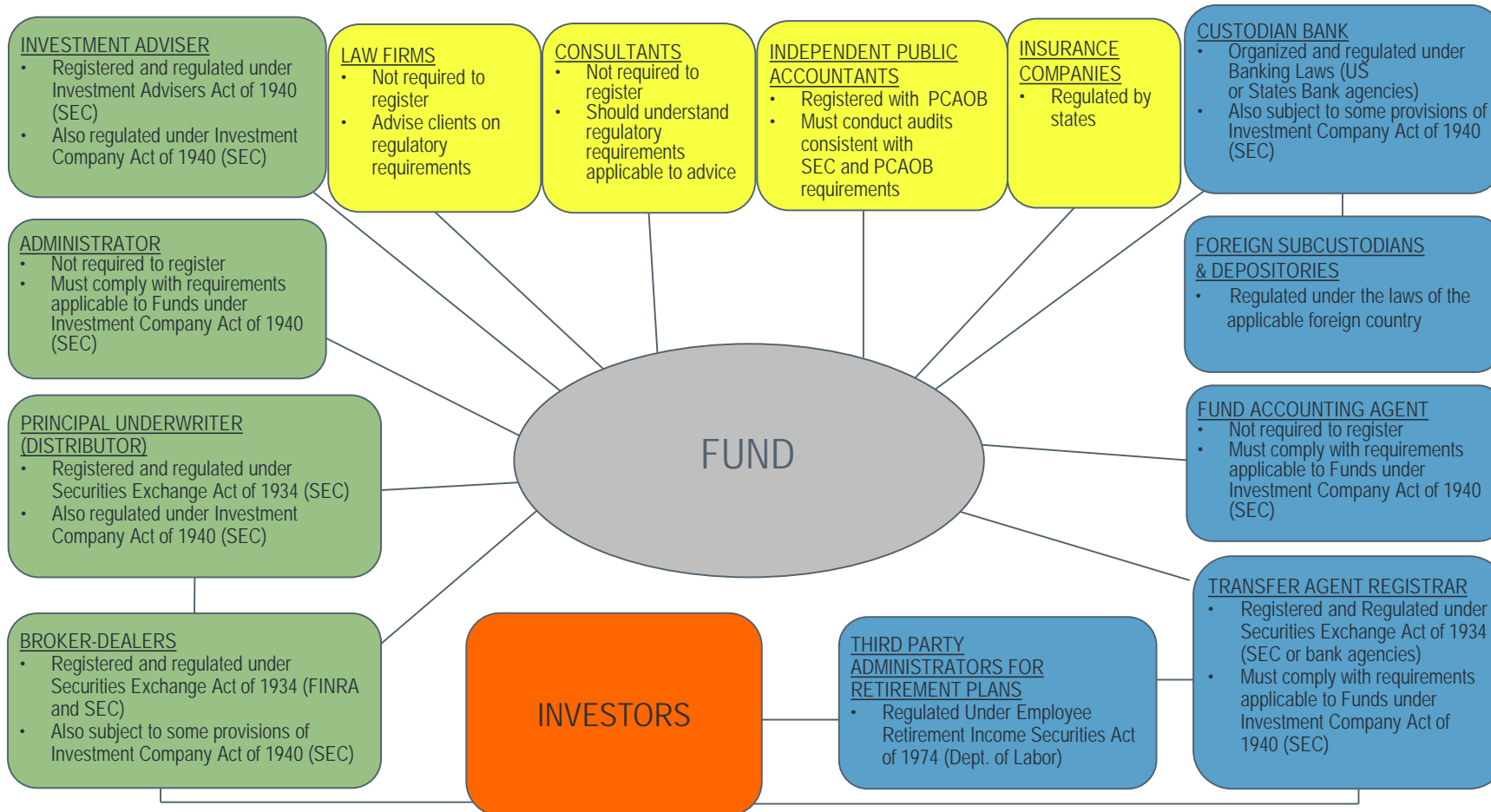
INSURANCE COMPANIES

- Fidelity Bond (Required)
 - Amount
 - Annual Board consideration
 - Filing of bond
- D&O/E&O Insurance (Directors and officer/errors and omissions liability insurance)
 - Industry practice
 - Form of policy
- Supplemental Coverage for Independent Directors
- Cybersecurity Policy

U.S. ETF INDUSTRY VENDORS



PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

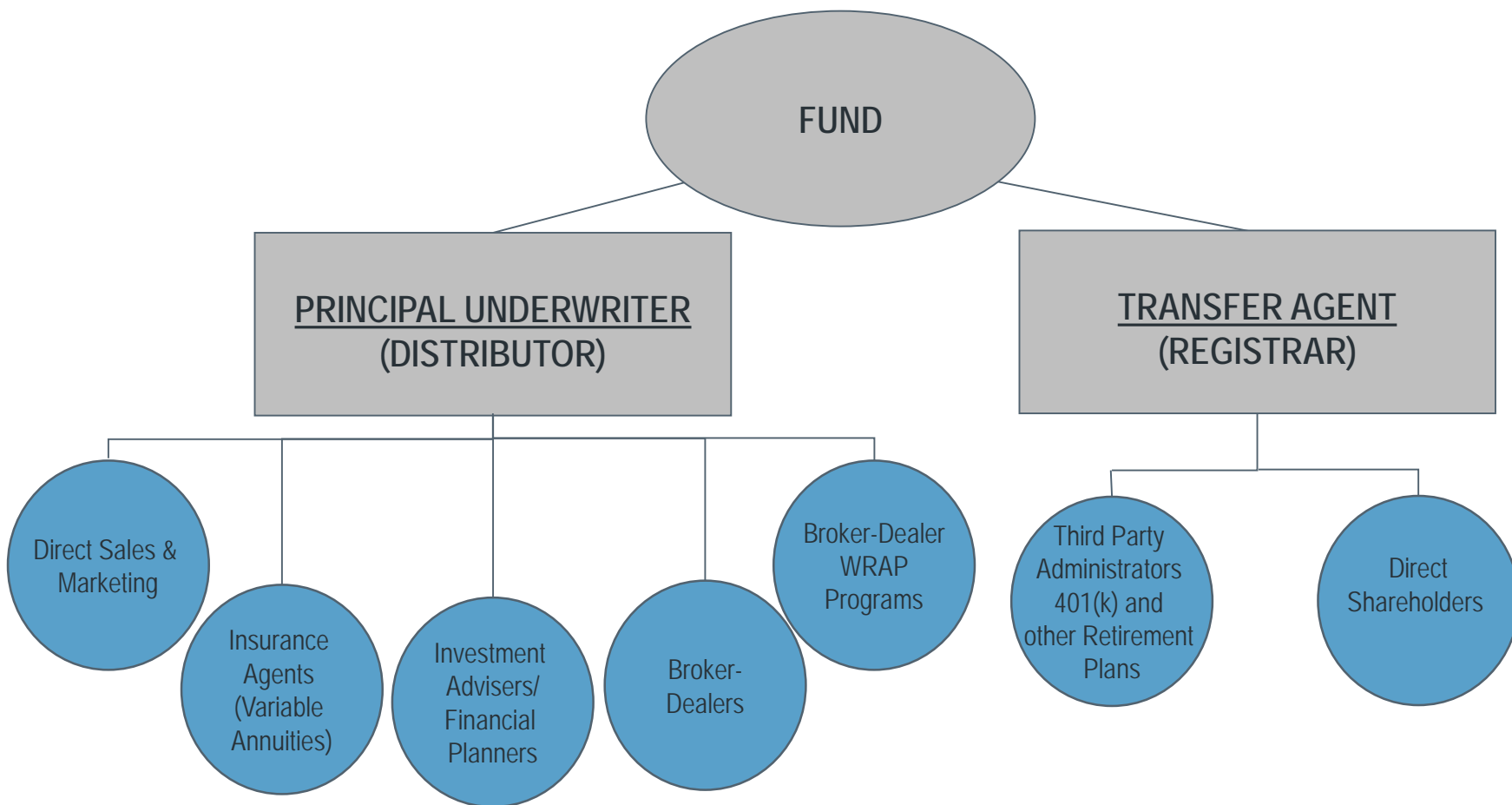


INVESTMENT COMPANY ACT OF 1940

- Issues Addressed by 1940 Act (§2(b))
 - Inadequate disclosure
 - Managed to benefit advisers and other affiliates
 - Unsound valuation and accounting
 - Changes in fundamental operations without shareholder approval
- Four Requirements Imposed by 1940 Act on Directors
 - Approval of advisory agreements
 - Approval of underwriting agreements
 - Approval of independent auditors
 - Valuation of securities for which no “market quotations are readily available”



MUTUAL FUND DISTRIBUTION CHANNELS





Questions?



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